

C O N T E N T S

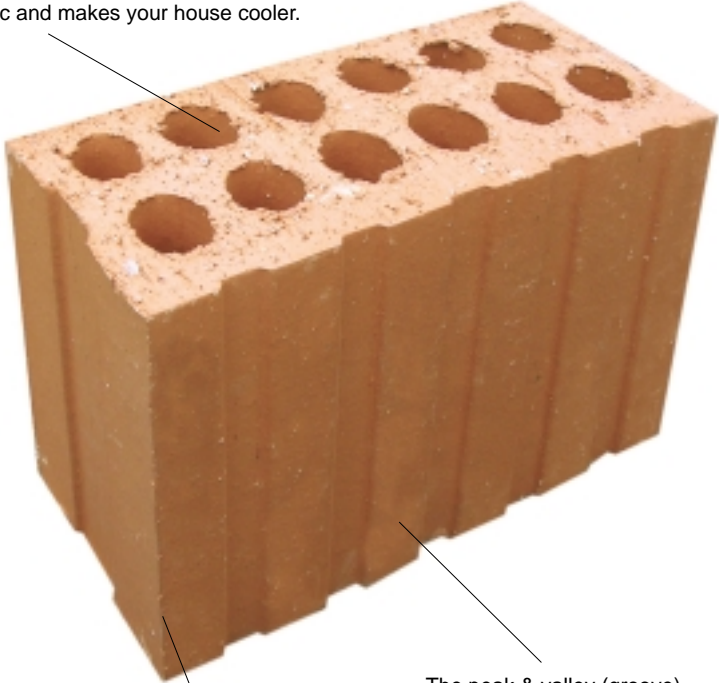
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EconBlocks

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

Is EconBlocks

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



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

Bigger size translates to bigger saving.

Specification

Approx. size: 240 X 98 X 175mm
Approx. weight: 5.3kgs

Packing Information

273pcs/pallet
Approx. weight/pallet: 1460kgs

Roofing Tiles

CLAYON roofing tiles are produced from the highest quality clay and are made to last.

CLAYON roofing tiles are the choice of uncompromising industry professionals that demand the very best for top-end real estate development.



Standard flat interlocking tile
- Natural Red



Smooth Face Facing Bricks
Super Red



Smooth Face Facing Bricks
Cream



Smooth Face Facing Bricks
Brown

Barkface Facing Bricks
Cream



Barkface Facing Bricks
Super Red



Rockface Facing Bricks
Super Red



Rockface Facing Bricks
Cream



Rockface Facing Bricks
Brown

Paver

CLAYON - Excellent control of firing temperature and atmosphere in the Lingli kiln produces clean and warm colour clay pavers which gives an immaculate overall even-coloured look.



Heritage Red



Premier Red



Heritage Cream



Premier Cream



Heritage Brown



Premier Brown



Heritage Grey



Premier Grey

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twelfth Annual General Meeting of Kia Lim Berhad will be held at Dewan Okid, 2nd Floor, Hotel Carnival, 2, Jalan Fatimah, 83000 Batu Pahat, Johor, Malaysia on Tuesday, 29 May 2007 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 2006 together with the Directors' and Auditors' Report thereon. **RESOLUTION 1**
2. To approve the payment of Directors' Fees for the year ended 31 December 2006. **RESOLUTION 2**
3. To re-elect the following Directors who retire during the year in accordance with the Company's Articles of Association and being eligible, offer themselves for re-election: -
 - i) YB Datuk Ariss Bin Samsudin - Article 80 **RESOLUTION 3**
 - ii) Loh Chee Kan - Article 80 **RESOLUTION 4**
 - iii) Dr Ng Yam Puan @ Ng Ah Bah - Article 80 **RESOLUTION 5**
 - iv) YB Koh Chai @ Koh Chee Chai - Article 87 **RESOLUTION 6**
4. To consider, and if thought fit, to pass the following resolution: - **RESOLUTION 7**

"**THAT** pursuant to Section 129(6) of the Companies Act, 1965, Datuk Ng Eng Sos @ Bah Chik be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting."
5. To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration. **RESOLUTION 8**

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following Ordinary Resolutions: -
 - ORDINARY RESOLUTION 1 **RESOLUTION 9**

AUTHORITY TO ALLOT SHARES - SECTION 132D

"**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 **RESOLUTION 10**

PROPOSED RENEWAL OF THE EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("Proposed RSM")

"**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 30 April 2007 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: -

NOTICE OF ANNUAL GENERAL MEETING

- (a) the conclusion of the next Annual General Meeting ("AGM") following the forthcoming AGM at which such Proposed Renewal Of The Existing Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature 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 Companies Act, 1965 ("Act") (but shall 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 11

"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 30 April 2007 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 AGM of the Company following the forthcoming AGM at which such Proposed Shareholders' Mandate For New Recurrent Related Party Transactions Of A Revenue Or Trading Nature 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 Companies Act, 1965 ("Act") (but shall 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 consider and if thought fit, to pass the following Special Resolution: -

SPECIAL RESOLUTION
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

RESOLUTION 12

"THAT the alterations, modifications or additions to the Articles of Association of the Company as contained in the Circular set out in Appendix I be and are hereby approved."

NOTICE OF ANNUAL GENERAL MEETING

8. To transact any other business appropriate to an Annual General Meeting.

BY ORDER OF THE BOARD

NURULUYUN BINTI ABDUL JABAR (MIA 9113)
LEONG SIEW FOONG (MAICSA No. 7007572)
Company Secretaries

Johor Bahru
30 April 2007

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.

EXPLANATORY NOTES ON SPECIAL BUSINESS:

1. Resolution 9 Pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 9, if passed, will empower the Directors to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval.

2. Resolution 10 and Resolution 11

The Proposed RSM under Ordinary Resolution 10 was intended to renew the shareholders' mandate granted by the shareholders of the Company at an Annual General Meeting of the Company held on 25 May 2006.

The Proposed SM under Ordinary Resolution 11 was intended to obtain the shareholders' mandate for New Recurrent Related Party Transaction 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 2006.

3. Resolution 12

The proposed amendments to the Company's Articles of Association are to be in line with Listing Requirements of Bursa Securities vide its letter on Significant Enhancements to the Listing Requirements for Main Board, Second Board and Mesdaq Market dated 14 December 2006.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.28(2) of the Bursa Malaysia Securities Berhad Listing Requirements, appended hereunder are:

Details of individual who is standing for election as Director: -

YB KOH CHAI @ KOH CHEE CHAI, Malaysian, aged 59, was appointed Independent Non-Executive Director of Kia Lim Berhad on 29 November 2006. Presently he is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company.

He is currently a member of State Assembly of Penggaram, Johor.

Save as disclosed, he has i) no shareholding in the Company or in any of its subsidiaries; ii) no family relationship with any Director and/or major shareholder of the Company; iii) no conflict of interest with the Company; and iv) no conviction for offences within the past ten (10) years.

CORPORATE INFORMATION

DIRECTORS

Datuk Ng Eng Sos @ Bah Chik
YB Datuk Ariss Bin Samsudin
Datuk Ng Yeng Keng @ Ng Ka Hiat
Tan See Chip
Dr Ng Yam Puan @ Ng Ah Bah
Mohd Salleh Bin Jantan
YB Koh Chai @ Koh Chee Chai
Loh Chee Kan
Chua Syer Cin
Ng Chin Kang

SECRETARIES

Nuruluyun Binti Abdul Jabar (F)
Leong Siew Foong (F)

REGISTERED OFFICE

Suite 6.1A, Level 6
Menara Pelangi
Jalan Kuning
Taman Pelangi
80400 Johor Bahru
Johor Darul Ta'zim
Telephone : 07-3323536
Fax : 07-3324536

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 26, Menara Multi Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Telephone : 03-27212222
Fax : 03-27212530

PRINCIPAL PLACE OF BUSINESS

79, Jalan Muar
Parit Sulong
83500 Batu Pahat
Johor Darul Ta'zim

AUDITORS

Ernst & Young
Chartered Accountants

PRINCIPAL BANKERS

CIMB Bank Berhad (formerly known as Bumiputra-
Commerce Bank Berhad)
EON Bank Berhad
Hong Leong Bank Berhad
Malaysian Industrial Development Finance Berhad
RHB Bank Berhad

STOCK EXCHANGE

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

MEMBERS

Loh Chee Kan

- Chairman, Independent Non-Executive Director

Datuk Ng Yeng Keng @ Ng Ka Hiat

- Member, Deputy Managing Director

Chua Syer Cin

- Member, Independent Non-Executive Director

YB Koh Chai @ Koh Chee Chai (Appointed on 29 November 2006)

- Member, Independent Non-Executive Director

Tan Seng Kee (Resigned on 30 August 2006)

- Member, Independent Non-Executive Director

TERMS OF REFERENCE

Membership

The Committee shall be appointed by the Board from amongst its Directors excluding alternate directors which fulfils 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
- (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 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, excluding the attendance of the executive members of the Committee, 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 adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations the internal audit function when it is established;
 - (g) 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.
 - (h) 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;
 - (i) any letter of resignation from the external auditors of the Company;
 - (j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and
 - (k) any significant audit findings, reservation, difficulties encountered or material weakness reported by the external and internal auditors.
- (2) recommend the nomination of a person or persons as external auditors and auditors' remuneration.
- (3) 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 once 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.

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 2006 as follows:

| No. | Name of Audit Committee Members | Number of Meetings Attended |
|-----|---------------------------------|-----------------------------|
| 1 | Loh Chee Kan | 4 |
| 2 | Datuk Ng Yeng Keng @ Ng Ka Hiat | 4 |
| 3 | Chua Syer Cin | 3 |
| 4 | YB Koh Chai @ Koh Chee Chai | N/A |
| 5 | Tan Seng Kee | 3* |

* 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 2006.

A total of four (4) Audit Committee Meetings were held during the financial year ended 31 December 2006.

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.

PROFILE OF BOARD OF DIRECTORS

DATUK NG ENG SOS @ BAH CHIK, Malaysian, aged 71, was appointed Chairman & Managing Director of Kia Lim Berhad ("KLB") on 5 March 1996 and is one of the founder members of Syarikat Kia Lim Kilang Batu Bata Sdn Bhd ("SKL") and Kangkar Raya Batu Bata Sdn Bhd ("KRBB"), both are the subsidiary companies of KLB. Currently, he is also a member of the Remuneration Committee of the Company.

He has over thirty five (35) years of experience in various industries such as brick making, building and civil engineering works, housing development, sawmilling, logging and manufacturing of wood-based products. He was the Director of Syarikat Kayu Wangi Berhad, a company listed on the Second Board of the Bursa Securities and had resigned from the Board on 3 March 2006. He also sits on the Board of several other private limited companies. Socially, he has devoted much of his time looking after the educational well-being of children as the Honorary President of the Bandar Penggaram Associated Chinese Schools Batu Pahat. He is also the Honorary President of the Chinese Chamber of Commerce Batu Pahat and Federation of Nam Ann Association Malaysia and President of Batu Pahat Brick Factories Association and Deputy President of the Hokkien Association Batu Pahat.

Datuk Ng Eng Sos is the brother of Dr Ng Yam Puan and Datuk Ng Yeng Keng, brother-in-law of Mr Tan See Chip and uncle of Mr Ng Chin Kang, Directors and/or major shareholders of the Company. His family member who are also substantial shareholders of the Company are Kour Siok Leen (sister-in-law of Datuk Ng Eng Sos) and his son, namely, Mr Ng Chin Lan. He has no conflict of interest with the Company and has had no convictions 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 2006.

YB DATUK ARISS BIN SAMSUDIN, Malaysian, aged 51, was appointed Vice Chairman & Executive Director of KLB on 5 March 1996 and was appointed to the Board of 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 (formerly known as Malaysian Helicopter Services Berhad), a company listed on the Main Board of Bursa Securities, on 22 August 1994 and had resigned from the Board on 28 March 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 and Deputy Head of Umno, Parit Sulong.

YB Datuk Ariss has no conflict of interest with the Company and has had no convictions 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 2006.

PROFILE OF BOARD OF DIRECTORS

DATUK NG YENG KENG @ NG KA HIAT, Malaysian, aged 61, was appointed Executive Director of KLB on 5 March 1996 and redesigned as Deputy Managing Director on 29 November 2006 and has been responsible for the production of the Group. Presently, he is a member of the Audit Committee of the Company.

He has over twenty four (24) 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 31 January 1981 and had resigned from the Board on 24 October 2005. He also sits on the Board of several other private limited companies.

Datuk Ng Yeng Keng is the brother of Datuk Ng Eng Sos and Dr Ng Yam Puan, brother-in-law of Mr Tan See Chip and uncle of Mr Ng Chin Kang, Directors and/or major shareholders of the Company. His related family members who are also substantial shareholders of the Company are 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 had no convictions for offences within the past ten (10) years.

He attended all of the four (4) Board and Audit Committee Meetings of the Company held during the financial year ended 31 December 2006.

MR TAN SEE CHIP, Malaysian, aged 67, was appointed Executive Director of KLB on 5 March 1996 and is also one of the founder members of SKL and KRBB. He has over twenty seven (27) 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 Datuk Ng Eng Sos, Dr Ng Yam Puan, Datuk Ng Yeng Keng and Kour Siok Leen, uncle of Mr Ng Chin Kang and Mr Ng Chin Lan, Directors and/or major shareholders of the Company. He has no conflict of interest with the Company and has had no convictions 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 2006.

DR NG YAM PUAN @ NG AH BAH, Malaysian, aged 69, was appointed 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 Ng Eng Sos and Datuk Ng Yeng Keng, brother-in-law of Mr Tan See Chip and uncle of Mr Ng Chin Kang, Directors and major shareholders of the Company. His related family members who are also substantial shareholders of the Company are 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 had no convictions 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 2006.

PROFILE OF BOARD OF DIRECTORS

EN MOHD SALLEH BIN JANTAN, Malaysian, aged 64, was appointed Non-Executive Director of KLB on 5 March 1996 and has over thirty one (31) years experience in the manufacturing of clay bricks and building and civil engineering works. Presently, he is a member of the Nomination Committee.

He was the Board member of Syarikat Kayu Wangi Berhad, a company listed on the Second Board of the Bursa Securities and had resigned from the Board on 20 July 2005. He is also the Director of several other private limited companies.

En Mohd Salleh has no conflict of interest with the Company and has had no convictions 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 2006.

YB KOH CHAI @ KOH CHEE CHAI, Malaysian, aged 59, was appointed Independent Non-Executive Director of KLB on 29 November 2006. Presently he is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company.

He is currently a member of State Assembly of Penggaram, Johor.

Save as disclosed, he has i) no shareholding in the Company or in any of its subsidiaries; ii) no family relationship with any Director and/or major shareholder of the Company; iii) no conflict of interest with the Company; and iv) no conviction for offences within the past ten (10) years.

MR LOH CHEE KAN, Malaysian, aged 52, was appointed Independent Non-Executive Director of KLB on 5 March 1996. 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 the JK Capital Sdn Bhd group of companies.

Save as disclosed, he has i) no shareholding in the Company or in any of its subsidiaries; ii) no family relationship with any Director and/or major shareholder of the Company; iii) no conflict of interest with the Company; and iv) no conviction for offences within the past ten (10) years.

He attended all of the four (4) Board and Audit Committee Meetings of the Company held during the financial year ended 31 December 2006.

PROFILE OF BOARD OF DIRECTORS

MR CHUA SYER CIN, Malaysian, aged 35, was appointed Independent Non-Executive Director of KLB on 1 November 2001 and is presently a member of the Audit 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 had resigned on 24 October 2005. He is also the Board member of Poh Huat Resources Holdings Berhad, Equator Life Science Berhad as well as several private limited companies.

Save as disclosed, he has i) no shareholding in the Company or in any of its subsidiaries; ii) no family relationship with any Director and/or major shareholder of the Company; iii) no conflict of interest with the Company; and iv) no conviction for offences within the past ten (10) years.

He attended three (3) of a total four (4) Board and Audit Committee Meetings of the Company held during the financial year ended 31 December 2006.

MR NG CHIN KANG, Malaysian, aged 36, was appointed 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 Datuk Ng Eng Sos, Dr Ng Yam Puan and Datuk Ng Yeng Keng and cousin of Ng Chin Lan, Directors and/or major shareholders of the Company. He has no conflict of interest with the Company and has had no convictions 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 2006.

Please refer to page 65 and page 67 of this Annual Report for Directors' shareholdings and warrant holdings.

CORPORATE GOVERNANCE STATEMENT

The Group holds the views that Corporate Governance is a continuous process in strengthening the prosperity of the business and corporate accountability towards the stakeholders. This Corporate Governance Statement aims to explain how the Company has applied the Principles and the extent of its compliance with the Best Practices and good governance as set out in the Malaysian Code of Corporate Governance.

THE BOARD OF DIRECTORS

The Group is led and managed by an experience Board comprising members with a wide range of experience in relevant fields such as business administration, technical, accounting, legal, banking, finance 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 also the Managing Director, the Vice Chairman, who is an Executive Director, the Deputy Managing Director, two (2) other Executive Directors and five (5) Non-Executive Directors of which three (3) are Independent Non-Executive Directors. With the above appointments, Kia Lim Berhad has thus complied with the Bursa Securities Listing Requirements on board composition. A brief profile of each Director is presented separately in this Annual Report.

The Chairman cum Managing 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 gained a wealth of over thirty (30) years of experience in building materials industries such as brick making, 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 tie or other 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.

Having regard to the vast expertise of the Chairman cum Managing Director and the above compensating controls, the Board considers that the departure from the recommended practice of separating the functions of the Chairman and that of the Managing Director is appropriate in the circumstances where the Chairman cum Managing Director is always subject to the control of the Board. The Board has identified Mr Loh Chee Kan as the Senior Independent Non-Executive Director to whom concerns may be conveyed.

b) Board Meetings

The Board meets at least four (4) times a year, with additional meetings for particular matters convened as and when necessary. There were four (4) Board Meetings held during the financial year ended 31 December 2006. A majority of the Directors attended all the Board Meetings held during their tenure. Details of attendance are as follows :

| Directors | Status | Board Meeting Attended |
|--|------------------------------------|------------------------|
| Datuk Ng Eng Sos @ Bah Chik | Chairman & Managing Director | 4/4 |
| YB Datuk Ariss Bin Samsudin | Vice Chairman & Executive Director | 4/4 |
| Datuk Ng Yeng Keng @ Ng Ka Hiat | Deputy Managing Director | 4/4 |
| Tan See Chip | Executive Director | 4/4 |
| Ng Chin Kang | Executive Director | 4/4 |
| Dr Ng Yam Puan @ Ng Ah Bah | Non-Executive Director | 4/4 |
| Mohd Salleh Bin Jantan | Non-Executive Director | 4/4 |
| Loh Chee Kan | Independent Non-Executive Director | 4/4 |
| Chua Syer Cin | Independent Non-Executive Director | 3/4 |
| YB Koh Chai @ Koh Chee Chai (Appointed on 29 November 2006) | Independent Non-Executive Director | N/A |
| Tan Seng Kee (Resigned on 30 August 2006) | Independent Non-Executive Director | 3/4* |

* Reflects the attendance and the number of meetings held during the period the Board member held office for the financial year ended 31 December 2006.

THE BOARD OF DIRECTORS (cont'd)

c) Supply of information

The Agenda and Board Papers are circulated before each meeting. All Directors have access to the advice and services of the Company Secretaries who are responsible for ensuring that Board Meeting Procedures are adhered to and that applicable rules and regulations are complied with. Senior management staff 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 Secretaries.

In addition, the Board has the authority to assess the state of internal control as it deems necessary. The Board also has had the right to information and clarification from Management as well as to seek inputs from the Audit Committee, external/internal auditors and other experts in appropriate circumstances 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 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 Nomination Committee is responsible to assist the Board in reviewing and recommending new nominees to the Board of Directors and undertake duties specified by the Board from time to time.

During the financial year, the Board approved the Nomination Committee's recommendation for the appointment of YB Koh Chai @ Koh Chee Chai as Independent Non-Executive Director on the basis of his qualifications and experience.

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 :

| | |
|---|--------|
| Loh Chee Kan (Independent Non-Executive Director) | Member |
| YB Koh Chai @ Koh Chee Chai (Independent Non-Executive Director) (Appointed on 29 November 2006) | Member |
| Tan Seng Kee (Independent Non-Executive Director) (Resigned on 30 August 2006) | Member |
| Mohd Salleh Bin Jantan (Non-Executive Director) | 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 :

| | |
|---|--------|
| Datuk Ng Eng Sos @ Bah Chik (Chairman & Managing Director) | Member |
| Loh Chee Kan (Independent Non-Executive Director) | Member |
| YB Koh Chai @ Koh Chee Chai (Independent Non-Executive Director) (Appointed on 29 November 2006) | Member |
| Tan Seng Kee (Independent Non-Executive Director) (Resigned on 30 August 2006) | Member |

CORPORATE GOVERNANCE STATEMENT

THE BOARD OF DIRECTORS (cont'd)

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. The remuneration packages of the Executive Directors are structured to link to the corporate and individual performance and commitment. The Executive Directors abstain themselves from participation in the discussion/decision making in respect of their own remuneration packages. Non-Executive Directors are paid a meeting allowance for each meeting they attended.

The Directors' fees are approved by the shareholders at the AGM. The Company reimburses expenses incurred by the Directors in the course of their duties as Directors.

The aggregate remuneration of Directors, received or receivable, categorised into appropriate components for the financial year ended 31 December 2006 are as follows :

| | Salaries and Other Emoluments RM | Estimated value of Benefits in Kind RM | Fees RM |
|---------------|-------------------------------------|--|------------|
| Executive | 638,016 | 34,400 | 47,400 |
| Non-Executive | 9,000 | - | 25,850 |
| Total | 647,016 | 34,400 | 73,250 |

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

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

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

h) Directors' Training

All the Directors have attended Mandatory Accreditation Programme ("MAP") and successfully completed the Continuing Education Programme ("CEP") as required under the Bursa Securities Listing Requirements. The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge, where relevant.

During the financial year ended 31 December 2006, the Directors have attended the following training programmes:

| Name | Programme |
|---|--|
| Datuk Ng Eng Sos @ Bah Chik YB Datuk Ariss Bin Samsudin Datuk Ng Yeng Keng @ Ng Ka Hiat Tan See Chip Dr Ng Yam Puan @ Ng Ah Bah Mohd Salleh Bin Jantan Loh Chee Kan | Conversion to Revised and New Financial Reporting Standards - Impact to Malaysian Companies |
| Ng Chin Kang | National Investment & Trade Dialogue and Opportunity in Manufacturing and Services Sector |
| Chua Syer Cin | Organising and Influencing at Board Level Program and Challenges in Building World-class Board Program |

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.

The Company's AGM serves as a principal forum for dialogue with shareholders and investors. At each general meetings, the Board presents the progress and performance of the Group and of the Company. The external auditors will also be invited to present and to provide their professional and independent clarification on issues and concerns raised by the shareholders whenever the needs arise. There is an informal communication between the Directors and senior management staff before and after the general meetings. EGM are held as and when required.

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 Approved Accounting Standards 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 audited financial statements were reviewed by the Audit Committee and approved by the Board before releasing to the Bursa Securities.

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 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 time 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. All Directors have had no convictions for any offences within the past ten (10) years.

CORPORATE GOVERNANCE STATEMENT

OTHER INFORMATION (cont'd)

b) Material Contracts

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

c) Sanction 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.

d) Share Buybacks

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

e) Exercise of Options, Warrants or Convertible Securities

During the financial year, the Company has issued 4,122,527 warrants at RM 1.00 each and 15,716,000 redeemable convertible secured loan stocks at RM 1.00 each.

f) Utilisation of Proceeds

Rights issue proceeds amounted to RM4,122,527 was raised by the Company from corporate exercises during the financial year.

The utilisation of the proceeds derived from the rights issue is as follows:

| | Amount utilised RM'000 |
|---|-----------------------------------|
| Part payment of overdue interest to the Participating Bankers | 3,000 |
| Working capital | 194 |
| Expenses for corporate exercises | 929 |
| Total | 4,123 |

g) American Depository Receipts/Global Depository Receipts

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

h) Non-Audit Fees

The amount of non-audit fees paid and payable to the external auditors by the Group for the financial year was RM20,130.

i) 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.

j) Profit Guarantee

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

k) Contracts Relating to Loan

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

l) Revaluation Policy

There were no revaluation being done on landed properties of the Group during the financial year.

STATEMENT ON INTERNAL CONTROL

Introduction

Pursuant to paragraph 15.27(b) of the Bursa Malaysia Securities Berhad ("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 are 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:

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 supports the Guidance and, with the assistance of 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.

Organisational structure and corporate culture

The Chairman and the Managing Director play the role as the channel of communication between the Board and the management. The Deputy Managing Director, 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.

Definition of employees' roles and responsibilities

The roles and responsibilities of key positions are clearly defined.

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.

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. With that, the subsidiary companies have obtained ISO 9001:2000 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 certificate body to ensure that the system is implemented as per ISO 9001:2000 requirement.

STATEMENT ON INTERNAL CONTROL

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 page 6 to 8 of the Annual Report.

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 their duties with regards to the adequacy and integrity of the system of internal control. The Internal Auditors will discuss areas for improvement, identify and co-develop remedial action plans with management and also monitor on 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.

“ 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 2006 ”

FINANCIAL PERFORMANCE

Despite the difficult business environment, the Group managed to register a higher revenue of RM50.1 million in the current financial year as compared to RM41.2 million in the previous financial year. The Group recorded a profit before taxation of RM3.8 million as compared to a loss before taxation of RM11.5 million in the previous financial year. This was primarily due to the reversal of finance cost amounting to RM7.4 million, and interest saving following the completion of the equity and debt restructuring of the Group. During the financial year under review, the Group also registered better average selling prices for its products.

CORPORATE DEVELOPMENTS

During the year, the Group has completed its corporate exercises as disclosed in Note 25 to the financial statements.

PROSPECT

In the 4th quarter of year 2006, the construction sector edged up by 0.6%, ending the prolonged lacklustre performance since 2nd quarter of year 2004.

The growth momentum for the construction sector remains strong, driven mainly by the ongoing implementation of numerous projects earmarked under the Ninth Malaysia Plan. One such projects is the Iskandar Development Region in south Johor with a development area of 2,217 sq km and covering a triangle growth area stretching from Mukim Serkat in the West to Pasir Gudang in the East and from Kulai in the North to Johor Bahru in the South. However, the extent of the success will depend on how effective the Government promotes and improves its delivery system to entice more investors, especially participation from foreign investors.

The growth momentum in the construction sector would be further accelerated by the Government's pump-priming initiatives to stimulate economic activities and the Foreign Investment Committee's relaxation of rules on foreign purchasers which had made it easier for foreigners to own properties in Malaysia.

Thus, all the above would set to attract higher demands for the Group's various products, ranging from common bricks, EconBlock, roofing tiles, facing bricks, etc.

Besides, the Group continues to embark on cost improvement strategies as well as to remain focused on its key areas of operations to improve production efficiency and productivity. The Group would also strive to explore new markets in both domestic and overseas.

On the basis of the above and barring any unforeseen circumstances, the Board anticipates an improvement in the Group's results for the forthcoming financial year.

DIVIDENDS

The Board does not recommend any dividends.

CHAIRMAN'S STATEMENT

DIRECTORATE

During the year, Mr Tan Seng Kee, the Company's Independent Non-Executive Director stepped down from the Board. On behalf of the Board, I would like to record our appreciation for his invaluable contributions rendered during his tenure on the Board.

I wish also to extend a warm welcome to YB Koh Chai @ Koh Chee Chai, who is a member of the State Assembly of Johor, to the Board as an Independent Non-Executive Director. I look forward to working closely with him and have full confidence that he will contribute positively to the Group.

APPRECIATION

On behalf of the Board of Directors, I wish to express my sincere gratitude to the Government authorities, financial institutions, customers, suppliers, business associates, advisers and all other stakeholders for their understanding and invaluable support in facing the challenging times. I would like to extend my appreciation to the management and our employees for their perseverance in these challenging times. To the shareholders, we thank you for your unwavering loyalty and wholehearted support; and we look forward to your continuing support. My gratitude also goes out to my fellow Board members for their inspired counsel and time throughout the year.

Thank you.

Datuk Ng Eng Sos @ Bah Chik
(DMSM., DSM., KMN., PPN., PIS.)
Chairman & Managing Director

REPORTS AND 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 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries and associate are as disclosed under Notes 10 and 11 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 |
|---|-------------|---------------|
| Profit/(Loss) for the year | 3,779,154 | (11,203,366) |
| Attributable to: Equity holders of the Company | 3,779,154 | (11,203,366) |

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 :

Datuk Ng Eng Sos @ Bah Chik
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
Loh Chee Kan
Chua Syer Cin
Ng Chin Kang
Y.B. Koh Chai @ Koh Chee Chai (appointed on 29 November 2006)
Tan Seng Kee (resigned on 30 August 2006)

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 6 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 25 to the financial statements.

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 and its related corporations during the financial year were as follows :

| The Company | Number of ordinary shares of RM1 each | | | |
|---------------------------------|---------------------------------------|-----------|-----------|------------------|
| | 1 January 2006 | Bought | Sold | 31 December 2006 |
| Direct interest | | | | |
| Datuk Ng Eng Sos @ Bah Chik | 528,590 | - | - | 528,590 |
| Datuk Ng Yeng Keng @ Ng Ka Hiat | 570,055 | - | - | 570,055 |
| Tan See Chip | 785,935 | 14,000 | - | 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 |
| Deemed interest | | | | |
| Datuk Ng Eng Sos @ Bah Chik | 21,188,993 | 5,191,427 | 1,090,000 | 25,290,420 |
| Datuk Ng Yeng Keng @ Ng Ka Hiat | 21,188,993 | 5,191,427 | 1,090,000 | 25,290,420 |
| Ng Chin Kang | 10,545,720 | 1,972,534 | 1,090,000 | 11,428,254 |
| Tan See Chip | 17,000 | - | - | 17,000 |

| The Company | Number of warrants | | | |
|---------------------------------|--------------------|-----------|-----------|------------------|
| | 1 January 2006 | Bought | Sold | 31 December 2006 |
| Deemed interest | | | | |
| Datuk Ng Eng Sos @ Bah Chik | - | 5,191,427 | 1,107,000 | 4,084,427 |
| Datuk Ng Yeng Keng @ Ng Ka Hiat | - | 5,191,427 | 1,107,000 | 4,084,427 |
| Ng Chin Kang | - | 1,972,534 | 1,102,000 | 870,534 |

Datuk Ng Eng Sos @ Bah Chik, 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.

In accordance with Article 80 of the Company's Articles of Association, Y.B. Datuk Ariss Bin Samsudin, Loh Chee Kan and Ng Yam Puan @ Ng Ah Bah shall retire by rotation and being eligible, offer themselves for re-election.

Datuk Ng Eng Sos @ Bah Chik seeks for his re-appointment as director under the provision of Section 129(6) of the Companies Act, 1965 to hold office until the next Annual General Meeting of the Company.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM44,579,000 to RM61,937,451 by way of:

- (i) the issuance of 4,122,527 ordinary shares of RM1.00 each pursuant to Rights Issue with Warrants; and
- (ii) the issuance of 13,235,924 ordinary shares of RM1.00 each pursuant to Debt Restructuring Scheme ("DRS").

The new ordinary shares issued during the financial year ranked pari passu in all aspects with the existing ordinary shares of the Company.

DIRECTORS' REPORT

WARRANTS

The Warrants 2006/2016 of 4,122,527 are 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:

- (a) 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.
- (b) 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.
- (c) 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.
- (d) 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.

REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS

On 28 April 2006, the Company issued RM15,716,000 of 10-year Redeemable Convertible Secured Loan Stocks ("RCSLS") 2006/2016 at a nominal amount of RM1.00 each pursuant to DRS exercise taken by its subsidiary companies with their Lenders.

The terms of the RCSLS are disclosed in Note 18 to the financial statements.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets 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 there were no known bad debts 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) it necessary to write off any bad debts or the amount of the provision for doubtful debts 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.

OTHER STATUTORY INFORMATION (cont'd)

- (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 their 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.

SIGNIFICANT EVENT

The significant event is disclosed in Note 26 to the financial statements.

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 7 April 2007.

DATUK NG ENG SOS @ BAH CHIK DATUK

DATUK NG YENG KENG @ NG KA HIAT

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

We, DATUK NG ENG SOS @ BAH CHIK and DATUK NG YENG KENG @ NG KA HIAT, 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 MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 7 April 2007.

DATUK NG ENG SOS @ BAH CHIK

DATUK NG YENG KENG @ NG KA HIAT

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

I, DATUK NG ENG SOS @ BAH CHIK, 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 ENG SOS @)
BAH CHIK at Batu Pahat in the State of)
Johor Darul Ta'zim on 7 April 2007) DATUK NG ENG SOS @ BAH CHIK

Before me,

Ng Swee Chiang
No. J004
Commissioner for Oaths

Batu Pahat, Malaysia
7 April 2007

REPORT OF THE AUDITORS TO THE MEMBERS OF KIA LIM BERHAD

We have audited the accompanying financial statements set out on pages 31 to 62. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion :

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of :
 - (i) the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements 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.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174 (3) of the Act.

ERNST & YOUNG
AF : 0039
Chartered Accountants

ABRAHAM VERGHESE A/L T.V. ABRAHAM
1664/10/08(J)
Partner

Johor Bahru
7 April 2007

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

| | Note | 2006 RM | Group 2005 RM | 2006 RM | Company 2005 RM |
|---|------|--------------|---------------------|--------------|-----------------------|
| Revenue | 3 | 50,746,561 | 41,998,462 | - | - |
| Cost of sales | | (39,887,140) | (37,973,027) | - | - |
| Gross profit | | 10,859,421 | 4,025,435 | - | - |
| Other income | | 992,142 | 587,820 | 10,192 | - |
| Administrative expenses | | (4,279,968) | (3,502,653) | (11,201,266) | (242,927) |
| Selling and distribution expenses | | (7,740,742) | (6,498,937) | - | - |
| Operating loss | | (169,147) | (5,388,335) | (11,191,074) | (242,927) |
| Finance costs | 4 | 3,948,729 | (6,130,393) | (12,292) | (19,405) |
| Share of loss of associate | | (428) | (461) | - | - |
| Profit/(Loss) before tax | 5 | 3,779,154 | (11,519,189) | (11,203,366) | (262,332) |
| Income tax expense | 7 | - | - | - | - |
| Profit/(Loss) for the year | | 3,779,154 | (11,519,189) | (11,203,366) | (262,332) |
| Attributable to: Equity holders of the Company | | 3,779,154 | (11,519,189) | (11,203,366) | (262,332) |
| Earning/(Loss) per share attributable to equity holders of the Company (sen): | | | | | |
| Basic, for profit/(loss) for the year | 8 | 6.3 | (25.8) | | |
| Diluted, for profit/(loss) for the year | 8 | - | - | | |

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS AS AT 31 DECEMBER 2006

| | Note | 2006 RM | Group 2005 RM | 2006 RM | Company 2005 RM |
|---|------|--------------|---------------------|--------------|-----------------------|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 9 | 75,821,290 | 79,335,350 | 1,302,178 | 1,333,165 |
| Investment in subsidiaries | 10 | - | - | 13,592,891 | 18,592,891 |
| Investment in associate | 11 | 97,376 | 97,804 | - | - |
| Other investments | 12 | 216,847 | 334,264 | - | - |
| Other receivables | 13 | - | - | 38,691,924 | 14,740,000 |
| | | 76,135,513 | 79,767,418 | 53,586,993 | 34,666,056 |
| Current assets | | | | | |
| Inventories | 14 | 11,532,962 | 12,721,954 | - | - |
| Trade and other receivables | 13 | 12,857,215 | 12,104,849 | 8,435,209 | 5,769,069 |
| Cash and bank balances | 15 | 7,117 | 13,045 | 527 | 7,494 |
| | | 24,397,294 | 24,839,848 | 8,435,736 | 5,776,563 |
| Non-current assets classified as held for sale | 16 | 324,089 | 324,089 | - | - |
| | | 24,721,383 | 25,163,937 | 8,435,736 | 5,776,563 |
| TOTAL ASSETS | | 100,856,896 | 104,931,355 | 62,022,729 | 40,442,619 |
| EQUITY AND LIABILITIES | | | | | |
| Equity attributable to equity holders of the Company | | | | | |
| Share capital | 21 | 61,937,451 | 44,579,000 | 61,937,451 | 44,579,000 |
| Share premium | 21 | 7,283,230 | 7,283,230 | 7,283,230 | 7,283,230 |
| Accumulated losses | | (38,621,658) | (42,400,812) | (23,462,423) | (12,259,057) |
| Total equity | | 30,599,023 | 9,461,418 | 45,758,258 | 39,603,173 |
| Non-current liabilities | | | | | |
| Borrowings | 17 | 30,954,025 | 19,274,961 | 15,716,000 | 64,579 |
| Current liabilities | | | | | |
| Trade and other payables | 20 | 22,284,058 | 22,858,702 | 362,359 | 645,190 |
| Current tax payable | | 357,819 | 500,822 | - | - |
| Borrowings | 17 | 16,661,971 | 52,835,452 | 186,112 | 129,677 |
| | | 39,303,848 | 76,194,976 | 548,471 | 774,867 |
| Total liabilities | | 70,257,873 | 95,469,937 | 16,264,471 | 839,446 |
| TOTAL EQUITY AND LIABILITIES | | 100,856,896 | 104,931,355 | 62,022,729 | 40,442,619 |

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2006

| | Share Capital RM (Note 21) | Share Premium RM (Note 21) | Accumulated Losses RM | Total RM |
|--|-------------------------------------|-------------------------------------|-----------------------------|--------------|
| At 1 January 2005 | 44,579,000 | 7,283,230 | (30,881,623) | 20,980,607 |
| Loss for the year | - | - | (11,519,189) | (11,519,189) |
| At 31 December 2005 | 44,579,000 | 7,283,230 | (42,400,812) | 9,461,418 |
| Issue of ordinary shares : | | | | |
| Pursuant to Rights Issue with Warrants | 4,122,527 | - | - | 4,122,527 |
| Pursuant to Debt Restructuring Scheme | 13,235,924 | - | - | 13,235,924 |
| Profit for the year | - | - | 3,779,154 | 3,779,154 |
| At 31 December 2006 | 61,937,451 | 7,283,230 | (38,621,658) | 30,599,023 |

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2006

| | Share Capital RM (Note 21) | Share Premium RM (Note 21) | Accumulated Losses RM | Total RM |
|--|-------------------------------------|-------------------------------------|-----------------------------|--------------|
| At 1 January 2005 | 44,579,000 | 7,283,230 | (11,996,725) | 39,865,505 |
| Loss for the year | - | - | (262,332) | (262,332) |
| At 31 December 2005 | 44,579,000 | 7,283,230 | (12,259,057) | 39,603,173 |
| Issue of ordinary shares : | | | | |
| Pursuant to Rights Issue with Warrants | 4,122,527 | - | - | 4,122,527 |
| Pursuant to Debt Restructuring Scheme | 13,235,924 | - | - | 13,235,924 |
| Loss for the year | - | - | (11,203,366) | (11,203,366) |
| At 31 December 2006 | 61,937,451 | 7,283,230 | (23,462,423) | 45,758,258 |

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

| | Group | | Company | |
|---|-------------|--------------|--------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit/(Loss) before tax | 3,779,154 | (11,519,189) | (11,203,366) | (262,332) |
| Adjustments for : | | | | |
| Interest income | (11,256) | - | (10,192) | - |
| Dividend income | (7) | (15) | - | - |
| Interest expense | 3,462,997 | 6,130,393 | 12,292 | 19,405 |
| Impairment of other investments | 117,417 | 427,634 | - | - |
| Impairment of investment in subsidiary | - | - | 10,000,000 | - |
| Depreciation of property, plant and equipment | 6,541,710 | 6,501,536 | 30,987 | 31,381 |
| Gain on disposal of property, plant and equipment | (73,078) | (273,981) | - | - |
| Provision for doubtful debts | - | 54,958 | - | - |
| Loss on disposal of investment properties | - | 62,355 | - | - |
| Unrealised foreign exchange (gain)/loss | (69,327) | 227,570 | - | - |
| Share of loss of associate | 428 | 461 | - | - |
| Waiver of loan interest | (7,411,726) | - | - | - |
| Operating profit/(loss) before working capital changes | 6,336,312 | 1,611,722 | (1,170,279) | (211,546) |
| Decrease/(Increase) in inventories | 1,188,992 | (1,064,846) | - | - |
| (Increase)/Decrease in trade and other receivables | (683,039) | 1,508,293 | 643,191 | (332,233) |
| (Decrease)/Increase in trade and other payables | (574,649) | 5,939,878 | (282,831) | 230,232 |
| Cash generated from/(used in) operations | 6,267,616 | 7,995,047 | (809,919) | (313,547) |
| Interest received | 11,256 | - | 10,192 | - |
| Interest paid | (3,462,997) | (6,130,393) | (12,292) | (19,405) |
| Tax paid | (143,003) | - | - | - |
| Net cash generated from/(used in) operating activities | 2,672,872 | 1,864,654 | (812,019) | (332,952) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of property, plant and equipment | (2,711,999) | (4,190,816) | - | - |
| Proceeds from disposal of property, plant and equipment | 76,127 | 290,592 | - | - |
| (Advance to)/Repayment from subsidiary companies | - | - | (27,261,255) | 438,468 |
| Additional investment in subsidiary | - | - | (5,000,000) | - |
| Proceeds from disposal of investments | - | 329,010 | - | - |
| Net dividend received | 5 | 11 | - | - |
| Net cash (used in)/generated from investing activities | (2,635,867) | (3,571,203) | (32,261,255) | 438,468 |

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

| | Group | | Company | |
|---|--------------|-------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from issuance of ordinary share capital | 17,358,451 | - | 17,358,451 | - |
| Proceeds from issuance of Redeemable Convertible Secured Loan Stocks | 15,716,000 | - | 15,716,000 | - |
| (Repayment of)/Proceeds from term loans | (32,750,072) | 797,310 | (106,484) | (99,371) |
| Repayment of fixed loans | - | (106,056) | - | - |
| Repayment of hire purchase liabilities | (168,860) | (154,734) | - | - |
| Proceeds from bankers' acceptances | 485,000 | 254,000 | - | - |
| (Repayment of)/Proceeds from trust receipts | (119) | 417,260 | - | - |
| Net cash generated from/(used in) financing activities | 640,400 | 1,207,780 | 32,967,967 | (99,371) |
| NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS | 677,405 | (498,769) | (105,307) | 6,145 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | (5,694,676) | (5,195,907) | 7,494 | 1,349 |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (NOTE 15) | (5,017,271) | (5,694,676) | (97,813) | 7,494 |

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

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 10 and 11. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 7 April 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSS which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical basis.

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

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are 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.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

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. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognised its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The 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.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. 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 in 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, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are 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.

(c) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

(c) Property, Plant and Equipment and Depreciation (cont'd)

Freehold land is stated at cost less any accumulated impairment losses. Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates :

| | |
|---------------------|---------------|
| Buildings | 10 - 50 years |
| Plant and machinery | 5 - 20 years |
| Motor vehicles | 5 years |
| Other assets | 5 - 10 years |

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(d) Impairment of Non-Financial Asset

The carrying amounts of assets, other than inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows 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 considered impaired and 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.

An impairment loss is recognised in profit or loss in the period in which it arises.

An impairment loss for an asset is reversed if, and 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. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.2 Summary of Significant Accounting Policies (cont'd)****(e) Inventories**

Inventories are stated at the lower of cost (determined on the weighted average basis) and net realisable value. Work-in-progress and finished goods are determined based on average production cost. Raw materials are valued at cost determined on the weighted average basis and consumables are valued at cost determined on a first in first out basis.

Cost includes the actual cost of material and incidentals in bringing the inventories into store. For manufactured inventories, it also includes labour and an appropriate allocation of the relevant overhead expenses. A constant write off rate of 3% per annum on the total cost of clay inventory is adopted by the Group.

(f) Financial Instruments

Financial instruments are recognised in the balance sheet when the Company has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, net of outstanding bank overdrafts.

(ii) Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis whilst market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in profit or loss.

On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the profit or loss.

(iii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iv) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(v) Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(vi) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which the obligation to pay is established.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.2 Summary of Significant Accounting Policies (cont'd)****(g) Hire Purchase and Leases**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2.2(c).

(h) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.2 Summary of Significant Accounting Policies (cont'd)****(i) Employee Benefits****(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(j) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where 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. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Provision for restructuring costs is recognised when a detailed and formal restructuring plan has been approved, and the restructuring has either commenced or has been announced publicly. Costs relating to ongoing activities are not provided for.

(k) Foreign Currencies**(i) Functional and Presentation Currency**

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

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

(k) Foreign Currencies (cont'd)

(ii) Foreign Currency Transactions (cont'd)

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.

(l) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Sale of goods

Revenue relating to sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

(ii) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

(iii) Dividend income

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

(iv) Rental income

Rental income is recognised on accrual basis.

(m) Non-current Assets Classified as Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 January 2006, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006 :

FRS 2 Share-based Payment
FRS 3 Business Combinations
FRS 5 Non-current Assets Held for Sale and Discontinued Operations
FRS 101 Presentation of Financial Statements
FRS 102 Inventories
FRS 108 Accounting Policies, Changes in Estimates and Errors
FRS 110 Events after the Balance Sheet Date
FRS 116 Property, Plant and Equipment
FRS 121 The Effects of Changes in Foreign Exchange Rates
FRS 127 Consolidated and Separate Financial Statements
FRS 128 Investments in Associates

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd)

FRS 131 Interests in Joint Ventures
FRS 132 Financial Instruments: Disclosure and Presentation
FRS 133 Earnings Per Share
FRS 136 Impairment of Assets
FRS 138 Intangible Assets
FRS 140 Investment Property

The adoption of revised FRS 2, 3, 5, 101, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133, 136, 138 and 140 does not result in significant changes in accounting policies of the Group.

The Company has not early adopted the following FRS :

- (i) FRS 117 - Leases and FRS 124 - Related Party Disclosures, which will be mandatory for financial periods beginning on or after 1 October 2006;
- (ii) FRS 139 - Financial Instruments : Recognition and Measurement which has been deferred; and
- (iii) FRS 6 - Exploration for and Evaluation of Mineral Rights and Amendment to FRS 119²⁰⁰⁴ Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures, which are mandatory for financial periods beginning on and after 1 January 2007.

The revised FRS 117, 124 and Amendments to FRS 119²⁰⁰⁴ will not result in significant changes in accounting policies of the Group whilst FRS 6 is not relevant to the Group's operations.

At the date of authorisation of these financial statements, the following FRS, amendments to FRS and Interpretations were in issue but not yet effective :

- (i) FRS 6: Exploration for and Evaluation of Mineral Resources
- (ii) Amendment to FRS 119²⁰⁰⁴ : Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
- (iii) Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
- (iv) IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
- (v) IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
- (vi) IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- (vii) IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
- (viii) IC Interpretation 7: Applying the Restatement Approach under FRS 129²⁰⁰⁴ Financial Reporting in Hyperinflationary Economies
- (ix) IC Interpretation 8: Scope of FRS 2

FRS 6 is not relevant to the Group's operations and the adoption of the above amendments and Interpretations will have no impact on the financial statements of the Group.

2.4 Changes in Estimates

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group reviewed the residual values and remaining useful life of its property, plant and equipment and found that no revisions to the residual values and remaining useful life of its property, plant and equipment were necessary.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Significant Accounting Estimates and Judgements

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of property, plant and equipment

The Group carried out the impairment test based on a variety of estimation including the value-in-use of the CGU to which the property, plant and equipment are allocated. Estimating the value-in-use required the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment of the Group as at 31 December 2006 were RM75,821,290 (2005 : RM79,335,350). Further details are disclosed in Note 9.

(ii) Valuation on clay inventory

The quantity and the value of the clay inventory were derived based on the accounting record for the quantities purchased and quantities consumed for the financial period. In view of the clay lost due to the storage and weather condition, significant management judgement is required to determine the adequate write off rate adopted by the Group. The Group has adopted a constant write off rate of 3% per annum on the total cost of clay inventory. As at the balance sheets date, a comparison was made between the physical quantity based on estimates and the book quantity. The result of the measurement approximate the write off rate of 3%. As such, the directors are of the opinion that the estimate write off rate is reasonable. The total carrying value of clay inventory of the Group was RM2,753,823 (2005 : RM3,137,918).

(iii) Impairment of investment in subsidiaries

The Company determines whether investment in subsidiaries are impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which the subsidiaries are allocated. Estimating the value-in-use required the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of investment in subsidiaries of the Company as at 31 December 2006 were RM13,592,891 (2005 : RM18,592,891). Further details are disclosed in Note 10.

3. REVENUE

Revenue of the Group represents invoiced value of goods sold less returns and trade discounts. Intra-group transactions are excluded from the Group's revenue. Revenue of the Company comprises interest income.

4. FINANCE COSTS

| | Group | | Company | |
|---------------------------|-------------|------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Bank interest | 934,102 | 942,601 | - | - |
| Hire purchase charges | 29,285 | 29,526 | - | - |
| Loan interest and charges | 2,499,610 | 5,158,266 | 12,292 | 19,405 |
| Waiver of loan interest | (7,411,726) | - | - | - |
| | (3,948,729) | 6,130,393 | 12,292 | 19,405 |

5. PROFIT/(LOSS) BEFORE TAX

The following amounts have been included in arriving at profit/(loss) before tax :

| | Group | | Company | |
|---|-------------|------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| This is arrived at after charging/(crediting) : | | | | |
| Employee benefits expense (Note 6) | 5,861,806 | 5,011,233 | 57,750 | 37,000 |
| Non-executive directors' remuneration | | | | |
| - Fees | 25,800 | 16,100 | 23,750 | 14,000 |
| - Other emoluments | 9,000 | 9,000 | 9,000 | 9,000 |
| Auditors' remuneration | | | | |
| - Statutory audit | 47,000 | 43,000 | 7,000 | 7,000 |
| - Other services | 20,130 | 17,200 | 4,556 | 5,200 |
| Depreciation of property, plant and equipment (Note 9) | 6,541,710 | 6,501,536 | 30,987 | 31,381 |
| Gain on disposal of property, plant and equipment | (73,078) | (273,981) | - | - |
| Loss on disposal of investment properties | - | 62,355 | - | - |
| Provision for doubtful debts | - | 54,958 | - | - |
| Bad debts recovered | (5,006) | - | - | - |
| Impairment of other investments | 117,417 | 427,634 | - | - |
| Impairment of investment in subsidiary | - | - | 10,000,000 | - |
| Rental of premises | 197,181 | 205,800 | - | - |
| Interest income | (11,256) | - | (10,192) | - |
| Gross dividend income | | | | |
| - shares quoted in Malaysia | (7) | (15) | - | - |
| Vehicle rental income | (633,553) | (547,412) | - | - |
| Foreign exchange (gain)/ loss | | | | |
| - realised | (19,622) | 4,323 | - | - |
| - unrealised | (69,327) | 227,570 | - | - |
| Interest expense | 3,462,997 | 6,130,393 | 12,292 | 19,405 |
| Waiver of loan interest | (7,411,726) | - | - | - |

6. EMPLOYEE BENEFITS EXPENSE

| | Group | | Company | |
|-------------------------|------------|------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Wages and salaries | 5,335,500 | 4,546,830 | 57,750 | 37,000 |
| Employee Provident Fund | 461,900 | 401,567 | - | - |
| Social security cost | 64,406 | 62,836 | - | - |
| | 5,861,806 | 5,011,233 | 57,750 | 37,000 |

Included in employee benefits expense of the Group and of the Company are executive directors' other emoluments and fees amounting to RM638,016 and RM47,400 (2005 : RM634,332 and RM36,400) and RMNil and RM25,000 (2005 : RMNil and RM14,000) respectively.

The estimated monetary value of benefits provided to directors during the financial year by way of usage of the Group's assets and provision of other benefits amounted to RM34,400 (2005 : RM34,400).

7. INCOME TAX EXPENSE

| | Group | | Company | |
|--------------------------|------------|------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Current year's provision | - | - | - | - |

Domestic income tax is calculated at the Malaysian statutory rate of 28% (2005 : 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008.

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company is as follows :

| | Group | | Company | |
|--|-------------|--------------|--------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Profit/(Loss) before taxation | 3,779,154 | (11,519,189) | (11,203,366) | (262,332) |
| Taxation at Malaysian statutory tax rate of 28% (2005 : 28%) | 1,058,163 | (3,225,373) | (3,136,942) | (73,453) |
| Expenses not deductible for tax purposes | 529,868 | 405,924 | 3,136,942 | 73,453 |
| Utilisation of previously unrecognised unabsorbed capital allowances | (1,588,031) | - | - | - |
| Deferred tax assets not recognised in respect of current year's unabsorbed capital allowances and tax losses | - | 2,819,449 | - | - |
| Income tax expense for the year | - | - | - | - |

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

| | Group | | Company | |
|------------------------------------|------------|------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Unabsorbed capital allowances | 79,154,000 | 79,724,000 | - | - |
| Unutilised tax losses | 13,123,000 | 16,567,000 | - | - |
| Unutilised reinvestment allowances | 39,589,000 | 32,928,000 | - | - |

The availability of the unabsorbed capital allowances and unutilised tax losses for offsetting against future taxable profits of the Company are subject to no substantial changes in shareholdings of the Company under Section 44(5A) and (5B) of Income Tax Act, 1967. Deferred tax assets have not been recognised in respect of these items as they have arisen in subsidiaries that have a recent history of losses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

8. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

| | 2006 RM | 2005 RM |
|--|-------------|--------------|
| Profit/(Loss) attributable to ordinary equity holders of the Company | 3,779,154 | (11,519,189) |
| Weighted average number of ordinary shares in issue | 59,797,368 | 44,579,000 |
| | 2006 Sen | 2005 Sen |
| Basic earnings/(loss) per share | 6.3 | (25.8) |

(b) Diluted

As at 31 December 2006, no diluted earnings per share have been presented as the conversions of all potential ordinary shares from warrants are not dilutive.

9. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land and buildings RM | Plant and machinery RM | Motor vehicles RM | Other assets RM | Total RM |
|--|---|------------------------------|-------------------------|-----------------------|-------------|
| At 31 December 2006 | | | | | |
| Cost | | | | | |
| At 1 January 2006 | 20,804,977 | 121,411,487 | 7,047,152 | 2,703,521 | 151,967,137 |
| Additions | 290,868 | 2,215,239 | 475,992 | 48,600 | 3,030,699 |
| Disposals | (185,343) | (429,621) | (199,235) | (3,623) | (817,822) |
| At 31 December 2006 | 20,910,502 | 123,197,105 | 7,323,909 | 2,748,498 | 154,180,014 |
| Accumulated Depreciation and Impairment | | | | | |
| At 1 January 2006 | 4,035,726 | 60,538,839 | 6,187,248 | 1,869,974 | 72,631,787 |
| Depreciation charge for the year (Note 5) | 354,408 | 5,868,856 | 228,015 | 90,431 | 6,541,710 |
| Disposals | (185,343) | (429,621) | (199,235) | (574) | (814,773) |
| At 31 December 2006 | 4,204,791 | 65,978,074 | 6,216,028 | 1,959,831 | 78,358,724 |
| Net Carrying Amount | 16,705,711 | 57,219,031 | 1,107,881 | 788,667 | 75,821,290 |

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| Group | Freehold land and buildings RM | Plant and machinery RM | Motor vehicles RM | Other assets RM | Total RM |
|--|---|---------------------------------------|----------------------------------|--------------------------------|---------------------|
| At 31 December 2005 | | | | | |
| Cost | | | | | |
| At 1 January 2005 | 20,258,682 | 117,682,743 | 6,809,563 | 3,088,759 | 147,839,747 |
| Additions | 381,398 | 3,471,814 | 383,026 | 81,378 | 4,317,616 |
| Disposals | - | (33,616) | (145,437) | (11,173) | (190,226) |
| Reclassification | 164,897 | 290,546 | - | (455,443) | - |
| At 31 December 2005 | 20,804,977 | 121,411,487 | 7,047,152 | 2,703,521 | 151,967,137 |
| Accumulated Depreciation and Impairment | | | | | |
| At 1 January 2005 | 3,651,406 | 54,877,147 | 6,029,118 | 1,746,195 | 66,303,866 |
| Depreciation charge for the year (Note 5) | 384,320 | 5,678,808 | 303,567 | 134,841 | 6,501,536 |
| Disposals | - | (17,116) | (145,437) | (11,062) | (173,615) |
| At 31 December 2005 | 4,035,726 | 60,538,839 | 6,187,248 | 1,869,974 | 72,631,787 |
| Net Carrying Amount | 16,769,251 | 60,872,648 | 859,904 | 833,547 | 79,335,350 |

| Company | Freehold land and buildings RM | Other assets RM | Total RM |
|---|---|--------------------------------|---------------------|
| At 31 December 2006 | | | |
| Cost | | | |
| At 1 January 2006/31 December 2006 | 1,513,102 | 10,287 | 1,523,389 |
| Accumulated Depreciation | | | |
| At 1 January 2006 | 181,512 | 8,712 | 190,224 |
| Depreciation charge for the year (Note 5) | 30,262 | 725 | 30,987 |
| At 31 December 2006 | 211,774 | 9,437 | 221,211 |
| Net Carrying Amount | 1,301,328 | 850 | 1,302,178 |

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| Company | Freehold land and buildings RM | Other assets RM | Total RM |
|---|---|--------------------------------|---------------------|
| At 31 December 2005 | | | |
| Cost | | | |
| At 1 January 2005/31 December 2005 | 1,513,102 | 10,287 | 1,523,389 |
| Accumulated Depreciation | | | |
| At 1 January 2005 | 151,160 | 7,683 | 158,843 |
| Depreciation charge for the year (Note 5) | 30,352 | 1,029 | 31,381 |
| At 31 December 2005 | 181,512 | 8,712 | 190,224 |
| Net Carrying Amount | 1,331,590 | 1,575 | 1,333,165 |

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM3,030,699 (2005 : RM4,317,616) of which RM318,700 (2005 : RM126,800) was acquired by means of hire purchase agreement.

Included in property, plant and equipment of the Group are motor vehicles with net carrying amounts of RM706,608 (2005 : RM394,693).

Certain property, plant and equipment of the Group and of the Company with net book value of RM66,957,981 (2005 : RM70,703,470) and RM Nil (2005 : RM1,217,043) respectively, have been pledged as security for banking facilities obtained by subsidiaries as disclosed in Note 17.

In the course of upgrading a subsidiary's production facilities, certain plant and machinery in excess of requirements are being held for disposal. These assets have been stated at their estimated recoverable amounts amounting to RM646,400 (2005 : RM742,853), net of provision for impairment loss of RM800,398 (2005 : RM800,398).

Other assets include capital work-in-progress which comprise of expenditures incurred for labour quarters amounting to RM49,200 (2005 : RM49,200).

The cost of property, plant and equipment of the Group and of the Company which are fully depreciated but still in use amounted to RM26,629,770 (2005 : RM27,593,379) and RM8,798 (2005 : RMNil) respectively.

10. INVESTMENTS IN SUBSIDIARIES

| | Company 2006 RM | 2005 RM |
|--------------------------------------|--------------------------------|--------------------|
| Unquoted shares at cost | 34,616,709 | 29,616,709 |
| Less : Accumulated impairment losses | (21,023,818) | (11,023,818) |
| | 13,592,891 | 18,592,891 |

10. INVESTMENTS IN SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows :

| Name of Subsidiaries | Country of Incorporation | Principal Activities | Proportion of Ownership Interest | |
|---|--------------------------|---|----------------------------------|------|
| | | | 2006 | 2005 |
| 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% |

Impairment tests for investment in subsidiaries

Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by the Board covering a seven-year period. The following describes each key assumption on which the Board has based its cash flow projections to undertake impairment testing of investment in subsidiaries :

- (i) Sales was projected to be increased by 5% per annum for the first 5 years and 3% thereafter. The increase of 2% is contributed by increase in selling price and 3% is contributed by increase in sales volume. Increase of 3% in revenue beyond the five year period is contributed by the increase in sales volume.

The basis used to determine the value assigned to the budgeted sales is the sales achieved in the year immediately before the budgeted year, adjusted for projected market conditions and machine capability.

- (ii) Cost of sales, administrative and selling expenses were projected to be increased by 3% per annum.

The basis used to determine the value assigned to the cost of sales is the budgeted increase of 3% in sales volume, coupled with the cost saving arising from the upgrading project committed by a subsidiary.

- (iii) The discount rate used of 8% is based on the pre-tax weighted average cost of capital and an appropriate risk premium.

11. INVESTMENTS IN ASSOCIATE

| | Group | |
|---|---------|---------|
| | 2006 RM | 2005 RM |
| Unquoted shares at cost | 54,000 | 54,000 |
| Share of post-acquisition reserves | 43,376 | 43,804 |
| | 97,376 | 97,804 |
| The Group's interest in associate is as follows : | | |
| Share of net assets of associate | 92,672 | 93,100 |
| Goodwill on acquisition | 4,704 | 4,704 |
| | 97,376 | 97,804 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

11. INVESTMENTS IN ASSOCIATE (cont'd)

Details of the Associate are as follows :

| Name of Associate | Country of Incorporation | Principal Activities | Proportion of Ownership Interest | |
|------------------------|--------------------------|----------------------|----------------------------------|------|
| | | | 2006 | 2005 |
| Sersen Tiles Sdn. Bhd. | Malaysia | Property owner | 27% | 27% |

12. OTHER INVESTMENTS

| | Group | |
|--------------------------------------|-----------|-----------|
| | 2006 RM | 2005 RM |
| Quoted shares in Malaysia, at cost | 761,833 | 761,833 |
| Quoted warrants in Malaysia, at cost | 65 | 65 |
| | 761,898 | 761,898 |
| Less : Accumulated impairment losses | (545,051) | (427,634) |
| | 216,847 | 334,264 |
| Market value of quoted shares | 216,844 | 334,252 |
| Market value of quoted warrants | 3 | 12 |

13. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|-------------------------------------|------------|------------|-----------|-----------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Current | | | | |
| Trade receivables | | | | |
| Third parties | 12,127,298 | 10,673,752 | - | - |
| Related companies | 986,805 | 801,961 | - | - |
| | 13,114,103 | 11,475,713 | - | - |
| Less: Provision for doubtful debts | | | | |
| Third parties | (172,790) | (180,623) | - | - |
| Related companies | (511,303) | (511,303) | - | - |
| | (684,093) | (691,926) | - | - |
| Trade receivables, net | 12,430,010 | 10,783,787 | - | - |
| Other receivables | | | | |
| Amount due from related parties: | | | | |
| Subsidiaries | - | - | 8,408,230 | 5,098,898 |
| Related companies | 40,261 | 11,665 | - | - |
| | 40,261 | 11,665 | 8,408,230 | 5,098,898 |
| Deposits | 71,320 | 71,860 | 23,130 | 23,130 |
| Prepayments | 138,824 | 30,564 | - | - |
| Other receivables | 231,136 | 1,261,309 | 3,849 | 647,041 |
| | 481,541 | 1,375,398 | 8,435,209 | 5,769,069 |
| Less : Provision for doubtful debts | | | | |
| Third parties | (54,336) | (54,336) | - | - |
| | 427,205 | 1,321,062 | 8,435,209 | 5,769,069 |
| | 12,857,215 | 12,104,849 | 8,435,209 | 5,769,069 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

13. TRADE AND OTHER RECEIVABLES (cont'd)

| | Group | | Company | |
|------------------------------|------------|------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Non-current | | | | |
| Other receivables | | | | |
| Amount due from subsidiaries | - | - | 38,691,924 | 14,740,000 |

(a) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. Other credit terms are assessed and approved on a case-by-case basis. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the company's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

(b) Amount due from related parties

Amount due from all related parties are non-interest bearing and are repayable on demand. All related parties receivable are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 25.

Other information on financial risks of other payables are disclosed in Note 27.

14. INVENTORIES

| | Group | |
|--------------------|------------|------------|
| | 2006 RM | 2005 RM |
| At cost | | |
| Raw materials | 2,753,823 | 3,137,918 |
| Indirect materials | 3,178,790 | 3,300,815 |
| Work-in-progress | 280,116 | 269,081 |
| Finished products | 5,320,233 | 6,014,140 |
| | 11,532,962 | 12,721,954 |

15. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---------------------------|-------------|-------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Cash and bank balances | 7,117 | 13,045 | 527 | 7,494 |
| Bank overdrafts (Note 17) | (5,024,388) | (5,707,721) | (98,340) | - |
| | (5,017,271) | (5,694,676) | (97,813) | 7,494 |

16. NON-CURRENT ASSETS HELD FOR SALE

| | Group | |
|--|------------|------------|
| | 2006 RM | 2005 RM |
| At cost | | |
| Investment properties: At 1 January/31 December | 324,089 | 324,089 |

17. BORROWINGS

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Short term borrowings | | | | |
| Secured : | | | | |
| Bank overdrafts | 5,024,388 | 5,707,721 | 98,340 | - |
| Bankers' acceptances | 9,014,000 | 8,529,000 | - | - |
| Trust receipt | 417,141 | 417,260 | - | - |
| Term loans | 2,038,166 | 38,057,077 | 87,772 | 129,677 |
| Hire purchase payables (Note 19) | 168,276 | 124,394 | - | - |
| | 16,661,971 | 52,835,452 | 186,112 | 129,677 |
| Long term borrowings | | | | |
| Secured : | | | | |
| Term loans | 14,999,614 | 19,142,509 | - | 64,579 |
| Redeemable convertible secured loan stocks | 15,716,000 | - | 15,716,000 | - |
| Hire purchase payables (Note 19) | 238,411 | 132,452 | - | - |
| | 30,954,025 | 19,274,961 | 15,716,000 | 64,579 |
| Total Borrowings | | | | |
| Bank overdrafts (Note 15) | 5,024,388 | 5,707,721 | 98,340 | - |
| Bankers' acceptances | 9,014,000 | 8,529,000 | - | - |
| Trust receipt | 417,141 | 417,260 | - | - |
| Term loans | 17,037,780 | 57,199,586 | 87,772 | 194,256 |
| Redeemable convertible secured loan stocks (Note 18) | 15,716,000 | - | 15,716,000 | - |
| Hire purchase payables | 406,687 | 256,846 | - | - |
| | 47,615,996 | 72,110,413 | 15,902,112 | 194,256 |

The secured borrowings and Redeemable Convertible Secured Loan Stocks of the Group and of the Company are secured by way of corporate guarantees from the Company, a fixed charge on certain property, plant and equipment of the Group and the Company as disclosed in Note 9.

The term loans are repayable over 4.5 to 10 years. The other bank borrowings are repayable on demand.

Other information on financial risks of borrowings are disclosed in Note 27.

18. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS

On 28 April 2006, the Company issued 15,716,000 of 10-year Redeemable Convertible Secured Loan Stocks ("RCSLS") 2006/2016 at a nominal value of RM1.00 each pursuant to DRS exercise taken 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.

18. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS (cont'd)

- (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 restriction on the rights of the Lenders to convert any amount of the RCSLS upon the expiry of 4 years into 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 in issue of the Company 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.

Other information on financial risks of RCSLS are disclosed in Note 27.

19. HIRE PURCHASE LIABILITIES

| | Group | | Company | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Future minimum lease payments: | | | | |
| Not later than 1 year | 195,833 | 147,295 | - | - |
| Later than 1 year and not later than 2 years | 127,619 | 111,761 | - | - |
| Later than 2 years and not later than 5 years | 147,415 | 43,546 | - | - |
| Total future minimum lease payments | 470,867 | 302,602 | - | - |
| Less: Future finance charges | (64,180) | (45,756) | - | - |
| Present value of finance lease liabilities (Note 17) | 406,687 | 256,846 | - | - |
| Analysis of present value of finance lease liabilities : | | | | |
| Not later than 1 year | 168,276 | 124,394 | - | - |
| Later than 1 year and not later than 2 years | 110,257 | 95,236 | - | - |
| Later than 2 years and not later than 5 years | 128,154 | 37,216 | - | - |
| | 406,687 | 256,846 | - | - |
| Amount due within 12 months (Note 17) | 168,276 | 124,394 | - | - |
| Amount due after 12 months (Note 17) | 238,411 | 132,452 | - | - |
| | 406,687 | 256,846 | - | - |

Other information on financial risks of hire purchase are disclosed in Note 27.

20. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|-----------------------|--------------------|--------------------|--------------------|--------------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Current | | | | |
| Trade payables | | | | |
| Third parties | 12,785,182 | 13,119,442 | - | - |
| Related companies | 1,713,959 | 2,127,446 | - | - |
| | 14,499,141 | 15,246,888 | - | - |
| Other payables | | | | |
| Related companies | 2,447,255 | 2,789,437 | - | - |
| Accruals | 1,967,764 | 1,612,761 | 55,750 | 35,000 |
| Other payables | 3,369,898 | 3,209,616 | 306,609 | 610,190 |
| | 7,784,917 | 7,611,814 | 362,359 | 645,190 |
| | 22,284,058 | 22,858,702 | 362,359 | 645,190 |

(a) Trade payables

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

20. TRADE AND OTHER PAYABLES (cont'd)

(b) Amount due to related companies

Amount due to related companies are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

(c) Other payables

Amount due to other payables are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 25.

21. SHARE CAPITAL AND SHARE PREMIUM

| | Number of Ordinary Shares of RM1 Each | Amount | | |
|---|---------------------------------------|---------------------------------------|--|------------------|
| | | Share Capital (Issued and Fully Paid) | Share Capital (Issued and Fully Paid) RM | Share Premium RM |
| At 1 January 2005/ 31 December 2005/ 1 January 2006 | 44,579,000 | 44,579,000 | 7,283,230 | 51,862,230 |
| Ordinary shares issued during the year : | | | | |
| Pursuant to Rights Issue with Warrants | 4,122,527 | 4,122,527 | - | 4,122,527 |
| Pursuant to Debt Restructuring Scheme | 13,235,924 | 13,235,924 | - | 13,235,924 |
| At 31 December 2006 | 61,937,451 | 61,937,451 | 7,283,230 | 69,220,681 |

| | Number of Ordinary Shares of RM1 Each | | Amount | |
|---------------------------------|---------------------------------------|-------------|-------------|-------------|
| | 2006 | 2005 | 2006 RM | 2005 RM |
| Authorised share capital | | | | |
| At 1 January/31 December | 100,000,000 | 100,000,000 | 100,000,000 | 100,000,000 |

22. SEGMENTAL REPORTING

There is no disclosure of segmental information as required by Financial Reporting Standard No. 114 - Segment Reporting, as the Group operates principally within one industry and one country.

23. CAPITAL COMMITMENT

| | Group | |
|----------------------------------|-----------|---------|
| | 2006 RM | 2005 RM |
| Capital expenditure | | |
| Approved but not contracted for: | | |
| Property, plant and equipment | 1,633,200 | - |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

24. CONTINGENT LIABILITY

| | Company | |
|---|------------|------------|
| | 2006 RM | 2005 RM |
| Unsecured corporate guarantees given to secure banking and trade facilities granted to subsidiaries | 31,062,397 | 54,940,662 |

25. SIGNIFICANT RELATED PARTY TRANSACTIONS

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Sales of finished goods to: | | | | |
| E.S. Ng Building Products Sdn. Bhd. (note a) | 26,000 | 48,114 | - | - |
| Syarikat Kayu Wangi Berhad (note c) | - | 69,133 | - | - |
| Kia Lim Timber Trading Sdn. Bhd. (note d) | - | 9,594 | - | - |
| Antara Construction Sdn. Bhd. (note h) | 17,286 | 7,888 | - | - |
| Sri Senanggar Batu Bata Sdn. Bhd. (note b) | 43,666 | - | - | - |
| E.S. Ng Pembinaan Perniagaan Sdn. Bhd. (note a) | 197,468 | - | - | - |
| Original Clay Industrial Sdn. Bhd. (note a) | 2,995 | - | - | - |
| Sales of spare parts and upkeep of tools to : | | | | |
| Sri Senanggar Batu Bata Sdn. Bhd. (note b) | 4,654 | 13,777 | - | - |
| Kia Lim Timber Trading Sdn. Bhd. (note d) | 19,626 | 4,803 | - | - |
| Rengam Batu Bata Sdn. Bhd. (note e) | 17,001 | 1,740 | - | - |
| Purchases of spare parts and upkeep of tools from : | | | | |
| Kia Lim Timber Trading Sdn. Bhd. (note d) | - | 24,974 | - | - |
| Syarikat Kayu Wangi Berhad (note c) | - | 9,546 | - | - |
| Rengam Batu Bata Sdn. Bhd. (note e) | 1,788 | 4,816 | - | - |
| Purchases of finish goods from: | | | | |
| Sri Senanggar Batu Bata Sdn. Bhd. (note b) | 89,163 | - | - | - |
| Purchases of indirect materials from: | | | | |
| E.S. Ng Building Products Sdn. Bhd. (note a) | - | 5,670 | - | - |
| Syarikat Kayu Wangi Berhad (note c) | 99,045 | 193,490 | - | - |
| Syarikat Subari Pembinaan Perniagaan Sdn. Bhd. (note f) | 10,350 | 9,350 | - | - |
| Sri Senanggar Batu Bata Sdn. Bhd. (note b) | - | 26,140 | - | - |
| Drink and refreshment payable to: | | | | |
| Hotel Carnival Sdn. Bhd. (note g) | 9,308 | 21,576 | - | - |
| Insurance premium payable to: | | | | |
| Kia Lim Timber Trading Sdn. Bhd. (note d) | 71,851 | 44,578 | - | - |

25. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Rental payable to: | | | | |
| Kia Lim Timber Trading Sdn. Bhd. (note d) | 172,800 | 172,800 | - | - |
| Rengam Batu Bata Sdn. Bhd. (note e) | 41,400 | 41,400 | - | - |
| Hotel Carnival Sdn. Bhd. (note g) | 12,500 | 30,000 | - | - |
| Sri Senanggar Batu Bata Sdn. Bhd. (note b) | 3,600 | 1,800 | - | - |
| Rental receivable from: | | | | |
| Sri Senanggar Batu Bata Sdn. Bhd. (note b) | 12,973 | 9,450 | - | - |
| Antara Construction Sdn. Bhd. (note h) | 1,200 | - | - | - |
| E.S. Ng Pembinaan Perniagaan Sdn. Bhd. (note a) | 1,120 | - | - | - |
| Transport charges receivable from: | | | | |
| Sri Senanggar Batu Bata Sdn. Bhd. (note b) | 12,139 | 6,635 | - | - |

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 of the Company, namely Datuk Ng Eng Sos @ Bah Chik, and his family members are directors and/or substantial shareholders of that company.
- (b) A director of the Company, namely Tan See Chip, and certain family members of certain directors, namely Datuk Ng Eng Sos @ Bah Chik, Datuk Ng Yeng Keng @ Ng Ka Hiat and Tan See Chip, are directors of that company. Certain directors of the Company, namely Datuk Ng Eng Sos @ Bah Chik, Datuk Ng Yeng Keng @ Ng Ka Hiat, Tan See Chip, and/or their family members are substantial shareholders of that company.
- (c) A director of the Company, namely Datuk Ng Eng Sos @ Bah Chik, Datuk Ng Yeng Keng @ Ng Ka Hiat, Ng Chin Kang and Mohd Salleh Bin Jantan, are/were directors of that company and/or their certain family members have deemed substantial interest in that company.
- (d) Certain directors of the Company, namely Datuk Ng Eng Sos @ Bah Chik, 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 Tan See Chip and Mohd Salleh Bin Jantan, and certain family members of certain directors, namely Datuk Ng Eng Sos @ Bah Chik and Datuk Ng Yeng Keng @ Ng Ka Hiat, are directors of that company. Certain directors of the Company namely, Datuk Ng Eng Sos @ Bah Chik, Datuk Ng Yeng Keng @ Ng Ka Hiat, Ng Chin Kang, Mohd Salleh Bin Jantan and/or their family members are substantial shareholders of that company.
- (f) A director of the Company, namely Datuk Ng Yeng Keng @ Ng Ka Hiat, and a family member of another director, namely Datuk Ng Eng Sos @ Bah Chik, are directors of that company. Certain directors of the Company and/or their certain family members, namely Datuk Ng Eng Sos @ Bah Chik, Datuk Ng Yeng Keng @ Ng Ka Hiat and Ng Chin Kang, are deemed to have substantial interest in that company.

25. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

- (g) A director of the Company, namely Datuk Ng Yeng Keng @ Ng Ka Hiat and a family member of another director, namely Datuk Ng Eng Sos @ Bah Chik are directors of that company. A substantial shareholder of the Company, namely Ng Yan Kian is also a substantial shareholder of that company. Certain directors of the Company, namely Datuk Ng Eng Sos @ Bah Chik, Datuk Ng Yeng Keng @ Ng Ka Hiat, Ng Chin Kang and/or their family members have deemed substantial interest in that company.
- (h) A director of the Company, namely Mohd Salleh Bin Jantan and certain family members of certain directors, namely Datuk Ng Eng Sos @ Bah Chik and Y.B. Datuk Ariss Bin Samsudin are directors and substantial shareholders of that company.

26. SIGNIFICANT EVENT

During the financial year, the Company has completed its Rights Issue with Warrants and Debt Restructuring Scheme ("DRS") as follows:

- (i) On 15 February 2006, the Company issued 4,122,527 new ordinary shares of RM1.00 each ("Right Shares") together with 4,122,527 new free detachable Warrants ("Warrants") at an issue price of RM1.00 per Rights Share pursuant to Rights issue with Warrants;
- (ii) On 15 February 2006, the Company issued 13,235,924 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share pursuant to DRS; and
- (iii) On 28 April 2006, the Company issued RM15,716,000 nominal value of 4%, 10-Year redeemable convertible secured loan stocks ("RCSLS") of RM1.00 each, comprising RCSLS-A, RCSLS-B and RCSLS-C. Other details on the terms of RCSLS are disclosed in Note 18.

27. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Company's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

27. FINANCIAL INSTRUMENTS (cont'd)

(b) Interest Rate Risk (Cont'd)

The following tables set out the carrying amounts, the weighted average effective interest rates (WAEIR) as at the balance sheet date and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk :

| Group | Note | WAEIR % | Within 1 Year RM'000 | 1 - 2 Years RM'000 | 2 - 3 Years RM'000 | 3 - 4 Years RM'000 | 4 - 5 Years RM'000 | More Than 5 Years RM'000 | Total RM'000 |
|---|------|-----------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------------|-----------------|
| | | | | | | | | | |
| Fixed rate | | | | | | | | | |
| Redeemable Convertible Secured Loan Stocks | 17 | 4.00 | - | - | - | - | - | 15,716,000 | 15,716,000 |
| Hire purchase and finance lease liabilities | 19 | 2.85-6.50 | 168,276 | 110,257 | 110,257 | 17,897 | - | - | 406,687 |
| Floating rate | | | | | | | | | |
| Bank overdrafts | 17 | 8.25-8.75 | 5,024,388 | - | - | - | - | - | 5,024,388 |
| Bankers' acceptances | 17 | 6.00-6.60 | 9,014,000 | - | - | - | - | - | 9,014,000 |
| Trust receipt | 17 | 8.75 | 417,141 | - | - | - | - | - | 417,141 |
| Term loans | 17 | 6.50-8.75 | 2,038,166 | 2,412,423 | 2,755,428 | 3,451,428 | 4,010,140 | 2,370,195 | 17,037,780 |
| Company | | | | | | | | | |
| Fixed rate | | | | | | | | | |
| Redeemable Convertible Secured Loan Stock | 17 | 4.00 | - | - | - | - | - | 15,716,000 | 15,716,000 |
| Floating rate | | | | | | | | | |
| Bank overdrafts | 17 | 8.25-8.75 | 98,340 | - | - | - | - | - | 98,340 |
| Term loans | 17 | 8.00 | 87,772 | - | - | - | - | - | 87,772 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

27. FINANCIAL INSTRUMENTS (cont'd)

(b) Interest Rate Risk (Cont'd)

| Group | Note | WAEIR % | Within 1 Year RM'000 | 1 - 2 Years RM'000 | 2 - 3 Years RM'000 | 3 - 4 Years RM'000 | 4 - 5 Years RM'000 | More Than 5 Years RM'000 | Total RM'000 |
|--|------|------------|----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-----------------------------------|-----------------|
| | | | | | | | | | |
| Fixed rate | | | | | | | | | |
| Hire purchase and finance lease liabilities | 19 | 3.40-7.50 | 124,394 | 95,236 | 37,216 | - | - | - | 256,846 |
| Floating rate | | | | | | | | | |
| Bank overdrafts | 17 | 8.25-8.75 | 5,707,721 | - | - | - | - | - | 5,707,721 |
| Bankers' acceptances | 17 | 4.90-5.80 | 8,529,000 | - | - | - | - | - | 8,529,000 |
| Trust receipt | 17 | 4.72-5.80 | 417,260 | - | - | - | - | - | 417,260 |
| Term loans | 17 | 8.00-8.75 | 38,057,077 | 7,114,579 | 4,913,351 | - | - | - | 57,199,586 |
| Company | | | | | | | | | |
| Floating rate | | | | | | | | | |
| Term loan | 17 | 8.00 | 129,677 | 64,579 | - | - | - | - | 194,256 |

Interest on financial instruments subject to floating interest rates is contractually repriced based on bank's base lending rate. Interest on financial instruments at fixed rates are fixed until the maturity of the instrument. The other financial instruments of the Group and the Company that are not included in the above tables are not subject to interest rate risks.

27. FINANCIAL INSTRUMENTS (cont'd)

(c) Foreign Exchange Risk

The Group's foreign exchange exposures arise from export sales and overseas purchases. The Group relies on natural hedging as a risk management tool and does not engage in any formal hedging activities.

(d) Liquidity Risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient level of cash to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

(e) Credit Risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

(f) Fair Values

The carrying value of current financial assets and current financial liabilities of the Group approximate their values due to their short term nature whilst the carrying value of long term borrowings is estimated to be approximate the fair value estimated based on the current rates available for borrowing with the same maturity profile.

It is not practicable to estimate the fair values of amounts due from/to the subsidiaries and related companies principally due to a lack of fixed term of repayment entered by the parties involved and without incurring excessive costs. However, the directors believe that the carrying amounts recorded at balance sheet reflect the corresponding fair value.

STATEMENT OF SHAREHOLDINGS as at 2 April 2007

| | | |
|----------------------------------|---|--|
| 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 |
|-------------------|--|----------------|------------------------|
| 1 | Less than 100 | 50 | 0.00 |
| 893 | 100 - 1,000 | 878,633 | 1.42 |
| 821 | 1,001 - 10,000 | 3,034,482 | 4.90 |
| 144 | 10,001 to 100,000 | 4,043,470 | 6.53 |
| 33 | 100,001 to less than 5% of issued shares | 19,945,809 | 32.20 |
| 6 | 5% and above of issued shares | 34,035,007 | 54.95 |
| 1,898 | | 61,937,451 | 100.00 |

THIRTY LARGEST SHAREHOLDERS

| Name of Shareholder | 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. Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kia Lim Realty Sdn. Bhd. | 2,931,600 | 4.73 |
| 8. Sutera Istimewa Sdn. Bhd. | 2,930,900 | 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 | 1,484,000 | 2.40 |
| 11. Ban Dung Palm Oil Industries Sdn. Bhd. | 1,117,200 | 1.80 |
| 12. Tan See Chip | 799,935 | 1.29 |
| 13. Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Goh May Lee | 717,000 | 1.16 |
| 14. Ng Yan Kian | 706,196 | 1.14 |
| 15. Ng Hoo Tee Holdings Sdn. Bhd. | 684,648 | 1.11 |
| 16. Lim Ling Yee | 675,300 | 1.09 |
| 17. Syarikat Jaya Diri Kemajuan Sdn. Bhd. | 630,000 | 1.02 |
| 18. Chin Choon Lan | 492,100 | 0.79 |
| 19. Bumiputra-Commerce Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ng Eng Sos @ Bah Chik | 391,590 | 0.63 |
| 20. Kia Lim Timber Trading Sdn. Bhd. | 303,194 | 0.49 |
| 21. Ariss Bin Samsudin, Datuk | 303,000 | 0.49 |
| 22. AmBank (M) Berhad Pledged Securities Account for Chin Choon Lan | 284,900 | 0.46 |
| 23. Kour Siok Leen | 246,790 | 0.40 |
| 24. Lim Ling Er | 234,000 | 0.38 |
| 25. Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Dr Ng Yam Puan @ Ng Ah Bah | 232,000 | 0.37 |
| 26. Ng Yeng Keng @ Ng Ka Hiat | 217,395 | 0.35 |
| 27. Yian Xing Long | 200,000 | 0.32 |

STATEMENT OF SHAREHOLDINGS as at 2 April 2007

THIRTY LARGEST SHAREHOLDERS (cont'd)

| Name of Shareholder | Number of Shares | Percentage of Shares |
|--|------------------|----------------------|
| 28. Ng Yeng Keng @ Ng Ka Hiat | 179,502 | 0.29 |
| 29. Eng Lee @ Ng Hoe Sai | 164,404 | 0.27 |
| 30. Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kour Siok Leen | 154,264 | 0.25 |

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. | - | - | 10,725,993 | 17.32 | 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 | 684,000 | 1.10 | C |
| 4. Ng Hoo Tee Holdings Sdn. Bhd. | 3,820,173 | 6.17 | 1,208,400 | 1.95 | D |
| 5. Datuk Ng Eng Sos @ Bah Chik | 528,590 | 0.85 | 25,290,420 | 40.83 | E |
| 6. Datuk Ng Yeng Keng @ Ng Ka Hiat | 570,055 | 0.92 | 25,290,420 | 40.83 | E |
| 7. Ng Chin Lan | 10,000 | 0.02 | 10,725,993 | 17.32 | A |
| 8. Ng Chin Kang | - | - | 11,428,254 | 18.45 | F |
| 9. Permodalan Nasional Berhad | 4,124,895 | 6.66 | - | - | - |
| 10. Yayasan Pelaburan Bumiputra | - | - | 4,124,895 | 6.66 | G |
| 11. Ng Yeng Keng Holdings Sdn. Bhd. | - | - | 10,725,993 | 17.32 | A |
| 12. Kour Siok Leen | 401,054 | 0.65 | 10,725,993 | 17.32 | A |

Notes:

- A Deemed interest through his or its shareholdings in Kia Lim Realty Sdn. Bhd., Sersen Tiles Sdn. Bhd. and Syarikat Jaya Diri Kemajuan 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 Sersen Tiles Sdn. Bhd. and Syarikat Jaya Diri Kemajuan Sdn. Bhd. by virtue of Section 6A of the Companies Act, 1965.
- D Deemed interest through its shareholdings in Ban Dung Palm Oil Industries Sdn. Bhd. by virtue of Section 6A of the Companies Act, 1965.
- E 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., Ng Hoo Tee Holdings Sdn. Bhd. and Syarikat Jaya Diri Kemajuan Sdn. Bhd. by virtue of Section 6A of the Companies Act, 1965.
- F Deemed to have indirect interest through his shareholding in Kia Lim Timber Trading Sdn. Bhd., Ban Dung Palm Oil Industries Sdn. Bhd., Sersen Tiles Sdn Bhd and Syarikat Jaya Diri Kemajuan Sdn. Bhd. by virtue of Section 6A of the Companies Act, 1965.
- G Deemed to have indirect interest through its 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 2 April 2007

LIST OF DIRECTORS' SHAREHOLDINGS AS AT 2 APRIL 2007

| No. | Director | DIRECT INTEREST | | DEEMED INTEREST | | |
|-----|------------------------------------|------------------|----------------------|------------------|----------------------|---|
| | | Number of Shares | Percentage of Shares | Number of Shares | Percentage of Shares | |
| 1. | DATUK NG ENG SOS @ BAH CHIK | 528,590 | 0.85 | 25,290,420 | 40.83 | * |
| 2. | YB DATUK ARISS BIN SAMSUDIN | 303,000 | 0.49 | - | - | |
| 3. | DATUK NG YENG KENG @ NG KA HIAT | 570,055 | 0.92 | 25,290,420 | 40.83 | * |
| 4. | TAN SEE CHIP | 799,935 | 1.29 | 17,000 | 0.03 | # |
| 5. | NG CHIN KANG | - | - | 11,428,254 | 18.45 | * |
| 6. | LOH CHEE KAN | - | - | - | - | |
| 7. | YB KOH CHAI @ KOH CHEE CHAI | - | - | - | - | |
| 8. | CHUA SYER CIN | - | - | - | - | |
| 9. | DR NG YAM PUAN @ NG AH BAH | 309,499 | 0.50 | - | - | |
| 10. | MOHD SALLEH BIN JANTAN | 1,636,416 | 2.64 | - | - | |

* Deemed interest in ordinary shares of the Directors are of the same as disclosed under notes to the substantial shareholders.

Deemed interest through his or its shareholdings in Tan See Chip Sdn. Bhd. by virtue of Section 6A of the Companies Act, 1965.

STATEMENT OF WARRANT HOLDINGS as at 2 April 2007

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 |
| 110 | 100 - 1,000 | 15,100 | 0.37 |
| 6 | 1,001 - 10,000 | 27,600 | 0.67 |
| 1 | 10,001 to 100,000 | 15,200 | 0.37 |
| 2 | 100,001 to less than 5% of issued warrants | 504,100 | 12.22 |
| 5 | 5% and above of issued warrants | 3,560,527 | 86.37 |
| 124 | | 4,122,527 | 100.00 |

THIRTY LARGEST WARRANT HOLDERS

| Name of Warrant Holder | 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. Kia Lim Timber Trading Sdn. Bhd. | 203,734 | 4.94 |
| 6. Ban Dung Palm Oil Industries Sdn. Bhd. | 186,200 | 4.52 |
| 7. Ng Hoo Tee Holdings Sdn. Bhd. | 114,166 | 2.77 |
| 8. Ban Dung Palm Oil Industries Sdn. Bhd. | 15,200 | 0.37 |
| 9. Teh Hock Seng | 10,000 | 0.24 |
| 10. Abdul Aziz Bin Bador | 5,000 | 0.12 |
| 11. Kia Lim Timber Trading Sdn. Bhd. | 4,600 | 0.11 |
| 12. James Chan Khay Syn | 4,000 | 0.10 |
| 13. Maha Perkasa Sdn. Bhd. | 2,000 | 0.05 |
| 14. Liang Guan Pooi | 2,000 | 0.05 |
| 15. Ooi Chye Seng @ Ng Chai Seng | 1,000 | 0.02 |
| 16. Phong Hon Wai | 1,000 | 0.02 |
| 17. Goh Soo Cheng @ Goh Su Mei | 600 | 0.01 |
| 18. Choi Yaw Tong | 400 | 0.01 |
| 19. Lee Yoon Wah | 400 | 0.01 |
| 20. Lee Kok Peng | 400 | 0.01 |
| 21. Yong Choy Heong | 200 | 0.00 |
| 22. Rosli Bin Yusoff | 200 | 0.00 |
| 23. Low Eng Choon | 200 | 0.00 |
| 24. Hee Lee Ping | 200 | 0.00 |
| 25. Zainal Bin Che Muda | 200 | 0.00 |
| 26. Chua Thean Cheang | 200 | 0.00 |
| 27. Ho Ming Kou @ Ho Keat Thong | 200 | 0.00 |
| 28. Chong Miao Moi | 200 | 0.00 |
| 29. Chua Ah Moi | 200 | 0.00 |
| 30. Rodziah Binti Abu Helifah | 100 | 0.00 |

STATEMENT OF WARRANT HOLDINGS as at 2 April 2007

LIST OF DIRECTORS' WARRANT HOLDINGS AS AT 2 APRIL 2007

| No. | Director | DIRECT INTEREST | | DEEMED INTEREST | | |
|-----|------------------------------------|--------------------|------------------------|--------------------|------------------------|---|
| | | Number of Warrants | Percentage of Warrants | Number of Warrants | Percentage of Warrants | |
| 1. | DATUK NG ENG SOS @ BAH CHIK | - | - | 4,084,427 | 99.08 | * |
| 2. | YB DATUK ARISS BIN SAMSUDIN | - | - | - | - | |
| 3. | DATUK NG YENG KENG @ NG KA HIAT | - | - | 4,084,427 | 99.08 | * |
| 4. | TAN SEE CHIP | - | - | - | - | |
| 5. | NG CHIN KANG | - | - | 870,534 | 21.12 | # |
| 6. | LOH CHEE KAN | - | - | - | - | |
| 7. | YB KOH CHAI @ KOH CHEE CHAI | - | - | - | - | |
| 8. | CHUA SYER CIN | - | - | - | - | |
| 9. | DR NG YAM PUAN @ NG AH BAH | - | - | - | - | |
| 10. | MOHD SALLEH BIN JANTAN | - | - | - | - | |

* 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., Ng Hoo Tee Holdings Sdn. Bhd. and Syarikat Jaya Diri Kemajuan Sdn. Bhd. by virtue of Section 6A of the Companies Act, 1965.

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

LIST OF PROPERTIES

| Location of Properties | Description | Tenure / Age of Buildings | Approximately Land Area / (Built-up Area) | Net Book Value RM' 000 | Date of Acquisition |
|--|--|--|---|------------------------------|--|
| 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 or brick making plant, office, store and workshop) | Freehold (Between 14 - 21 years) | 23.2923 acres (68,988 sq/ft) | 1,458 | 08.12.73, 08.12.73, 08.12.73, 11.04.94, 11.04.94 |
| 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 8 years) | 5.8686 acres (159,375 sq/ft) | 4,765 | 16.11.76 |
| 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) | 353 | 29.06.85 30.09.85 |
| 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) | 371 | 30.09.85 03.09.83 17.06.96 17.11.99 |
| Lot No : 1617 Mukim Simpang Kiri 4, Batu Pahat, Johor Darul Takzim. | Agricultural land (reserve for clay extraction) | Freehold | 5.0812 acres (N/A) | 408 | 23.12.96 |
| 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 21 years) | 7.0000 acres (111,705 sq/ft) | 1,807 | 29.06.85 |
| 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 10 years) | 8.7810 acres (224,772 sq/ft) | 5,096 | 14.09.91 26.04.84 |
| Lot No : PTD 6921 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim. | Extarction of clay | Freehold | 20.5597 acres (N/A) | 292 | 29.06.85 |
| 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) | 313 | 31.01.91 20.10.93 07.01.94 |
| 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) | 104 | 25.09.95 |

LIST OF PROPERTIES

| Location of Properties | Description | Tenure / Age of Buildings | Approximately Land Area / (Built-up Area) | Net Book Value RM' 000 | Date of Acquisition |
|---|--|------------------------------|---|------------------------------|------------------------|
| 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) | 212 | 12.04.97 |
| Suite No 1604 Tower A Menara Atlas Plaza Pantai Kuala Lumpur. | Office building | Freehold (9 years) | 2,360 sq/ft | 1,189 | 24.05.96 |
| 2 units of double storey terrace house Lot Nos : PTD 80331 and 80360, Taman Impian Jaya, Mukim Tebrau, Kempas, Johor Bahru, Johor Darul Takzim. | House (vacant-to be sold) | Leasehold (6 years) | 3,184 sq/ft (3,598 sq/ft) | 324 | 05.05.00 |

I/We

of

being a member/members of the abovenamed Company, hereby appoint

.....

of

or failing whom,

of

as *my/our proxy to vote for *me/us and on *my/our behalf at the Twelfth Annual General Meeting of the Company to be held at Dewan Okid, 2nd Floor, Hotel Carnival, 2, Jalan Fatimah, 83000 Batu Pahat, Johor, Malaysia on Tuesday, 29 May 2007 at 12.00 noon and at any adjournment thereof *for/against the resolutions to be proposed thereat.

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

| NO. | RESOLUTIONS | FOR | AGAINST |
|-----|--|-----|---------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2006 together with the Directors' and Auditors' Report thereon. | | |
| 2. | To approve the payment of Directors' Fees for the year ended 31 December 2006. | | |
| | To re-elect the following Directors retiring according to the Company's Articles of Association: | | |
| 3. | YB Datuk Ariss Bin Samsudin - Article 80 | | |
| 4. | Loh Chee Kan - Article 80 | | |
| 5. | Dr Ng Yam Puan @ Ng Ah Bah - Article 80 | | |
| 6. | YB Koh Chai @ Koh Chee Chai - Article 87 | | |
| 7. | Re-appointment of Datuk Ng Eng Sos @ Bah Chik as Director pursuant to Section 129 (6) of the Companies Act, 1965. | | |
| 8. | Re-appointment of Messrs Ernst & Young as Auditors. | | |
| 9. | Authority to Allot Shares - Section 132D. | | |
| 10. | Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature. | | |
| 11. | Proposed Shareholders' Mandate For New Recurrent Related Party Transactions Of A Revenue Or Trading Nature. | | |
| 12. | Proposed Amendments to the Articles of Association of the Company. | | |

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.

Dated this day of 2007

.....
Signature of Member(s)

| | |
|------------------------------|--|
| Number of Shares Held | |
|------------------------------|--|

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, Johor Bahru, Johor, Malaysia not less than forty-eight (48) hours before the time appointed for holding the Meeting.

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STAMP

The Company Secretary
SYMPHONY CORPORATEHOUSE SDN. BHD.

(Co. No. 476777-A)

(Formerly Known As Corporatehouse Services Sdn. Bhd.)

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

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