

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION YOU SHOULD FOLLOW, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



**KIA LIM BERHAD**

Incorporated in Malaysia (Company No.: 342868-P)

**CIRCULAR TO SHAREHOLDERS**

in relation to the following: -

**PROPOSED RENEWAL OF THE EXISTING SHAREHOLDERS' MANDATE FOR  
RECURRENT RELATED PARTY TRANSACTIONS  
OF A REVENUE OR TRADING NATURE**

The notice convening Nineteenth Annual General Meeting of Kia Lim Berhad to be held at Minyak Beku Agrotourism Resort, Room Straits View 2 (SV 2), PTD 3077a, PTD 3438, PTD 3732, Batu 5, Minyak Beku, 83030 Batu Pahat, Johor Darul Takzim on Thursday, 29 May 2014 at 12.00 noon together with the Form of Proxy are enclosed together with the Annual Report of the Company for the financial year ended 31 December 2013. The Form of Proxy should be lodged at the Registered Office of the Company at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor Darul Takzim not later than forty-eight (48) hours before the time set for holding the meeting or at any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

**THIS CIRCULAR IS DATED 29 APRIL 2014**

## DEFINITIONS

---

In this Circular and the accompanying appendix, the following abbreviations shall have the following meanings unless otherwise stated:

“Act”	: The Companies Act, 1965 as amended from time to time and any re-enactment thereof
“AGM”	: Annual General Meeting
“Board”	: The Board of Directors of KLB
“Bursa Securities” or “the Exchange”	: Bursa Malaysia Securities Berhad (635998-W)
“Director(s)”	: Shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transactions were agreed upon, a director of KLB (or any other company which is its subsidiary or holding company or Chief Executive of the Company, its subsidiary or holding company) or any related corporation
“EGM”	: Extraordinary General Meeting
“Existing Shareholders’ Mandate”	: The existing RRPT between KLB and/or its subsidiaries that was approved by the shareholders at the AGM held on 30 May 2013
“KLB” or “the Company”	: Kia Lim Berhad (342868-P)
“KLB Group” or “the Group”	: KLB and its subsidiary companies
“LPD”	: Latest practicable date being 31 March 2014 prior to the printing of this Circular
“Main Market Listing Requirements” or “MMLR”	: The Main Market Listing Requirements of the Bursa Securities as amended from time to time and any re-enactment thereof
“Major Shareholder”	: A person who has an interest or interests in one or more voting shares in KLB or any related corporations and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is <ol style="list-style-type: none"><li>10% or more of the aggregate of the nominal amounts of all the voting shares in KLB; or</li><li>5% or more of the aggregate of the nominal amounts of all the voting shares in KLB where such person is the largest shareholder of KLB.</li></ol>

For the purpose of this definition, “interest in shares” shall have the meaning given in Section 6A of the Act.

It also includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a major shareholder (as defined above) of KLB or any other company which is its subsidiary or holding company.

“person(s) connected”

: In relation to a Director or major shareholder, means such person(s) who fall(s) under any one of the following categories:

- (a) a family member of the Director, major shareholder or management team member\*;
- (b) trustee of a trust (other than a trustee for an employee share option scheme or pension scheme) under which the Director, major shareholder, management team member, or a family member of the Director, major shareholder or management team member, is the sole beneficiary;
- (c) a partner<sup>#</sup> of the Director, major shareholder, management team member, or a partner of a person connected with that Director, major shareholder or management team member;
- (d) a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director, major shareholder or management team member;
- (e) a person in accordance with whose directions, instructions or wishes of the Director, major shareholder or management team member is accustomed or is under an obligation, whether formal or informal, to act;
- (f) a body corporate or its directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director, major shareholder or management team member;
- (g) a body corporate or its directors whose directions, instructions or wishes of the Director, major shareholder or management team member is accustomed or under an obligation, whether formal or informal, to act;
- (h) a body corporate in which the Director, major shareholder, or management team member or persons connected with him are entitled to exercise, or control the exercise of, not less than 15% of the votes attached to voting shares in the body corporate; or
- (i) a body corporate which is a related corporation

Note:

\* Family in relation to a person means which such person who falls within any one of the following categories: -

- (i) spouse;
- (ii) parent;
- (iii) child including an adopted child and step-child;
- (iv) brother or sister; and
- (v) spouse of the person referred to in subparagraph (iii) and (iv) above.

---

## DEFINITIONS (*Cont'd*)

---

# Partner in relation to a director, major shareholder, or a person connected with the director or major shareholder, means such person who falls within any one of the following categories: -

- (i) person with whom the director, major shareholder or person connected with the director or major shareholder, is in or proposes to enter into partnership with. "Partnership" for this purpose is given the meaning under Section 3 of the Partnership Act 1961; and
- (ii) a person with whom the director, major shareholder or person connected with the director or major shareholder has entered or proposes to enter into a joint venture, whether incorporated or not.

"Proposal"	: Proposed RSM
"Proposed RSM"	: Proposed renewal of the existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature
"Related Party (ies)"	: a Director, or major shareholder of KLB or person connected with such director or major shareholder as defined under Chapter 1 and 10 of the Listing Requirements
"RM" and "sen"	: Ringgit Malaysia and sen respectively
"RRPT"	: Related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for the KLB Group's day-to-day operations

<b>THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK</b>
----------------------------------------------------------------

**Interested Directors of KLB**

“Datuk NYK”	:	Datuk Ng Yeng Keng @ Ng Ka Hiat
“TSC”	:	Tan See Chip
“NCK”	:	Ng Chin Kang
“Dr Ng”	:	Dr Ng Yam Puan @ Ng Ah Bah

**Interested Major Shareholders**

“GML”	:	Goh May Lee
“KLR”	:	Kia Lim Realty Sdn Bhd (Co. No. 72625-H)
“KLTT”	:	Kia Lim Timber Trading Sdn Bhd (Co. No. 22651-X)
“NYKH”	:	Ng Yeng Keng Holdings Sdn Bhd (Co. No. 385285-H)
“KSL”	:	Kour Siok Leen

**Persons Connected**

“Datuk Ng”	:	Datuk Ng Eng Sos @ Bah Chik
“DOGE”	:	Datin Oh Gek Eng
“NYKian”	:	Ng Yan Kian
“NCL”	:	Ng Cheng Leong
“NCLan”	:	Ng Chin Lan
“TSChor”	:	Tan See Chor @ Tan Choo
“TSCB”	:	Tan See Chip Sdn Bhd (Co. No. 113846-D)
“NHTH”	:	Ng Hoo Tee Holdings Sdn Bhd (Co. No. 46165-A)
“ST”	:	Sersen Tiles Sdn Bhd (Co. No. 125830-X)

**Related Companies**

“ESNBP”	:	E.S. Ng Building Products Sdn Bhd (Co. No. 314324-D)
“BDPO”	:	Ban Dung Palm Oil Industries Sdn Bhd (Co. No. 53686-T)
“OCI”	:	Original Clay Industries Sdn Bhd (Co. No. 233318-K)
“SS”	:	Sri Senanggar Batu Bata Sdn Bhd (Co. No. 124405-W)

In this Circular, unless there is something in the subject or context inconsistent herewith, the singular includes the plural, references to gender include both genders and the neuter. Reference to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a time of day in this Circular shall be reference to Malaysian time, unless otherwise stated.

## CONTENTS

---

### LETTER TO SHAREHOLDERS OF KLB CONTAINING: -

<b>1.</b>	<b>INTRODUCTION</b>	<b>Page 1</b>
<b>2.</b>	<b>DETAILS OF THE PROPOSAL</b>	<b>2</b>
<b>3.</b>	<b>DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS</b>	<b>11</b>
<b>4.</b>	<b>CONDITIONS</b>	<b>12</b>
<b>5.</b>	<b>FINANCIAL EFFECTS</b>	<b>12</b>
<b>6.</b>	<b>AGM</b>	<b>12</b>
<b>7.</b>	<b>DIRECTORS' RECOMMENDATION</b>	<b>12</b>
<b>APPENDIX I</b>	<b>FURTHER INFORMATION</b>	<b>13</b>

<b>THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK</b>
----------------------------------------------------------------

# KIA LIM BERHAD

(342868-P)

(Incorporated in Malaysia under the Companies Act, 1965)

**Registered Office:**  
Suite 6.1A, Level 6,  
Menara Pelangi,  
Jalan Kuning,  
Taman Pelangi,  
80400 Johor Bahru,  
Johor Darul Takzim.

**29 April 2014**

## **The Board of Directors**

1. Mr Loh Chee Kan *Chairman (Independent Non-Executive Director)*
2. Datuk Ariss Bin Samsudin *Vice Chairman (Executive Director)*
3. Datuk Ng Yeng Keng @ Ng Ka Hiat *(Chief Executive Officer)*
4. Mr Ng Chin Kang *(Executive Director)*
5. Mr Tan See Chip *(Executive Director)*
6. Mr Chua Syer Cin *(Independent Non-Executive Director)*
7. Dr Ng Yam Puan @ Ng Ah Bah *(Non-Executive Director)*

**To: The Shareholders of Kia Lim Berhad**

Dear Sir/ Madam

## **KIA LIM BERHAD**

- **PROPOSED RENEWAL OF THE EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**  
(hereinafter referred to as the "Proposal")

### **1. INTRODUCTION**

At the AGM of the Company held on 30 May 2013, shareholders of KLB had approved a mandate for the Company and its subsidiaries to enter into arrangements or recurrent transactions with related parties which are necessary for the KLB Group's day-to-day operations, in the ordinary course of business and on terms not more favourable to the related parties than those generally available to the public and not to detriment of the minority shareholders. The said mandate shall expire at the conclusion of the forthcoming AGM which will be held on Thursday, 29 May 2014, unless by a resolution passed at the meeting, the authority is renewed.

Accordingly, the Company had on 19 March 2014 announced that the Board proposes to seek shareholders' approval for the Proposal as set out in section 2.1 of this Circular for Recurrent Related Party Transaction from the date of the forthcoming AGM until: -

- (a) the conclusion of the next Annual General Meeting ("AGM") following the forthcoming AGM at which such Proposal 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; or
- (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 must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

- (c) revoked or varied by resolution passed by the shareholders in an AGM or EGM, whichever is the earlier.

**THE PURPOSE OF THIS CIRCULAR IS TO SET OUT DETAILS OF AND INFORMATION RELATING TO THE PROPOSAL, AND YOUR BOARD'S RECOMMENDATION THEREON, AND TO SEEK YOUR APPROVAL FOR THE RELEVANT RESOLUTION TO BE TABLED AT THE FORTHCOMING AGM OF THE COMPANY.**

## **2. DETAILS OF THE PROPOSAL**

### **A. PROPOSED RSM**

Pursuant to the Company's Circular dated 7 May 2013, the Company had, at its AGM held on 30 May 2013, obtained the approval of its shareholders for the Company and its subsidiaries to enter into the RRPT with its related parties as described in the said Circular and which are set out in section 2.1 herein.

Under Part E, Paragraph 10.09 of the Main Market Listing Requirements, a listed issuer may seek a shareholders' mandate in respect of recurrent related party transactions of a revenue or trading nature that are necessary for its day-to-day operations subject to the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under subparagraph(1) above;
- (c) the listed issuer's circular to shareholders for the shareholders' mandate shall include the information as may be prescribed by the Bursa Securities. The draft circular must be submitted to the Exchange together with a checklist showing compliance with such information;
- (d) in a meeting to obtain shareholders' mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution to approve the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- (e) the listed issuer immediately announces to Bursa Securities when the actual value of a RRPT entered into by the listed issuer exceeds the estimated value of the RRPT disclosed in the circular to shareholders by 10% or more and must include the information as may be prescribed by Bursa Securities in its announcement.

In making the disclosure of the aggregate value of the RRPT conducted pursuant to the Existing Shareholders' Mandate, the Company has provided a breakdown of the aggregate value of the RRPT made during the financial year in its 2013 Annual Report as follow: -

- (i) the type of the RRPT made; and
- (ii) the names of the related parties involved in each type of the RRPT made and their relationship with the Group.

Shareholders are advised to refer to the Note 23 on "Related Party Transactions" in the financial statements for the year ended 31 December 2013 enclosed in the Company's 2013 Annual Report.

The principal activity of KLB is investment holding. The principal activities of its subsidiaries are as follows: -

<b>Name of Company</b>	<b>Effective equity interest</b>	<b>Principal activities</b>
Kangkar Raya Batu Bata Sdn Bhd (“KRBB”)	100%	Manufacturing of bricks and roofing tiles
Syarikat Kia Lim Kilang Batu Bata Sdn Bhd (“SKL”)	100%	Manufacturing of bricks

The Board is seeking the shareholders’ mandate which will allow the Group, in their normal course of business, to enter into RRPT with the classes of related party set out in section 2.1 provided such transactions are made at arm’s length and on normal commercial terms of the Group and are on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders.

<p><b>THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK</b></p>
-----------------------------------------------------------------------

## 2.1 Class of Related Parties

2.1.1 The nature of the Existing Shareholders' Mandate with whom the RRPT are carried out are tabulated as follows: -

Company	Interested Directors/ Major Shareholders/ Person Connected to Them(##)	Nature of Transactions	Benefits to the Group	Estimated Value as disclosed in the Circular to shareholder dated 7 May 2013 ("Estimated Value") RM	Actual value transacted from the date of AGM on 30 May 2013 up to the LPD ("Actual Value") RM	Estimated aggregate value of transactions from 29 May 2014 up to the date of the next AGM** ("Current Estimated Value") RM
KLTT	Datuk NYK is a Director and major shareholder of KLB and KLTT.  Dr Ng <sup>(1)</sup> is a director of KLB and KLTT.  NCK is a Director and major shareholder of KLB and KLTT.  GML is a major shareholder of KLB and KLTT.	Rental payable to KLTT for office rented by SKL	The office meets the requirements for head office	80,000	72,000	80,000
		Insurance premium payable to KLTT by SKL	The agency rates offered are competitive	180,000	175,309	300,000
		Purchase of spare parts, tools and upkeep from KLTT by KRBB	The services provided are more efficient as KLTT is the trading and transportation provider	5,000	-	5,000
		Purchase of boiler ash by SKL from KLTT	To enjoy bulk purchase for cost effectiveness	200,000	21,299	200,000
		Rental payable to KLTT for office rented by KRBB	The office meets the requirements for head office	80,000	72,000	80,000
		<b>Balance c/f</b>		<b>545,000</b>	<b>340,608</b>	<b>665,000</b>

Company	Interested Directors/ Major Shareholders/ Person Connected to Them (##)	Nature of Transactions	Benefits to the Group	Estimated Value as disclosed in the Circular to shareholder dated 7 May 2013 ("Estimated Value") RM	Actual value transacted from the date of AGM on 30 May 2013 up to the LPD ("Actual Value") RM	Estimated aggregate value of transactions from 29 May 2014 up to the date of the next AGM** ("Current Estimated Value") RM
Balance b/f				545,000	340,608	665,000
		Insurance premium payable to KLTT by KRBB	The agency rates offered are competitive	120,000	89,875	130,000
		Insurance premium payable to KLTT by KLB	The agency rates offered are competitive	15,000	7,960	15,000
		Sales of spare parts, tools and upkeep by KRBB to KLTT	To enjoy bulk purchase for cost effectiveness	5,000	44	5,000
ESNBP	Datuk Ng is a Director and major shareholder of ESNBP.	Food, beverage, accommodation and advertisement expenses payable to ESNBP by SKL	These services are necessary for operation. Sharing of expenses to enjoy cost savings.	10,000	3,500	10,000
	NCLan <sup>(2)</sup> is a Director and major shareholder of ESNBP.	Food, beverage, accommodation and advertisement expenses payable to ESNBP by KRBB		10,000	-	15,000
Balance c/f				705,000	441,987	840,000

Company	Interested Directors/ Major Shareholders/ Person Connected to Them(##)	Nature of Transactions	Benefits to the Group	Estimated Value as disclosed in the Circular to shareholder dated 7 May 2013 ("Estimated Value") RM	Actual value transacted from the date of AGM on 30 May 2013 up to the LPD ("Actual Value") RM	Estimated aggregate value of transactions from 29 May 2014 up to the date of the next AGM** ("Current Estimated Value") RM
<b>Balance b/f</b>				<b>705,000</b>	<b>441,987</b>	<b>840,000</b>
SS	TSC is a Director of KLB and SS.	Vehicle rental payable to SS by SKL	These vehicles are necessary for the production operation. Cheaper rate given	50,000	47,580	50,000
	NCL <sup>(3)</sup> is a Director of SS.					
	KLR <sup>(4)</sup> is a major shareholder of KLB and SS.	Sales of spare parts, tools and upkeep by SKL to SS	To enjoy bulk purchase for cost effectiveness	50,000	31,482	50,000
	TSChor <sup>(5)</sup> is a Director and major shareholder of SS.					
BDPO	Datuk NYK is a Director and major shareholder of KLB and BDPO.	Purchase of palm shell by KRBB from BDPO	To enjoy bulk purchase for cost effectiveness	2,000,000	708,881	1,500,000
	NCK is a Director of BDPO.					
<b>Balance c/f</b>				<b>2,805,000</b>	<b>1,229,930</b>	<b>2,440,000</b>

Company	Interested Directors/ Major Shareholders/ Person Connected to Them(##)	Nature of Transactions	Benefits to the Group	Estimated Value as disclosed in the Circular to shareholder dated 7 May 2013 ("Estimated Value") RM	Actual value transacted from the date of AGM on 30 May 2013 up to the LPD ("Actual Value") RM	Estimated aggregate value of transactions from 29 May 2014 up to the date of the next AGM** ("Current Estimated Value") RM
Balance b/f				2,805,000	1,229,930	2,440,000
OCI	NCLan <sup>(2)</sup> is a Director of OCI.  Datuk NYK and GML are major shareholders of KLB and OCI.	Vehicle rental receive from OCI to SKL	These vehicles are necessary for the production operation. Cheaper rate given	10,000	-	10,000
	NYKH <sup>(6)</sup> and KLR <sup>(4)</sup> are major shareholders of KLB and OCI.	Vehicle rental receive from OCI to KRBB	These vehicles are necessary for the production operation. Cheaper rate given	10,000	-	10,000
Total				2,825,000	1,229,930	2,460,000

**Notes: -**

Shareholders are to note that the estimated values set out in the above table are merely estimates, and that the actual values to be recorded may vary.

\* The basis of estimated value is based on the average amount of preceding years' transactions.

\*\* The expected date of next AGM is May 2015.

^ Diesel is used by lorries and other heavy equipment for loading, delivery and transportation of bricks to customers and was purchased in bulk by SKL for the Group to enjoy lower cost benefit. KLTT will buy un-used or extra diesel from SKL.

## Persons connected to them are mentioned in section 3

1. Siblings of Datuk NYK.

2. Spouse of GML.

3. Son of Datuk NYK.

4. Datuk NYK and TSC are Directors of KLR. Dr Ng, NYKH, Chong Leen & Sons Sdn Bhd and TSCSB are major shareholders of KLR. KSL is a major shareholder of Chong Leen & Sons Sdn. Bhd.

5. Siblings of TSC.

6. Datuk NYK and NCL are Directors and major shareholders of NYKH. DOGE is a director of NYKH.

## 2.2 Terms and Nature of the RRPT

These RRPT are long-term business transactions which existed even before the KLB Group went public except carriage outwards services. The RRPT involved are in the ordinary course of the Group's business. They are on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders.

### (a) Suppliers/Customers

The subsidiaries of KLB purchases raw materials, boiler ash and palm shell, spare parts, tools and upkeep from KLTT and BDPO as stated in section 2.1 above. The transactions are on arm's length basis. The purchases are made by way of purchase orders or delivery order where the pricing is negotiated and mutually agreed by both parties based on normal commercial terms.

SKL and KRBB sell, spare parts, tools and upkeep to KLTT and SS as listed in section 2.1 above. The terms are based on normal commercial terms and are not more favourable to KLTT and SS than those generally available to other customers. The benefit to the Group is to enjoy bulk purchases for cost effectiveness.

Although the principal activity of the subsidiaries of KLB is manufacturing, both SKL and KRBB sell spare parts, tools and upkeep which are no longer required at market value for the benefit of the Group. The purchases and disposals of the spare parts, tools and upkeep are of different type.

### (b) Landlord

Both SKL and KRBB rent office and showroom space from KLTT at the negotiable rate. The rates are not more favourable to SKL and KRBB than those generally available to the public. Details of the office and showroom space rental is as follows: -

Nature of transactions	Location / Address	Built-up area (sq. ft.)	Amount of rental RM
Rental payable to KLTT for office rented by SKL	1 <sup>st</sup> & 2 <sup>nd</sup> Floor, Wisma Ng Hoo Tee, Lot 2127, No. 8, Lorong 2A, 83500 Parit Sulong, Batu Pahat, Johor Darul Takzim	3,720	6,000 per month
Rental payable to KLTT for office rented by KRBB	Ground Floor & 1 <sup>st</sup> Floor, Wisma Ng Hoo Tee, Lot 2127, No. 8, Lorong 2A, 83500 Parit Sulong, Batu Pahat, Johor Darul Takzim	3,720	6,000 per month

### (c) Vehicle Rental

SKL rent vehicles from SS whilst SKL and KRBB receive rental from OCI as listed in section 2.1 above. The rates for the rental receivable and /or payable are at the prevailing market rates and are not more favourable to SKL and KRBB or any of the related parties than those generally available to the public. The benefit to the Group is cheaper rate given.

The terms of payment for each of the rental arrangements are based on the frequency of transportation.

**(d) Insurance Payable**

KLB, SKL and KRBB pay insurance premium to KLTT where KLTT is the agent of Alliance General Insurance Malaysia Berhad (“AGI”) and RHB Insurance Berhad (“RHBI”). The insurance payable is for vehicles, buildings, plant, machineries, equipments, medical insurance for foreign workers and liability insurance for Directors and officer. The premium for the insurance payable is based on rates and terms which are in line with AGI and RHBI’s market rate.

**(e) Food, Beverage, Accommodation and Advertisement**

Both SKL and KRBB use these services provided by ESNBP at the prevailing market rates. The rates for these services are according to the regulations governing the industry as well as the usual commercial terms, business practices and policies or otherwise in accordance with the industry norm of consideration.

**2.3 Disclosure and Review Procedures for the RRPT**

To ensure that recurrent related party transactions are undertaken on the Group's normal commercial terms, and to supplement the existing internal control procedures of the Group, the Audit Committee has been tasked with the review and approval of such transactions.

All RRPT entered into are/shall be tabled to the Audit Committee and the Board for their review quarterly and all members of the Board and Audit Committee who are directly or indirectly interested in any RRPT are to/shall abstain from deliberations and voting in respect of these RRPT. The Audit Committee is to/shall circulate a list of related parties, the general nature of the RRPT and the class of the related party on a quarterly basis to the Board with expressed notification that all RRPT are negotiated at arm's length and on normal commercial terms not more favourable to the related party than those generally available to the public and/or the KLB Group and are not to the detriment of the minority shareholders. The Audit Committee may, as it deems fit, request for additional information pertaining to the transactions from independent sources or advisers. The Audit Committee is to/shall supervise the existing internal control procedures of the Group and report to the Board on any deviations or cases of non-compliance of RRPT, if any.

Such RRPT which are proposed to be entered into will always take into account the pricing level of service, quality of service, delivery schedules and, where applicable, preferential rates, rebates or discounts accorded for bulk purchases, the terms offered are fair and reasonable and on the KLB Group's commercial rates and on competitive pricing in the open market. The pricing of the KLB Group for the services, products and materials and/or equipment to be provided or supplied and/or received or purchased is determined in accordance with the Group's usual business practices and policies, i.e. taken into consideration all of the above factors, consistent with the usual margin of the Group with unrelated third parties.

At least 2 other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities have been used as comparison, wherever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities. In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be based on the prevailing market prices/rates that are agreed upon under similar commercial terms for transactions with third parties, business practices and policies and on terms which are generally in line with industry norms.

There is no specific threshold for approval of RRPT. All RRPT are reviewed and authorised by personnel of at least managerial level, provided always such personnel

has no interest in the transaction and the said transaction has been approved pursuant to the shareholders' mandate obtained at an AGM for RRPT.

When the actual value of RRPT entered into by the Group exceeded the estimated value of the RRPT disclosed in the Circular to Shareholders by 10% or more, the Company will make an immediate announcement to Bursa Securities.

Records would be maintained by each company within the Group to record all transactions with Related Parties which are entered into pursuant to the Proposal.

#### **2.4 Statements by Board of Directors on details of amount owing by related party**

There is no amount owing by related party during the financial year.

#### **2.5 Statement by Audit Committee**

The Audit Committee of KLB is of the view that the review procedures for RRPT (as set out in sub-section 2.3 above) as well as the annual reviews to be made by the Audit Committee in relation thereto, are sufficient to ensure that such transactions are not more favourable to related parties than those generally available to the public and not to the detriment of the minority shareholders of KLB.

The Audit Committee is of the view that the Group has in place adequate procedures and processes to monitor, track and identify RRPT in a timely and orderly manner.

#### **2.6 Rationale and Benefits of the Proposal**

The RRPT to be entered into by the Group are all in the ordinary course of business. They are recurring transactions of a revenue or trading nature which are likely to occur with some degree of frequency and arise at any time and from time to time. These transactions may be constrained by the time-sensitive nature and confidentiality of such transactions and it may be impractical to seek shareholders' approval on a case-by-case basis before entering into such RRPT. As such, the Board is seeking a shareholders' mandate pursuant to Paragraph 10.09 of the Main Market Listing Requirements to allow the Group to enter into such RRPT made on an arm's length basis and on normal commercial terms, not prejudicial to the interests of the shareholders and are on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders.

By obtaining the Proposed RSM, the renewal of the same on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such RRPT occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings and allow manpower resources and time to be channelled towards attaining other corporate objectives without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

The RRPT are considered by the Directors of KLB to be beneficial to the Group as they constitute transactions which are necessary for the day-to-day operations of the Group, and which contribute to the generation of their turnover.

### 3. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, based on the Record of Depositors as at 31 March 2014, none of the other Directors, Major Shareholders and/or person connected with the Directors and/or Major Shareholders as defined in the MMLR, have any interest, direct or indirect, in the RRPT: -

	Notes	Direct No. of Shares	%	Indirect No. of Shares	%	Notes
<b>Interested Directors</b>						
NCK		-	-	12,369,934	19.97	A
Dr Ng	(a)	320,499	0.52	-	-	
Datuk NYK		1,542,255	2.49	27,430,798	44.29	B
TSC	(b)	799,935	1.29	61,000	0.09	C
<b>Interested Major Shareholders</b>						
GML		832,889	1.34	27,259,800	44.01	D
KLR		10,243,993	16.54	-	-	E
KLTT		11,107,534	17.93	1,262,400	2.04	F
NYKH		-	-	10,297,993	16.63	G
KSL	(c)	401,054	0.65	10,297,993	16.63	G
<b>Persons Connected</b>						
NYKian	(a)	835,692	1.35	-	-	
DOGE	(d)	165,898	0.27	-	-	
ST		54,000	0.09	-	-	
BDPO		1,208,400	1.95	-	-	
NHTH		4,645,873	7.50	1,208,400	1.95	H
TSCB		17,000	0.03	-	-	
Datuk Ng	(a)	528,590	0.85	-	-	
NCLan	(e)	10,000	0.02	-	-	

Notes: -

- (a) Siblings of Datuk NYK
- (b) Brother-in-law of Datuk NYK
- (c) Mother of NCK
- (d) Spouse of Datuk NYK
- (e) Spouse of GML
- (A) Deemed to have indirect interest through his shareholding in KLTT, BDPO and ST by virtue of Section 6A of the Act.
- (B) Deemed to have indirect interest through his shareholding in KLR, KLTT, ST, BDPO and NHTH by virtue of Section 6A of the Act and pursuant to Section 134 (12) (c) of the Companies (Amendment) Act, 2007.
- (C) Deemed to have indirect interest through his shareholding in TSCB by virtue of Section 6A of the Act and pursuant to Section 134(12)(c) of the Companies (Amendment) Act, 2007.
- (D) Deemed to have indirect interest through her shareholding in KLR, KLTT, ST, BDPO and NHTH by virtue of Section 6A of the Act.
- (E) Deemed to have indirect interest through its shareholding in ST by virtue of Section 6A of the Act.
- (F) Deemed to have indirect interest through his shareholding in ST and BDPO by virtue of Section 6A of the Act.
- (G) Deemed to have indirect interest through his/her/its shareholding in KLR and ST by virtue of Section 6A of the Act.
- (H) Deemed to have indirect interest through its shareholding in BDPO by virtue of Section 6A of the Act.

The Interested Directors, have and will continue to abstain from board deliberations and voting in relation to the Proposed RSM. The Interested Directors and persons connected with them as mentioned above will also abstain from voting in respect of their direct and/or indirect shareholdings in KLB at the forthcoming AGM to be convened for considering the Proposed RSM.

The Interested Major Shareholders and the persons connected with them as mentioned above, will also abstain from voting in respect of their direct and indirect shareholdings in KLB at the forthcoming AGM to be convened for considering the Proposed RSM.

The abovementioned Interested Directors and Interested Major Shareholders have undertaken to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings on the resolution approving the Proposed RSM at the forthcoming AGM to be convened.

NCL and TSChor do not have any direct or indirect interest in the Company.

#### **4. CONDITIONS**

The Proposal is conditional upon approval being obtained from the shareholders of KLB at the forthcoming AGM.

#### **5. FINANCIAL EFFECTS**

The Proposal is not expected to have any effect on the issued and paid-up share capital and shareholding of the Company, net assets and earnings for KLB Group.

#### **6. AGM**

An AGM, the notice of which is enclosed in the Annual Report of the Company for the financial year ended 31 December 2013, accompanying this Circular, will be held at Minyak Beku Agrotourism Resort, Room Straits View 2 (SV 2), PTD 3077a, PTD 3438, PTD 3732, Batu 5, Minyak Beku, 83030 Batu Pahat, Johor on Thursday, 29 May 2014 which is scheduled at 12.00 noon for the purpose of considering and, if thought fit, passing the resolution pertaining to the Proposal.

If you are unable to attend and vote at the AGM in person, you will find enclosed Form of Proxy attached to the Annual Report of the Company for the financial year ended 31 December 2013 which you are requested to complete, sign and return in accordance with the instructions contained therein as soon as possible and, in any event, so as to arrive at the Registered Office of the Company, at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor Darul Takzim, Malaysia not later than forty-eight (48) hours before the time fixed for convening the AGM. The completion and return of the Form of Proxy will not preclude you from attending and voting at the AGM if you subsequently wish to do so.

#### **7. DIRECTORS' RECOMMENDATION**

Your Board (with exception of Datuk NYK, NCK, Dr Ng and TSC, being interested Directors to the Proposed RSM) is of the opinion that the Proposal is fair, reasonable and in the best interest of the Company and therefore recommend (with exception of Datuk NYK, NCK, Dr Ng and TSC, being interested Directors to the Proposed RSM) that you vote in favour of the resolution to be tabled at the forthcoming AGM to approve the Proposal.

#### **8. FURTHER INFORMATION**

Shareholders are requested to refer to the Appendix I for further information.

Yours faithfully  
For and on behalf of the Board  
**KIA LIM BERHAD**

**LOH CHEE KAN**  
CHAIRMAN  
Independent Non-Executive Director

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

## **FURTHER INFORMATION**

### **1. Directors' Responsibility**

This Circular has been seen and approved by the Directors of KLB and they individually and collectively accept full responsibility for the accuracy of the information given in this Circular and confirm that, after making all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

### **2. Material Contracts**

Neither KLB nor its subsidiaries has entered into any contracts which are material within the two (2) years preceding the date of this Circular, other than contracts entered into in the ordinary course of business.

### **3. Material Litigation**

Neither KLB nor any of its subsidiaries is engaged in any material litigation, claims or arbitration, either as plaintiff or defendant as at the date of this Circular and the Directors do not have any knowledge of any proceedings pending or threatened against KLB or its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position or business of the KLB Group.

### **4. Documents for Inspection**

Copies of the following documents will be available for inspection at the Registered Office of KLB at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor Darul Takzim during normal business hours for a period from the date of this Circular to the date of the AGM: -

- a) The Memorandum and Articles of Association of KLB;
- b) Audited Financial Statements of the KLB Group for the past two (2) financial years ended 31 December 2012 and 2013.

<b>THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK</b>
----------------------------------------------------------------