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

1st Floor, Wisma Ng Hoo Tee,
No. 79, Jalan Muar,
83500 Parit Sulong, Batu Pahat,
Johor Darul Takzim, Malaysia.
Tel : 607-418 7100 / 418 6230
Fax : 607-418 8600

www.kialim.com.my

KIA LIM BERHAD (342868-P)

ANNUAL REPORT 2017

KIALIM

KIA LIM BERHAD

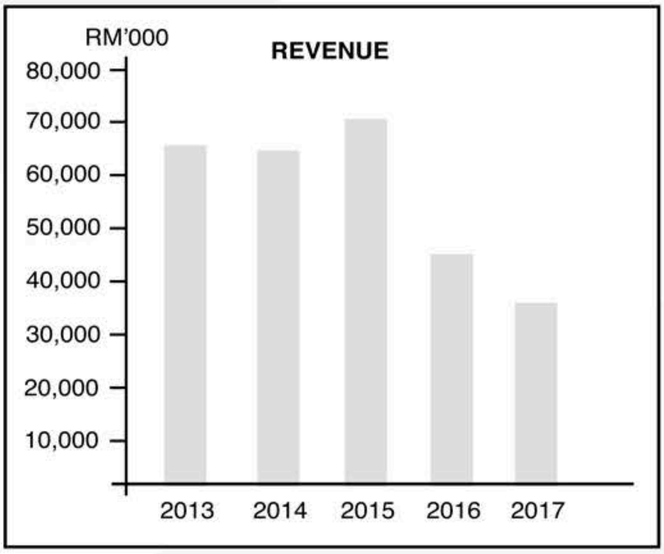
Incorporated in Malaysia (Company No.: 342868-P)

ANNUAL REPORT

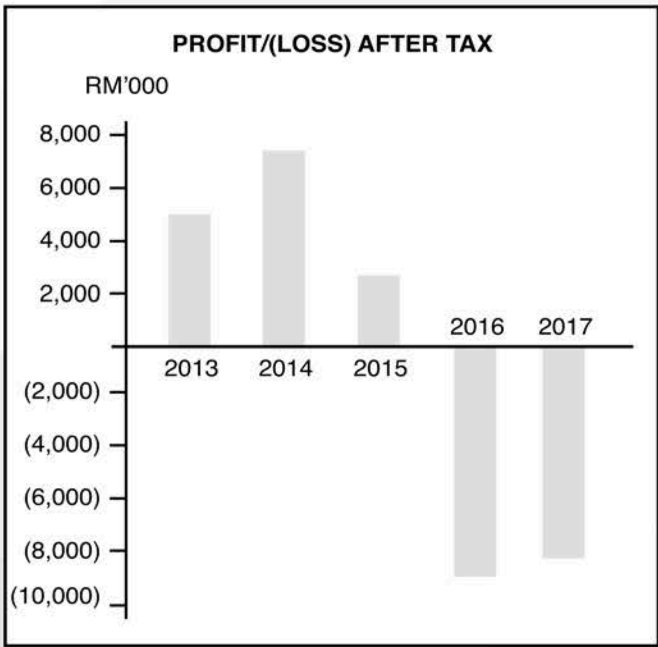
2017

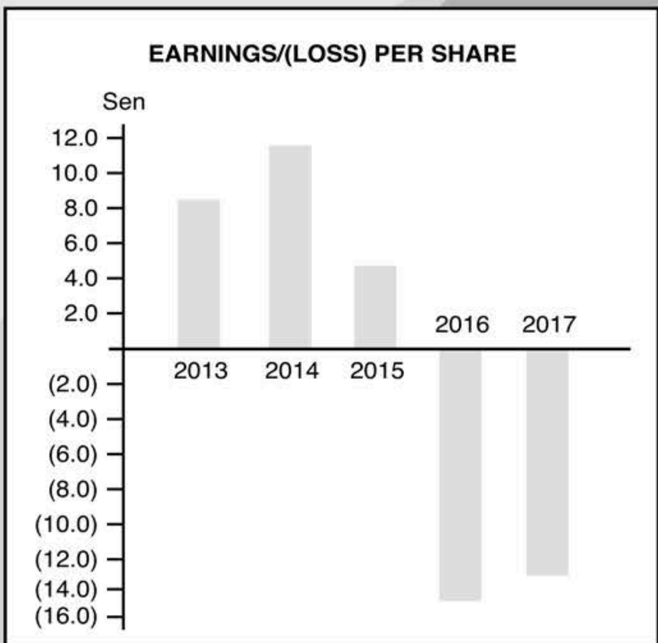
Contents

GROUP FINANCIAL HIGHLIGHTS



Financial Year Ended 31 December	Revenue RM'000	Profit/(Loss) After Tax RM'000	Earnings/ (Loss) Per Share Sen
2013	66,106	5,475	8.8
2014	65,685	7,266	11.7
2015	70,722	2,685	4.3
2016	45,057	(8,999)	(14.5)
2017	38,699	(8,625)	(13.9)





Vision

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

Mission

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Third Annual General Meeting ("AGM") of Kia Lim Berhad will be held at The Katerina Hotel, 8, Jalan Zabedah, 83000 Batu Pahat, Johor Darul Takzim on Wednesday, 30 May 2018 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 2017 together with the Directors' and Auditors' Report thereon. — *Refer to Note (a)*

2. To approve the payment of Directors' fees and benefits for the Company and its subsidiaries of RM183,475 for the year ended 31 December 2017. — RESOLUTION 1 *Refer to Note (b)*

3. To approve the payment of Directors' fees and benefits for the Company and its subsidiaries of up to RM185,275 for the financial year ending 31 December 2018. — RESOLUTION 2 *Refer to Note (b)*

4. To re-elect the following Directors who retire during the year in accordance with Article 80 of the Company's Articles of Association and being eligible, offer themselves for re-election:

   (i) Mr Loh Chee Kan — RESOLUTION 3 *Refer to Note (c)*

   (ii) Datuk Ng Yeng Keng @ Ng Ka Hiat — RESOLUTION 4 *Refer to Note (c)*

5. To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration — RESOLUTION 5

SPECIAL BUSINESS

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

6. ORDINARY RESOLUTION 1
   AUTHORITY TO ALLOT SHARES – SECTIONS 75 AND 76 — RESOLUTION 6 *Refer to Note (d)*

   "**THAT** pursuant to Sections 75 and 76 of the Companies Act, 2016 and subject to the approval of 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 (excluding treasury shares) 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 conferred by this resolution shall commence upon passing this resolution until:

   (a) the conclusion of the annual general meeting held next after the approval was given; or

   (b) the expiry of the period within which the next annual general meeting is required to be held after the approval was given,

   whichever occurs first."

7. ORDINARY RESOLUTION 2
   CONTINUATION OF TERMS OF OFFICE AS INDEPENDENT DIRECTOR — RESOLUTION 7 *Refer to Note (e)*

   "**THAT** authority be and is hereby given to Mr Loh Chee Kan to continue to serve as an Independent Director of the Company in accordance with Malaysian Code On Corporate Governance."

8. ORDINARY RESOLUTION 3
   CONTINUATION OF TERMS OF OFFICE AS INDEPENDENT DIRECTOR — RESOLUTION 8 *Refer to Note (e)*

   "**THAT** authority be and is hereby given to Mr Chua Syer Cin to continue to serve as an Independent Director of the Company in accordance with Malaysian Code On Corporate Governance."

9. ORDINARY RESOLUTION 4
   CONTINUATION OF TERMS OF OFFICE AS INDEPENDENT DIRECTOR — RESOLUTION 9 *Refer to Note (e)*

   "**THAT** authority be and is hereby given to En Mohd Salleh Bin Jantan to continue to serve as an Independent Director of the Company in accordance with Malaysian Code On Corporate Governance."

10. To transact any other business appropriate to an AGM, due notice of which shall have been previously given in accordance with the Act and the Company's Articles of Association.

BY ORDER OF THE BOARD

LEONG SIEW FOONG
MAICSA No. 7007572
Company Secretary

Johor Bahru
27 April 2018

NOTES:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. The proxy need not be a Member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the member to speak at the meeting.

2. A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting.

3. Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

4. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus accounts it holds. Where a member is an authorised nominee as defined under SICDA, it may appoint one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

5. 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.

6. The instrument appointing a proxy must be deposited at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

EXPLANATORY NOTES:

(a) This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders and hence, it is not put forward for voting.

(b) Directors' fees and benefits

(i) Directors' remuneration

Section 230(1) of the Companies Act, 2016 provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at Twenty-Third Annual General Meeting ("23rd AGM") on the Directors' remuneration in two (2) separate resolutions as below:

- Resolution 1 on payment of Directors' fees and benefits in respect of the preceding year 2017; and
- Resolution 2 on payment of Directors' fees and benefits in respect of the current year 2018 and until the next AGM ("Relevant Period").

- *Directors' fees*

The Board decided that the Directors' fees for financial year ("FY") ended 31 December 2017 be maintained as the previous FY subject to the performance of the Company and the current global economy. The detailed Directors' fees are contained in page 20 of Corporate Governance Overview Statement in the Annual Report.

- *Benefits payable to Directors*

The benefits payable to Directors comprised the allowances and other emoluments payable to the Chairman and members of the Board, Board of subsidiaries and Board Committees. The Directors' current and proposed remuneration structure is detailed as below:

Directors' Fees and Benefits	2017 Amount RM	2018 Proposed Amount RM
Fee for Chairman of the Company	30,000	35,000
Fee for each Independent Non-Executive Director	15,000	20,000
Fee for each Non-Independent Non-Executive Director	15,000	20,000
Fee for each Executive Director	15,000	15,000
Fee for Meeting Allowance per meeting *	1,800	800

* Only for Non-Executive Directors.

Payment of benefits to the Directors will be made by the Company as and when incurred, after they have discharged their responsibilities and rendered their services to the Company of the Relevant Period, based on the proposed benefits, if the proposed Resolutions 1 and 2 are passed at the 23rd AGM.

EXPLANATORY NOTES (CONT'D):

(c) Re-election of Directors who retire in accordance with Article 80 of the Company's Articles of Association ("AA")

Article 80 of the AA provides that one-third (1/3) of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company. With the current Board size of seven (7), two (2) Directors are to retire in accordance with Article 80 of the AA.

For the purpose of determining the eligibility of the Directors to stand for re-election at the 23rd AGM, the Nomination Committee ("NC") has considered the following:

(i) The assessment of the individual Director's level of contribution to the Board through each of their skills, experience and strength in qualities; and
(ii) The level of independence demonstrated by each of the Non-Executive Directors ("NEDs"), and their ability to act in the best interests of the Company in decision-making, to ensure that they are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement or the ability to act in the best interests of the Company.

In line with the Malaysian Code on Corporate Governance ("MCCG"), the Board has conducted an assessment of independence of the NEDs, and also other criteria i.e. character, integrity, competence, experience and time commitment in effectively discharging their respective roles as Directors of the Company. The Directors were assessed based on performance criteria set in the areas of Board dynamics and participation, competency and capability, independence and objectivity, probity and personal integrity, contribution and performance together with their ability to make analytical inquiries and offer advice and guidance. Each of the NEDs has also provided his/her annual declaration/confirmation of independence bi-annually of 2017.

The Board accepted the NC's recommendation that the Directors who retire in accordance with Article 80 of the AA are eligible to stand for re-election. All these retiring Directors had abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant Board meeting.

(d) Authority to Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016

The proposed Resolution 6 under item 6 of the agenda above, if passed, will empower the Directors of the Company, from the date of the 23rd AGM, with the authority to allot and issue shares in the Company up to an amount not exceeding in total 10% of the total number of issued shares of the Company (excluding treasury shares) for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next AGM.

The general mandate sought to grant authority to Directors to allot and issue shares is a renewal of the mandate that was approved by the shareholders at the Twenty-Second Annual General Meeting ("22nd AGM") held on 24 May 2017. The renewal of general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/ or future investment projects, working capital and/or acquisitions which the Directors deem necessary and feasible.

Up to date of this Notice, the Company has not issued any shares pursuant to the mandate granted to the Directors at the 22nd AGM as there was no need for any fund raising activity for the purpose of investment, acquisition or working capital.

(e) Continuation of terms of office as Independent Directors

Mr Loh Chee Kan, Mr Chua Syer Cin and En Mohd Salleh Bin Jantan are Independent Directors of the Company who have served the Company for more than nine years.

In line with the MCCG, the NC has assessed their independence as defined in Bursa Securities Listing Requirements which have not been compromised all these while. In fact, they exercises their judgment in an independent and unfettered manner, discharge their duties with reasonable care, skill and diligent; bringing independent thought and experience to board deliberations and decision making process all these while which is valuable to the Company. To that, the Board recommends Mr Loh Chee Kan, Mr Chua Syer Cin and En Mohd Salleh Bin Jantan to continue their office as Independent Directors according to the resolutions put forth at the 23rd AGM.

Mr Loh Chee Kan, Mr Chua Syer Cin and En Mohd Salleh Bin Jantan shall be subjected to two-tier voting in accordance with the MCCG as they have served the Company for more than 12 years.

ADDITIONAL NOTES

The Memorandum and Articles of Association of the Company shall have effect and enforceable under Companies Act, 2016 pursuant to Section 619(3) of Companies Act, 2016.

Arising from the migration to the no par value regime under the Companies Act, 2016, par value is no longer relevant.

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

Mr Loh Chee Kan
Mr Chua Syer Cin
Mr Ng Chin Kang

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Ms Leong Siew Foong
MAICSA No. 7007572

AUDITORS

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

REGISTERED OFFICE

Suite 6.1A Level 6
Menara Pelangi
Jalan Kuning
Taman Pelangi
80400 Johor Bahru
Johor Darul Takzim
Tel : 07-332 3536
Fax : 07-332 4536

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd (378993-W)
Level 6 Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
Tel : 03-7841 8000
Fax : 03-7841 8151

PRINCIPAL PLACE OF BUSINESS

Wisma Ng Hoo Tee
79 Jalan Muar
83500 Parit Sulong
Batu Pahat
Johor Darul Takzim
Tel : 07-418 7100 / 418 6230
Fax : 07-418 8600
Website : www.kialim.com.my

PRINCIPAL BANKERS

RHB Bank Berhad
Hong Leong Bank Berhad

STOCK EXCHANGE

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

PROFILE OF BOARD OF DIRECTORS

MR LOH CHEE KAN, aged 63, male, Malaysian, was appointed as an Independent Non-Executive Director of Kia Lim Berhad ("KLB") on 5 March 1996 and redesignated as Chairman of the Company on 1 March 2011. Presently, he is the Chairman of the Nomination Committee, the Remuneration Committee and the Risk Management Committee. He is also a member of the Audit Committee of the Company.

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-year attachment with Ernst & Young, an international accounting and consultancy practice, and later with Juan Kuang (M) Industrial Bhd where he stayed for two (2) years. He is currently the Finance Director of JK Capital Sdn Bhd group of companies.

Mr Loh Chee Kan has no shareholding in the Company or in any of its subsidiaries; no family relationship with any Director and/or major shareholder of the Company; no conflict of interest with the Company; has no conviction for any offence within the past five (5) years other than traffic offences, if any and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DATUK ARISS BIN SAMSUDIN, aged 62, male, Malaysian, was appointed as Vice Chairman & Executive Director of KLB on 5 March 1996 and was appointed to the Board of Syarikat Kia Lim Kilang Batu Bata Sdn Bhd on 28 February 1995. He also sits on the Board of several other private limited companies.

Prior to joining Syarikat Kia Lim Kilang Batu Bata Sdn Bhd, he was appointed to the Board of Directors of Naluri Berhad in 1994 and had resigned in 2000. He has previously held the position of a Business Development Manager (Southern-Johor state) in Kretam Holdings Berhad from 1 April 1994 to 30 October 1994 and subsequently went on to join Jeffa Construction Sdn Bhd in a similar position from 1 November 1994 to 29 February 1996. On 1 March 1996, he joined Kretam Management Sdn Bhd as a Business Development Manager (Southern-Johor state) and resigned on 16 November 1998. Datuk Ariss had been in the civil service for about ten (10) years from 1984 to 1994 before moving on to business. Datuk Ariss was a member of State Assembly of Semerah, Johor, the Deputy Head of Umno, Parit Sulong from year 2004 to 2013, and the Council Member of Majlis Amanah Rakyat (MARA) from year 2015 to 2017. Socially, he is currently the Board Member of Mara Corporation Sdn Bhd and Glocal Link Sdn Bhd.

Datuk Ariss has no family relationship with any Director and/or major shareholder of the Company; no conflict of interest with the Company; has no conviction for any offence within the past five (5) years other than traffic offences, if any and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DATUK NG YENG KENG @ NG KA HIAT, aged 72, male, Malaysian, was appointed as Executive Director of KLB on 5 March 1996 and redesignated as Deputy Managing Director on 29 November 2006. Subsequently, on 8 October 2007, Datuk Ng Yeng Keng was redesignated as Chief Executive Officer of the Company.

He has over thirty three (33) years of experience in the manufacturing of clay bricks, building and civil engineering works, sawmilling, logging and manufacturing of wood-based products. He was an Executive Director of Syarikat Kayu Wangi Berhad since 1981 and resigned in 2005. He also sits on the Board of several other private limited companies.

Datuk Ng Yeng Keng is the brother of Dr Ng Yam Puan and uncle of Mr Ng Chin Kang, the Directors and/or major shareholders of the Company. His related family members who are also substantial shareholders of the Company is Mdm Kour Siok Leen (sister-in-law of Datuk Ng Yeng Keng). He has no conflict of interest with the Company; has no conviction for any offence within the past five (5) years other than traffic offences, if any and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

MR NG CHIN KANG, aged 47, male, Malaysian, was appointed as Executive Director of KLB on 26 November 2001. Presently, he is a member of the Risk Management Committee. He graduated with a Bachelor of Commerce with Honours degree from University of Western Australia and ASIA Graduate Diploma from Security Institute of Australia. He also holds a MBA from Sydney University and Master of Arts in Business Research from Macquarie University, Australia.

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

Mr Ng Chin Kang is the nephew of Dr Ng Yam Puan and Datuk Ng Yeng Keng, the Directors and/or major shareholders of the Company. He has no conflict of interest with the Company; has no conviction for any offence within the past five (5) years other than traffic offences, if any and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DR NG YAM PUAN @ NG AH BAH, aged 80, male, Malaysian, was appointed as Non-Independent Non-Executive Director of KLB on 5 March 1996 and is a graduate from the Tohoku National University, Japan with a Bachelor of Medicine and Bachelor of Surgery in 1967 and Doctor of Philosophy in Internal Medicine in 1972. He started his medical career at the Johor Bahru General Hospital as a medical officer in 1973. He has since left the civil service in 1977 to establish his own private clinic in Batu Pahat. He is also a Director of several other private limited companies.

Dr Ng Yam Puan is the brother of Datuk Ng Yeng Keng and uncle of Mr Ng Chin Kang, the Directors and major shareholders of the Company. His related family member who is also a shareholder of the Company is Mdm Kour Siok Leen (sister-in-law of Dr Ng Yam Puan). He has no conflict of interest with the Company; has no conviction for any offence within the past five (5) years other than traffic offences, if any and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

MR CHUA SYER CIN, aged 46, male, Malaysian, was appointed as an Independent Non-Executive Director of KLB on 1 November 2001. Presently, he is the Chairman of the Audit Committee, and he is also a member of the Nomination Committee, the Remuneration Committee and the Risk Management 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 is also the Board member of Poh Huat Resources Holdings Berhad as well as several private limited companies.

Mr Chua Syer Cin has no shareholding in the Company or in any of its subsidiaries; no family relationship with any Director and/or major shareholder of the Company; no conflict of interest with the Company; has no conviction for any offence within the past five (5) years other than traffic offences, if any and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

EN MOHD SALLEH BIN JANTAN, aged 75, male, Malaysian, was appointed as an Independent Non-Executive Director of KLB on 15 November 2014. He has over thirty nine (39) years experience in the manufacturing of clay bricks and building and civil engineering works. Presently, he is the member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

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

En Mohd Salleh has no family relationship with any Director and/or major shareholder of the Company; no conflict of interest with the Company; has no conviction for any offence within the past five (5) years other than traffic offences, if any and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Note:

(1) Please refer to page 88 of this Annual Report for Directors' shareholdings.

PROFILE OF KEY SENIOR MANAGEMENT

The Management team is headed by the Chief Executive Officer, Datuk Ng Yeng Keng @ Ng Ka Hiat, Datuk Ng is assisted by the Executive Directors, Datuk Ariss Bin Samsudin and Mr Ng Chin Kang; and the following key senior management team:

MR ONG YU HOCK

General Manager

Nationality : Malaysian

Age / Gender : 46 / Male

Date of appointment : 10 November 2003

Qualification(s) :
1. Fellow of the Association of Chartered Certified Accountants, United Kingdom.
2. Chartered Accountant of the Malaysian Institute of Accountants.

Experience :
Mr Ong started his career with Ernst & Young in Assurance and Advisory Business Services in year 1998. In year 2002, he joined the glass containers division of a public listed company before joining KLB as Group Accountant in year 2003. In year 2006, he was promoted to the position of Assistant General Manager and subsequently promoted to the position of General Manager in year 2013 and he holds this position until present. He is also a member of the Board of Governors of an International School.

Mr Ong has no family relationship with any Director and/or Substantial Shareholder of the Company. He has no conflict of interest with the Company and has not been convicted of any offence within the past five (5) years other than traffic offences, if any.

MR NG CHENG YEW

General Manager (Operations)

Nationality: Malaysian

Age / Gender : 39 / Male

Date of appointment : 11 July 2001

Qualification(s) :
Bachelor of Computer Science with Honours Degree from University of Coventry, United Kingdom.

Experience :
Mr Ng joined KLB in 2001 and worked as I.T. Officer. He managed to convert the existing manual operations into computerized environment to speed up Group work flows. He was then promoted and joined Management as Business Development Assistant Manager in 2004. He was given a chance to analyze, resolve and improve operational matters during this time. In Year 2008, he was then promoted as Manufacturing Manager and appointed to be in charge of Production Department. This included changing the existing production management model into functional cross-management model. Performance based evaluation was implemented. In Year 2013, he was then promoted as General Manager (Operations) to be in charge of all operational matters in KLB.

Mr Ng is the son of Datuk Ng, nephew of Dr Ng Yam Puan and cousin of Mr Ng Chin Kang, the Directors and / or Substantial Shareholders of the Company. He has no conflict of interest with the Company and has not been convicted of any offence within the past five (5) years other than traffic offences, if any.

MR NG AH CHAI

Senior Sales Manager

Nationality : Malaysian

Age / Gender : 56 / Male

Date of appointment : 18 December 1999

Qualification(s) :
Bachelor of Science with Honours Degree (Housing, Building and Planning) from the University Sains Malaysia.

Experience :
Mr Ng joined the Group in year 1999 and is responsible for both local and overseas sales and marketing and he holds this position until present. He has vast experience, more than 25 years in building materials trading and throughout the years, he has established close relationship with many contractors, nationwide distributors and hardware dealers.

Mr Ng has no family relationship with any Director and/or Substantial Shareholder of the Company. He has no conflict of interest with the Company and has not been convicted of any offence within the past five (5) years other than traffic offences, if any.

MADAM ER LAY HONG

Accounts and Finance Manager

Nationality: Malaysian

Age / Gender : 59 / Female

Date of appointment : 1 November 1989

Qualification(s) :
Bachelor of Commerce Degree (International Trade) from the National Chengchi University, Taiwan.

Experience :
Madam Er joined Syarikat Kia Lim Kilang Batu Bata Sdn Bhd, the wholly owned subsidiary of Kia Lim Berhad in year 1989 as Accounts Officer and was subsequently be promoted to various other positions before her promotion to current position of the Group in year 2011. She is responsible for the accounting and finance related matters of the Group, including financial control and accounting function.

Madam Er has no family relationship with any Director and/or Substantial Shareholder of the Company. She has no conflict of interest with the Company and has not been convicted of any offence within the past five (5) years other than traffic offences, if any.

MR TEO LAI HEYONG

Factory Manager

Nationality : Malaysian

Age / Gender : 60 / Male

Date of appointment : 1 July 1992

Qualification(s) :
Bachelor of Commerce Degree from the Soochow University, Taiwan.

Experience :
Mr Teo joined Syarikat Kia Lim Kilang Batu Bata Sdn Bhd, the wholly owned subsidiary of Kia Lim Berhad in year 1992 and is responsible for the production, planning and control as well as maintenance aspect of the factory and he holds this position until present.

Mr Teo has no family relationship with any Director and/or Substantial Shareholder of the Company. He has no conflict of interest with the Company and has not been convicted of any offence within the past five (5) years other than traffic offences, if any.

The Board of Directors of Kia Lim Berhad remains subscribe and fully support the new Malaysian Code on Corporate Governance 2017 ("MCCG" or "the Code"), and is committed to ensure that the Principle and Recommended Practices are observed and practised throughout the Group so that the affairs of the Group are conducted with professionalism, accountability and integrity with the objective of safeguarding and enhancing shareholders' value and financial performance of the Group.

The Corporate Governance Overview Statement ("Statement") is made pursuant to Paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and guidance was drawn from the Key CG principles as set out in the MCCG.

This Statement is prepared in compliance with MMLR and it is to be read together with the Corporate Governance Report 2017 of the Company ("CG Report") which is available on the Company's website, www.kialim.com.my as well as via an announcement on the website of the Bursa Securities.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

Part I – Board's Responsibilities

1. Board Leadership on Objectives and Goals

1.1 Strategic Aim, Value and Standards

The Company is led and managed by experienced Board comprising members with a wide range of experience and expertise in relevant fields. 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.

All decisions of the Board are based on decision of the majority and no single Board member can make any decision on behalf of the Board, unless duly authorised by the Board. As such, no individual or a group of individuals dominate the decision making process. This enable the Board to effectively discharge its principal responsibility as set out in the Code.

Having recognised the importance of an effective and dynamic Board, the Board has established and adopted a Board Charter to ensure that all Board members are aware of the Board's fiduciary and leadership functions. The Board also facilitates its principal responsibilities which include reviewing and adopting a strategic plan, overseeing the conduct of business, risk management, succession planning, developing and implementing investor relations and reviewing internal controls. The Board has delegated specific responsibilities to the following committees ("Committees"):

- Audit Committee
- Risk Management Committee (established on 27 February 2018)
- Nomination Committee
- Remuneration Committee

The powers delegated to the Committees are set out in the Terms of Reference of each of the Committee as approved by the Board and are available on the Company's website.

1.2 The Chairman

The Board is headed by Mr Loh Chee Kan, the Independent Non-Executive Chairman. As Chairman, he plays a vital role in leading and guiding the Board, and also serves as the communication point between the Board and the Chief Executive Officer.

1.3 Chairman and Chief Executive Officer ("CEO")

There is a clear and distinct division of responsibility between the Chairman and the CEO to ensure a proper balance of power and authority. The CEO, Datuk Ng has the executive responsibility to manage the business. He is assisted in the management of the business on a day-to-day basis by the Executive Directors and an experienced management team. He has extensive knowledge and experience in the manufacturing of clay bricks, building and civil engineering works, sawmilling, logging and manufacturing of wood-based products and has the caliber to ensure that strategies and policies approved by the Board are effectively implemented.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part I – Board's Responsibilities (Cont'd)

1. Board Leadership on Objectives and Goals (Cont'd)

1.4 Qualified and Competent Company Secretaries

The Company is supported by a suitably qualified and competent Company Secretary. The Company Secretary is a qualified Chartered Secretary under Section 235(2)(a) of the Companies Act, 2016 and is a Fellow member of the Malaysian Association of the Institute of Chartered Secretaries and Administrators ("MAICSA"). The Company Secretary is an external company secretary from Symphony Corporatehouse Sdn Bhd with vast knowledge and experience from being in public practice and is supported by a dedicated team of company secretarial personnel.

The Company Secretary supports the Board to ensure its effective functioning, and in managing the corporate governance framework of the Group. The Company Secretary is also responsible to advise the Directors on their fiduciary and statutory duties, ensure compliances with company law, the MMLR, the Company's Memorandum and Articles of Association, the MCCG, Board adopted policies, and other pertinent regulations governing the Company, and guide the Board towards the necessary compliances, as and when is necessary.

The Company Secretary attended the 2017 Annual General Meeting ("AGM") held on 24 May 2017 and all Board and Board committee meetings during the financial year ended 31 December 2017. The Company Secretary ensures that all deliberations at the AGM and all Board and Board committee meetings are properly minuted for the Board's reference and for action plans to be communicated to the Management to work on and to report back to the Board.

The Company Secretary also updates the Board on the Directors' Resolutions in Writing passed, Directors' dealings pursuant to Chapter 14 of the MMLR, announcements made to Bursa Securities and circulars or correspondences from Bursa Securities, at every scheduled Board meetings during the year, as well as the changes in the regulatory requirements.

The Company Secretary had and will continue to constantly keep herself abreast on matters concerning company law, the capital markets, corporate governance, and other pertinent matters through continuous training and industry updates. She has also attended the following relevant continuous professional development programmes as required by MAICSA for practicing as a Chartered Secretary:-

- Malaysian Code on Corporate Governance: New Dimension (Roadshow)
- Changing Company Secretarial Practices Under The Companies Act, 2016
- MA -What Is The Change?

The Board is satisfied with the performance and support rendered by the Company Secretary who plays a vital role to the Board in discharging its function and duties.

1.5 Access to Information and Advice

Prior to each Board meeting, all Directors will receive a full set of Board papers with due notice of issues to be discussed in a timely manner. Relevant Directors will provide explanation on pertinent issues. All proceedings and the conclusions from the Board Meetings are minuted and signed by the Chairman in accordance with the provision of Section 343(3) of the Companies Act, 2016.

The Board is kept updated on the Company's financial performance activities and operations as well as other performance factors on a regular basis. The Chairman of the Board Committees is responsible for informing the Board at the Directors' Meetings of any salient matters noted by the Committees and which may require the Board's direction. All Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that the Board's procedures are followed.

Senior management staff as well as advisers and professionals appointed to act for the Company are invited to attend the meetings to furnish the Board with their views and explanations on relevant agenda items tabled to the Board and to provide clarification on issues that may be raised by any Director. Minutes of the Board meetings are also maintained by the Company Secretary.

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

Part I – Board's Responsibilities (Cont'd)

2. Demarcation of Responsibilities

2.1 Board Charter

The Board has established clear functions reserved for the Board and those delegated to the Management and this is documented in the Board Charter, which is published on the Company's website. The Board Charter adopted by the Board sets out the Board's strategic intent and outlines the Board's roles and responsibilities, providing insights and guidance to the Board and the Management concerning their roles and division of responsibilities. Any amendment to the Board Charter can only be approved by the Board. The Board Charter is reviewed periodically as and when the need arises to ensure that the dynamic needs of the Group are consistently met. Further to the amendments to the MMLR issued up to 29 November 2017 and the introduction of the new MCCG issued on 26 April 2017, the Board had performed a review of the Board Charter and updated the Board Charter to ensure its consistency with the MMLR and its relevance.

3. Good Business Conduct and Corporate Culture

3.1 Directors' Code of Conduct & Ethics ("CCE")

The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness. The Board understands that it has the responsibility to set the tone and standards of the Company through a CCE for the Company and has established the CCE for the charters to articulate acceptable practices and guides the behavior of Directors. The Board is clear on what is considered acceptable behaviour and practice in the Company through the CCE's policy. The Board is currently reviews to integrate this CCE into Company's wide management practices. The CCE is published on the Company's website.

3.2 Whistle-blowing Policy

The Board has developed a Whistleblowing Policy which is in line with the Board's effort to encourage employees to report genuine concerns in relation to breach of a legal obligation (including negligence, criminal activity, breach of contract and breach of law), miscarriage of justice, danger to health and safety or to the environment and the cover-up of any of these in the workplace. The Board ensures that the Whistleblowing Policy sets out avenues where legitimate concerns can be objectively investigated and addressed. Individuals should be able to raise concerns about illegal, unethical or questionable practices in confidence and without the risk of reprisal. The Whistleblowing Policy is published on the Company's website.

Part II – Board Composition

4. Board's Objectivity

4.1 Composition of the Board

The Board currently has seven (7) members, comprising the Chairman, who is an Independent Non-Executive Director, the Vice Chairman, who is an Executive Director, the CEO, one (1) other Executive Director and three (3) Non-Executive Directors of which two (2) are Independent Non-Executive Directors and one (1) is Non-Independent Non-Executive Director. With the above appointments, Kia Lim Berhad has thus complied with the MMLR of Bursa Securities which required one-third (1/3) of the Board to be Independent Directors.

However, with this current status, the Company is not aligned with the desired practice of the MCCG which requires the Board must comprise at least half (1/2) of Independent Directors. The Board is mindful of the practice of MCCG, and the Board had further deliberated the matter and committed to achieve the objective of having a majority of Independent Directors within three (3) years.

Current status of Kia Lim Berhad Board composition:

Designation	No. of Director	Percentage (%)
Executive Director	3	42.86
Non-Independent Non-Executive Director	1	14.28
Independent Non-Executive Director	3	42.86
Total	7	100.00

Part II – Board Composition (Cont'd)

4. Board's Objectivity (Cont'd)

4.2 Tenure of Independent Director

Currently Mr Loh Chee Kan, Mr Chua Syer Cin and En Mohd Salleh Bin Jantan have served the Board for accumulated terms of more than nine (9) years. In line with the MCCG, the Nomination Committee ("NC") has assessed the independence of Mr Loh, Mr Chua and En Salleh as defined in MMLR of Bursa Securities which has not been compromised all these while. In fact their experience gained in this industry all these while benefited the Company. Independent Directors always probe the Management and Executive Directors on all issues to their satisfaction. In addition, they always offer their insights and experience to Management and Executive Directors in their decision making process. To that, the Board recommends Mr Loh, Mr Chua and En Salleh to continue their office as Independent Directors according to the respective resolutions put forth in the forthcoming AGM and a two-tier voting process will be conducted during the forthcoming AGM to re-elect Independent Directors who have served the Board for more than twelve (12) years.

4.3 Policy of Independent Director's Tenure

The Independent Directors are able to provide independent judgment, experience and objectivity without being subordinated to operational considerations. They help to ensure that the interests of all shareholders are taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board. In line with the Code, the tenure of an Independent Director of the Company shall not exceed a cumulative term of nine (9) years. Having said this, the Board recognises that an individual's independence cannot be determined arbitrarily on the basis of a set period of time alone.

The Board also believes that continued tenure may bring considerable stability to the Board and acknowledges the fact that it has benefited greatly from the presence of Independent Directors who have over time gained valuable insight into the Group and its markets. Hence, the Board may in certain circumstances and subject to the NC's assessment, decide to maintain a member as an Independent Non-Executive Director beyond the requisite nine (9) years period, if the Board is satisfied (upon the review by the NC) that the said Director can remain independent in character and judgment, and would continue to present an objective and constructive challenge to the assumptions and viewpoints presented by the management and the Board. Under such circumstances, the Board may allow the shareholders to decide whether the said Director should continue to be designated as an Independent Non-Executive Director (notwithstanding the fact his tenure has exceeded the nine (9) years period), with strong justifications provided by the Board to support the proposal.

However, the Company does not have a policy for the time being which is to limit the tenure of its independent director to nine (9) years.

4.4 Diverse Board and Senior Management Team

In the process of selecting and evaluating candidates for the Board and senior management team, the NC takes into consideration suitability for the role, board balance and composition, mix of skills, experience, knowledge and other qualities as well as diversity in terms of gender, age, ethnicity and cultural background. A formal policy for diversity on Board and senior management will be prepared to drive the benefits of diverse workforce across the business.

4.5 Gender Diversity

The Board does not have any formal gender, ethnicity and age diversity policies and targets or any set measures to meet any target. Nevertheless, the Group is an equal opportunity employer and all appointments and employments are based strictly on objective criteria, merits and with due regard for diversity in skills and experience but are not driven by any gender, ethnicity or age bias.

4.6 New Candidates for Board Appointment

In respect of the appointment of Directors, the Company practises a clear and transparent nomination process which involves the following steps:

Step 1: identification of candidates
Step 2: evaluation of suitability of candidates
Step 3: meeting up with candidates
Step 4: final deliberation by the Nomination Committee
Step 5: recommendation to the Board

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.

Part II – Board Composition (Cont'd)

4. Board's Objectivity (Cont'd)

4.6 New Candidates for Board Appointment (Cont'd)

All new appointees to the Board are given an introduction to familiarise themselves with the Group's operations so as to assist them in discharging their duties and responsibilities. They are required to attend the Mandatory Accreditation Programme ("MAP") required by MMLR of Bursa Securities and thereafter to continually upgrade their knowledge and exposure through training programmes as well as seminars.

4.7 Nomination Committee

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

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

The members of the Committee are as follows:

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

The NC met once during the financial year ended 31 December 2017.

5. Overall Board Effectiveness

5.1 Annual Evaluation

During the financial year, the NC had carried out an evaluation assessment as an effort to determine and monitor the level of effectiveness of the Board, the Audit Committee ("AC") as well as the Board members. The evaluation process also involved a peer assessment, where Directors will assess the performance of their fellow Directors. These assessments and comments by all Directors were summarised and discussed at the NC Meeting which were then reported to the Board at the Board meeting held thereafter. The assessment enables the Board to ensure that each of the Board members has the character, experience, integrity, competence and time to effectively discharge their respective roles.

The Board meets at least five (5) times a year, with additional meetings for particular matters convened as and when necessary. Meetings are scheduled at the start of each financial year to enable Board members to plan their schedules accordingly.

There were five (5) Board Meetings held during the financial year ended 31 December 2017. 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
Mr Loh Chee Kan	Chairman & Independent Non-Executive Director	5/5
Datuk Ariss Bin Samsudin	Vice Chairman & Executive Director	5/5
Datuk Ng Yeng Keng @ Ng Ka Hiat	Chief Executive Officer	5/5
Mr Ng Chin Kang	Executive Director	3/5
Dr Ng Yam Puan @ Ng Ah Bah	Non-Independent Non-Executive Director	5/5
En Mohd Salleh Bin Jantan	Independent Non-Executive Director	5/5
Mr Chua Syer Cin	Independent Non-Executive Director	4/5

Part I – Board's Responsibilities (Cont'd)

5. Overall Board Effectiveness (Cont'd)

5.1 Annual Evaluation (Cont'd)

The following are the record of attendance for Board Committees' Meeting held during the financial year ended 31 December 2017:

Audit Committee

Directors	Status	Board Meeting Attended
Mr Chua Syer Cin	Chairman	4/5
Mr Loh Chee Kan	Member	5/5
En Mohd Salleh Bin Jantan	Member	5/5

Nomination Committee

Directors	Status	Board Meeting Attended
Mr Loh Chee Kann	Chairman	1/1
Mr Chua Syer Cin	Member	1/1
En Mohd Salleh Bin Jantan	Member	1/1

Remuneration Committee

Directors	Status	Board Meeting Attended
Mr Loh Chee Kann	Chairman	1/1
Mr Chua Syer Cin	Member	1/1
En Mohd Salleh Bin Jantan	Member	1/1

The Board is satisfied with the time commitment given by the Directors. All of the Directors do not hold more than 5 directorships as required under Paragraph 15.06 of the MMLR. Any Independent Director of the Company is, while holding office, at liberty to accept other Board appointments as long as the appointment is not in conflict with the business and does not affect his performance as an Independent Director. Independent Directors are expected to advise the Chairman immediately if they believe that they may no longer be independent.

All existing Directors have attended MAP prescribed by the MMLR of Bursa Securities. The training programmes or seminars attended by all of the Directors for the financial year ended 31 December 2017 are as follows:

NAME OF DIRECTOR	TRAINING PROGRAMMES ATTENDED	DATE ATTENDED
Datuk Ng Yeng Keng @ Ng Ka Hiat	• National GST Seminar 2017 – "Building A Successful Business On Strong Corporate GST Strategy" • Advocacy Session On Corporate Disclosure For Directors And Principal Officers Of Listed Issuers	16.11.2017 31.10.2017
Datuk Ariss Bin Samsudin	• Advocacy Session On Corporate Disclosure For Directors And Principal Officers Of Listed Issuers	31.10.2017
Dr Ng Yam Puan	• Tax Risks, Investigations And Strategies Workshop	22.09.2017
Mr Ng Chin Kang	• National GST Seminar 2017 –" Building A Successful Business On Strong Corporate GST Strategy"	16.11.2017
Mr Loh Chee Kan	• Malaysian Code On Corporate Governance: Roadshow	06.09.2017
En Mohd Salleh Bin Jantan	• Updates On The New Malaysian Code On Corporate Governance And The Companies Act 2016	09.08.2017

5. Overall Board Effectiveness (Cont'd)

5.1 Annual Evaluation (Cont'd)

NAME OF DIRECTOR	TRAINING PROGRAMMES ATTENDED	DATE ATTENDED
Mr Chua Syer Cin	• LHDNM-MEF SEMINAR 2017 – "Taxation And Employers"	30.03.2017
	• Employers' Statutory Requirements In 2017	12.04.2017
	• GST Impact On Accounting And Tax Issue For Property Developers, JMB/MC & Property Investors	17.04.2017
	• Optimising Tax Benefits For Employers & HR Manager	18.04.2017
	• Capital Allowance Maximisation in 2017	19.04.2017
	• Taxation Of Employment Income – The Law and Practice Based On Public Rulings	20.04.2017 & 21.04.2017
	• Companies Regulations 2017, Annual Returns, Audit, Accounts and AGMs under the Companies Act 2016	26.04.2017
	• Corporate Tax Issue For 2017	07.06.2017
	• Malaysian Private Entities Reporting standards (MPERS) - Transition To MPERS (Section 32, MPERS)	08.06.2017
	• The Revised Auditors Report For Private Entities - New & Revised Int. Standards On Auditing & Related Conforming Amendments On Auditors Reports	14.08.2017
	• Practical Accounting In The GST Regime And MPERS For Accounting Staff – Intermediate Level	21.08.2017 & 22.08.2017
	• Seminar Percukaian Kebangsaan 2017	13.11.2017
	• 2018 Budget Seminar	30.11.2017

The Directors will continue to attend trainings and seminars to enhance their skills and knowledge and keep them abreast with relevant developments in the business and regulatory environment on a continuous basis in compliance with Paragraph 15.08 of MMLR of Bursa Securities.

Part III – Remuneration

6. Level and Composition of Remuneration

6.1 Remuneration Policy

The Remuneration Committee ("RC") is headed by the Chairman, who is an Independent Non-Executive Director. His fellow members are both Independent Non-Executive Directors.

Although there is no directors' remuneration framework for executive directors being put in place, the Board is however of the view that their remuneration is within the reasonable level based on the performance of the Group. 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 RC reviews the remuneration packages each year with a view to ensuring it is fair and able to attract and retain talent who can add value to the Company.

Part III – Remuneration (Cont'd)

6. Level and Composition of Remuneration (Cont'd)

6.1 Remuneration Policy (Cont'd)

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

In carrying out its duties and responsibilities, the RC will in principle have full, free and unrestricted access to the Company's records and personnel.

6.2 Remuneration Committee

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

The members of the Committee are as follows:

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

The RC met once during the financial year ended 31 December 2017.

7. Remuneration of Directors and Senior Management

7.1 Detail of Directors' Remuneration

The remuneration payable in respect of Directors' fees and benefits for year 2017 and 2018 are categorised as follows:

Directors' Fees and Benefit	2017 Amount RM	2018 Proposed Amount RM
Fee for Chairman of the Company	30,000	35,000
Fee for each Independent Non-Executive Director	15,000	20,000
Fee for each Non-Independent Non-Executive Director	15,000	20,000
Fee for each Executive Director	15,000	15,000
Fee for Meeting Allowance per meeting *	1,800	800

* Only for Non-Executive Directors, and a total of five (5) meetings are scheduled for year 2018

The Directors' fees and benefits are subject to the approval of shareholders of the Company.

The remuneration of the Directors of the Group for 2017 is as follows:

	Fees RM	Salaries RM	Sitting Allowance RM	Benefits-in -kind RM	Others Emoluments RM	Total RM
Independent Non-Executive Director						
Mr Loh Chee Kan	30,000	-	9,000	-	-	39,000
Mr Chua Syer Cin	15,000	-	7,200	-	-	22,200
En Mohd Salleh Bin Jantan	15,000	-	9,000	-	-	24,000
Subtotal	60,000	-	25,200	-	-	85,200

7. Remuneration of Directors and Senior Management (Cont'd)

7.1 Detail of Directors' Remuneration (Cont'd)

	Fees RM	Salaries RM	Sitting Allowance RM	Benefits-in -kind RM	Others Emoluments RM	Total RM
Non-Independent Non-Executive Director						
Dr Ng Yam Puan	15,000	-	9,000	-	-	24,000
Executive Director						
Datuk Ariss Bin Samsudin	16,200	75,855	-	13,375	4,596	110,026
Datuk Ng Yeng Keng	17,400	325,000	-	5,600	61,966	409,966
Mr Ng Chin Kang	17,400	86,655	-	4,300	11,305	119,660
Total	126,000	487,510	34,200	23,275	77,867	748,852

7.2 Remuneration of the Top Five Senior Management

The Board is of the opinion that the disclosure of the senior management's remuneration on a named basis and the various remuneration components (salary, bonus, benefits in-kind and other emoluments) would not be in the best interest of the Group due to confidentiality and security concerns, and would likely to have adverse effect on the Group's talent retention. In fact, the senior management has indicated their concern over their safety and confidentiality pertaining to the disclosure.

However, the disclosure of the compensation of key management has been made in note 28(b) of the financial statements for year ended 31 December 2017.

The Board ensures that the remuneration of senior management is commensurate with the performance of the Group, with due consideration to attract, retain and motivate senior management to lead and run the Group successfully.

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I – Audit & Risk Management Committee

8. Effective and Independent Audit & Risk Management Committee ("RMC")

The Company has established an AC to review the integrity of the financial reporting and to oversee the independence of external auditors.

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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016. In presenting the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates.

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

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

8. Effective and Independent Audit & Risk Management Committee (“RMC”) (Cont’d)

The Board has private sessions and dialogues through the Audit Committee with the external auditors, in the absence of the Executive Directors and the management. For the year under review, there were two (2) separate dialogue sessions with the external auditors where there was an exchange of views in relation to the financial reporting of the Group and other issues needing attention.

The AC reviewed the independence of its external auditors. It noted the independence policy of external auditors which includes its own rotation of audit partners once every five (5) years. The external auditors have confirmed via its report to the AC at an AC meeting that, they are and have been independent throughout the conduct of audit engagement in according with terms of relevant professional and regulatory requirements.

RMC was established on 27 February 2018, it plays the role to ensure that a risk management structure is embedded throughout the Group and risk management policies consistently adopted.

The members of the Committee are as follows:

Mr Loh Chee Kan	Chairman
Mr Chua Syer Cin	Member
Mr Ng Chin Kang	Member

The primary task of the RMC is to identify and assess the various risks inherent in its operating environment and review the adequacy of controls implemented to mitigate such risks.

Part II – Risk Management and Internal Control Framework

9. Effective Risk Management and Internal Control Framework

Relevant risk management and internal control systems are implemented for the day-to-day operations of the Group. The internal auditors are authorised to conduct independent audits of all the departments and offices within the Group and reports the findings to the AC.

The risk management and internal control systems are designed to manage and mitigate rather than eliminate the risk of failure in achieving the Company’s corporate objectives and safeguarding the Company’s assets as well as investors’ interests.

10. Effective Governance, Risk Management and Internal Control

The Board has put in place a policy to ensure disclosure of information is in accordance with the disclosure requirements under the Listing Requirements and other applicable laws.

The Board exercises close monitoring of all price sensitive information potentially required to be released to Bursa Securities and makes material announcements to Bursa Securities in a timely manner as required. In line with best practices, the Board strives to disclose price sensitive information to the public as soon as practicable through the website of Bursa Securities, the media and the Company’s website.

Price sensitive information is defined as any information that on becoming generally available would tend to have a material effect on the market price of the Company’s listed securities. The Company Secretary is responsible to compile such information for the approval of the Board soonest possible and release such information to the market as stipulated in MMLR of Bursa Securities.

Apart from the provisions relating to the “closed period” for dealing in the Company’s shares, the Directors and senior management privy to price sensitive information are prohibited from dealing in the shares of the Company until such information is publicly available. The AC reviews, deliberates and decides on the next course of action and evaluates the effectiveness and efficiency of the risk management and internal control systems in the organization.

The AC has access to the internal auditors and is able to discuss internal audit matters in private, if required.

The information on the Company’s internal control is presented in the Statement on Risk Management and Internal Control in pages 29 to 31 of this Annual Report.

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Part I – Communication with Stakeholders

11. Continuous Communication between Company and Stakeholders

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

For any feedbacks or enquires, shareholders can direct them to the Company's designated email address ir-enquiries@kialim.com.my or directly to the Senior Independent Non-Executive Director, Mr Loh Chee Kan at his designated email address sined@kialim.com.my.

In view of the size of the Company, Mr Ong is entrusted to assist Mr Loh with investor relation functions of the Company for the time being.

Part II – Conduct of General Meetings

12. Encourage Shareholder Participation at General Meetings

The AGM is the principal forum for dialogue with shareholders. The Group encourage shareholders to attend and participate in the AGM, shareholders are notified of the meeting and provided with a copy of the Company's Annual Report at least 28 days prior to the date of meeting, providing separate resolutions to be proposed at the AGM for each distinct issue, where necessary. The location of the AGM is near Batu Pahat town and readily accessible.

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

In line with the recent amendments to the MMLR of Bursa Securities under Paragraph 8.29A(1), the Company has implemented poll voting for all the resolutions set out in the notices of general meetings instead of by a show of hands at the 22nd AGM of the Company held on 24 May 2017. Poll voting more accurately and fairly reflects shareholders' views by ensuring that every vote is recognized, in accordance with the principle of "one share one vote". Polling process was explained during the general meetings. Poll Administrator and Independent Scrutineer were appointed to conduct the polling process and verify the results of the poll respectively. The poll results were also be announced to Bursa Securities via Bursa LINK on the same day for the benefit of all the shareholders. The Company will continue this practice in the forthcoming AGM.

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.

OTHER INFORMATION (CONT'D)

b) Audit and Non-Audit Fees

During the financial year ended 31 December 2017, the amount of audit and non-audit fees paid/payable to the external auditors by the Group and the Company respectively were as follows:-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Statutory audit fees paid/payable to: -Ernst & Young ("EY") Malaysia	107,000	100,000	32,000	25,000
Non-audit fees paid/payable to: -Ernst & Young ("EY") Malaysia	9,000	9,000	5,000	5,000

c) Material Contracts

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

d) Contracts Relating to Loan

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

e) Related Party Transaction

A list of significant related party transaction between the Company and its subsidiaries, and between the Group and other related parties including relevant Key Management personnel for the 12-month financial period ended 31 December 2017 is set out on page 79 to 80 of this Annual Report.

The Board shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices of the MCCG and all other applicable laws. The explanations on the departures are supplemented with a description on the alternative measures that seek to achieve the Intended Outcome of the departed Practices, measures that the Company has taken or intends to take to adopt the departed Practices as well as the timeframe for adoption of the departed Practices. Further details on the application of each individual Practice of MCCG are available in the CG Report.

The Board has reviewed and approved this statement on 29 March 2018.

MEMBERS

Mr Chua Syer Cin
- Chairman, Independent Non-Executive Director

Mr Loh Chee Kan
- Member, Independent Non-Executive Director

En Mohd Salleh Bin Jantan
- Member, Independent Non-Executive Director

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 the independence, objectivity and effectiveness of the external auditors and the services provided, including non-audit services and corresponding fees;
- Reviewed and recommended the re-appointment of external auditors and the audit fees to the Board for its approval;
- 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;
- Reviewed and approved the internal audit reports; and
- Reviewed the Corporate Governance Overview Statement, the Audit Committee Report and the Statement on Risk Management and Internal Control to be published in the Annual Report.

ATTENDANCE OF AUDIT COMMITTEE MEETINGS

Details of attendance at Audit Committee Meetings held in the financial year ended 31 December 2017 as follows:

No.	Name of Audit Committee Members	Number of Meetings Attended
1	Mr Loh Chee Kan	5/5
2	Mr Chua Syer Cin	4/5
3	En Mohd Salleh Bin Jantan	5/5

The terms of reference of the Audit Committee is available for reference on the Company's website at www.kialim.com.my.

The Group has an internal audit function which reports directly to the Committee.

The Group's internal and external auditors and certain members of the management team were invited to attend the Committee meetings. All participations in the Committee's meetings were strictly upon invitation.

The Committee also held two (2) separate dialogue sessions during the year under review with external auditors without the presence of the Management. The internal and external auditors have unfettered access to members of the Audit Committee including the Chairman anytime during the year.

Deliberations during the Committee meetings were minuted. The Chairman of the Committee reports the proceedings of the Committee to the Board after every Committee Meeting. Minutes of the meetings were circulated to all members of the Board and significant issues were brought up and discussed at Board meetings.

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 controls. The Board has outsourced its internal audit function to an independent professional consulting 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.

During the financial year under review, based on the risk-based audit programme drawn up, the Internal Audit function had conducted audit on key activities of the Group, including the areas of:

i) Accounting and Financial Management;

ii) Information Technology Management;

iii) Human Resource and Administrative Management; and

iv) Maintenance Management (Mechanical, Electrical & Electronic and Transport).

The internal audit function also performed the status of follow-up audits on the Management's implementation of audit recommendations made for reporting to the Audit Committee.

In the course of auditing, the internal auditors have identified some internal control weaknesses which have been or are being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Annual Report.

The cost incurred in maintaining the internal audit function for the financial year ended 31 December 2017 amounted to RM35,841.

INTRODUCTION

The Board of Directors ("the Board") perceived corporate sustainability as its commitment to create long term value for the shareholders, environment and society through innovation and overall operational excellence.

This is the first year that we are reporting on our efforts to embed sustainability practices throughout our Group. This Sustainability Statement ("the Statement") will outline our efforts at embedding sustainability throughout the Group in the environmental, social and governance issues of our operations, including our efforts at improving our practices.

We have identified issues that are material to our business from a sustainability perspective, and our best efforts and strategies to address them. Qualitative and quantitative data is provided wherever possible. We will strive to improve our disclosure in future reports and are committed to monitoring and measuring our progress in implementing sustainability throughout the Group.

SCOPE OF COVERAGE

The Statement was prepared in accordance with Amendments to the Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to Sustainability Statement in Annual Reports. Our reporting period is from 1 January to 31 December 2017, unless otherwise stated. The information disclosed in our 2017 Sustainability Statement covers the Company and its subsidiaries' current manufacturing of clay bricks and related products.

SUSTAINABILITY GOVERNANCE

The responsibility to promote and embed sustainability in the Group's business strategy lies with the Board. To this end, a Sustainability Working Group ("SWG") was set up to oversee the incorporation of sustainability in the Group's businesses, as well as to prepare the Group for its inaugural sustainability disclosure. The SWG is chaired by the Chief Executive Officer and assisted by the General Manager(s).

SUSTAINABILITY MATTERS

We identified sustainability matters across the Group by convening the response from key Executives and members of Management who are deeply involved in our operations. The sustainability matters identified and how they are being managed by the Group are as follows:

1. Environmental Awareness

   In line with the daily operations for majority of our plants, occurrence of the following possibilities is inevitable:

   (a) spillage of chemicals or hazardous materials;
   (b) emission of smoke and dust; and
   (c) generation of scheduled waste from processes.

   Further to that, lack of good environmental practices and enforcement may and can lead to incidences of penalisation and shut down by authorities, operating license being revoked due to non-compliances and operational inefficiencies that will lead to damage in reputation and creating an adverse impact to the profitability of the Group.

   As such, managing the environmental pollution with proper maintenance and installation of pneumatic indicators/ controllers in our machineries together with proper enforcement and monitoring on adherence to policies and procedures are particularly important. The Group has in place a complete environment policy and procedures that clearly highlight our commitment in ensuring that environmentally hazardous substances, pollutants or wastes are treated before discharging to the surroundings as well as to ensure compliance with laws and regulations in relation to Environmental Regulations.

   In year 2012, dust collectors were installed in the Group's operating plants to collect and filter dust from polluted air and thereafter discharge clean air into the environment. This helps in eliminating harmful elements from the air and allows workers/ surrounding village to work/ live in a safe and clean environment. In addition to that, to ensure compliance and to create an environmental friendly culture for all our employees and the surrounding community, the Group has established a Safety, Environmental and Security Committee ("SESC") to manage environmental conditions at workplace. SESC will conduct regular audits to check on the condition of drainage system for fuel oil/ diesel/ petroleum coke sludge, condition of diesel/ fuel oil tanks and functionality of air compressors. The Group's SESC also continuous reviews the system that is in place, and where necessary, new measures are introduced to minimise pollution.

SUSTAINABILITY MATTERS (CONT'D)

2. Workplace Safety and Health

The Group's operating plants comprise of different range of machineries, whereby certain machineries are automated and certain machineries are semi-automated or even manual. For the automated machines, workers will only be required to monitor that the machines are functioning smoothly whereas for the semi–automated and the manual machines, constant attention is required at all times. Possibility of accidents occurring is considered high due to reasons of negligence by workers or safety measures or safe practices are not in place.

Further to that, lack of good safety and health practices and enforcement may lead to occurrences of industrial accidents and stop orders on machine operations. Based on regulations, the Group is susceptible to penalisation or Directors being brought to court by authorities and this will cause unwanted operational stoppage and eventually an adverse effect to the Group's profits. Managing and enforcing the Safety and Health practices at all operating plants is essential and being constantly emphasised and enforced.

The Group has in place a complete occupational safety and health policy that highlights its commitment to prevent injury, ensure compliance to laws and regulations in relation to occupational safety and health and promote a culture whereby all employees share the commitment to prevent injury at all cost.

To ensure compliance and a safe working environment, the Group has established a Safety, Environmental and Security Committee ("SESC") to manage safety and health related issues at the operating plants. SESC will conduct regular audits to check on the functionality of fire extinguishers, condition of the air compressors, first aid kits and also on the compliance of wearing PPEs at the operating plants. SESC also continuously reviews the system that is in place, and where necessary, new measures are introduced to improve the safety and hygienic working conditions and/ or minimise workplace accidents.

3. Social Awareness

We are committed to provide continuous support to various activities carried out by local charities and organisations. The Group always encourages its Management and employees to be involved in welfare work and charity activities. Disclosures on corporate activities carried out by the Group in Year 2017 are presented under "Corporate Social Responsibility" of this Annual Report and also published on the Company's website at www.kialim.com.my.

OUR COMMITMENT

As socially responsible citizens of the business community, the Group shall continue to adopt and apply effective economic approach, environmentally responsible practices, sound social policies and good corporate governance framework with the objective of enhancing transparency in its corporate disclosure, strengthening its risk management framework and achieving long-term sustainable goals.

The Board has reviewed and approved this statement on 29 March 2018.

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

We always strive to give something back to the neighbouring communities in which we operate. The spirit of caring and sharing has been amply demonstrated by the Management of the Group.

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

i) Environment, health and safety;

ii) Employee communication channels;

iii) Sports and wellness programs; and

iv) Employee training and development

The Corporate Social Responsibility ("CSR") activities undertaken in 2017 were as follows:

- On 20 September 2017, the Group organised a blood donation campaign together with the Hospital Batu Pahat for the well being of society at large.
- Team Building activities were held on 28 October 2017 to foster better relationship and teamwork among employees of the Group.
- During the year, the Group has given financial assistance and in-kind contribution for various charitable causes and to certain needy bodies, such as schools, orphanage house, etc.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the income statement and cash flows of the Group and of the Company for the financial year. The Statement by Directors pursuant to Section 251(2) of the Companies Act, 2016 is stated on page 38 of this Annual Report.

The Directors are of the view that, in preparing the financial statements of the Group and of the Company for the year ended 31 December 2017, the Company has adopted appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgments and estimates. The Directors have also considered that all applicable accounting standards have been followed during the preparation of audited financial statements.

The Directors are responsible for ensuring that the Company keeps adequate accounting records that disclose with reasonable accuracy the financial position of the Group and of the Company to enable them to ensure that the financial statements comply with the requirements of the Companies Act, 2016.

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

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

INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of risk management and internal controls to safeguard shareholders' investments and the Group's assets. The Bursa Malaysia Securities Berhad's ("Bursa Securities") Listing Requirements require directors of public listed companies to include a statement in their annual reports on the state of their risk management and internal controls framework. The Bursa Securities' Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("Guidelines") provides guidance for compliance with these requirements. Set out below is the Board's Statement on Risk Management and Internal Control, which has been prepared in accordance with the Guidelines.

BOARD RESPONSIBILITY

The Board of Directors is responsible for the adequacy and effectiveness of the Group's Risk Management and Internal Control System. The Board recognises the importance of good corporate governance and is committed to maintaining a sound system of internal control and risk management. This includes the establishment of an appropriate control environment and risk management framework, processes and structures and continually reviewing the adequacy and integrity of the said systems to safeguard shareholders' investment and the Group's assets. The Board is pleased to provide the following statement, which outlines the nature and scope of risk management and internal control of the Group during the year.

The system of risk management and internal control covers risk management, finance, operations, management information systems and compliance with relevant laws, both local and foreign, all other regulations, policies and procedures.

Whilst acknowledging its responsibilities, the Board is aware of the limitations that are inherent in any systems of internal control and risk management, such systems being designed to manage, rather than eliminate, the risk that may impede the achievement of the Group's business objectives. Accordingly, it can only provide a reasonable combination of preventive, detective and corrective measures but not absolute assurance against material misstatement or losses, fraud or breaches of laws or regulations.

The Group's risk management and internal control framework is an ongoing process, and is in place for identifying, evaluating and managing significant risks faced or potentially to be encountered by the Group throughout the financial year. The process is regularly reviewed by the Board.

The implementation of the risk management and internal control system within the Group inclusive of design, operation, identification, assessment, mitigation and control of risks, are operated with the assistance of the Management throughout the period. The Board has received assurance from the Chief Executive Officer that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

The Group's internal audit function has been outsourced to an independent professional consulting firm, who reports directly to the Audit Committee and administratively to the Management. The internal auditors carried out periodic internal audit on the system of internal controls based on the key risk areas identified and defined in the scope of the 3-Years Internal Audit Plan reviewed and approved by the Audit Committee.

Risk Management Framework

The Group has an embedded process for the identification, evaluation, reporting, treatment, monitoring and reviewing of the major strategic, business and operation risks within the Group. Both the Audit Committee and Board of Directors review the effectiveness of the risk management function and deliberate on the risk management and internal control frameworks, functions, processes and reports on a regular basis.

For the period under review, the Board of Directors is assisted by the internal auditors and the management to effectively embed risk management and controls into the corporate culture, processes and structures within the Group. The half yearly risk assessment from the business units are consolidated and updated into the Group Risk Register, highlighting the major risks and the existing key controls. They are then compiled into Group Risk Profile based on the impact and likelihood of occurring, for the Board attention in managing and monitoring these risks.

The framework is continually monitored to ensure it is responsive to the changes in the business environment and clearly communicated to all levels.

BOARD RESPONSIBILITY (CONT'D)

Risk Management Framework (Cont'd)

Exceptions and improvement opportunities have been reported to the Audit Committee to enhance the effectiveness of the governance, risk management and internal control processes of the Group. The Board, with the assistance of the Audit Committee, reviews the key risks identified and determines the nature and extent of risks that will be undertaken in achieving the Group's strategic, operational and compliance objectives.

On 27 February 2018, the Board of Directors set up a separate board committee, Risk Management Committee, to be responsible for the risk management function, the details of which can be found in Corporate Governance Overview Statement.

The development and documentation of risk management processes will continue to be enhanced and the Board will report on the status of the said development in due course.

Key Elements of Internal Control

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

(i) Strategic business direction and risk management

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

(ii) Organisational structure and corporate culture

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

(iii) Definition of employees' roles and responsibilities

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

(iv) Reporting and review

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

(v) Procedures and control environment

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

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

BOARD RESPONSIBILITY (CONT'D)

Key Elements of Internal Control (Cont'd)

(vi) Audit Committee

The Audit Committee analyses the Group's current quarter and year-to-date performance compared to previous quarter, previous corresponding quarter and year-to-date and then reports to the Board. The Report of the Audit Committee is set out on pages 24 to 25 of this Annual Report.

(vii) Internal audit function

The Board has outsourced its internal audit function to an independent professional consulting firm to assist the Group in achieving its objectives, systematically evaluating and improving the risk management, internal controls and corporate governance within the Group. The internal auditor provides periodic reports to the Audit Committee, reporting on issues relating to internal controls and the associated risks together with recommendations for appropriate actions to the Audit Committee. The internal auditors' responsibilities include planning and performing its internal audit activities to obtain assurance that controls implemented are adequate, relevant and in operation to manage key financial, operational and compliance risks. A summary of findings and recommendations are discussed at the Audit Committee meetings and the status of implementation of the actions agreed by Management is tracked and reported to the Audit Committee.

(viii) Review of the statement by external auditors

The external auditors have reviewed this statement for inclusion in the Annual Report of the Company for the financial year ended 31 December 2017 and reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the systems of internal controls and risk management.

The Board's Statement on Risk Management and Internal Control

The Directors have reviewed the adequacy, integrity and effectiveness of the systems of risk management and internal control in operation during the financial year through the monitoring processes 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 Company's Annual Report. The Board remains committed towards operating a sound system of risk management and internal control and therefore recognises that the system must continuously evolve to support the growth and dynamics of the Group.

The Board has reviewed and approved this statement on 29 March 2018.

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Kia Lim Berhad Group ("the Group") for the financial year ended 31 December 2017 together with the Management Discussion & Analysis ("MD&A").

The following MD&A of the financial condition and operating performance of the Group for the twelve (12) months ended 31 December 2017 should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and related notes thereto.

FINANCIAL REVIEW

Year 2017 was another tough year for the brick industry as the property market continued to stay lackluster, resulting in a further slump in the demand for brick products. Consequently, the Group's results fell into the red for the second consecutive year.

The Group recorded lower revenue of RM38.7 million for the current financial year as compared to RM45.1 million last year, a decrease of 14.2%. This was mainly due to both lower selling prices and sales volume for the Group's brick products. The Group however registered a lower loss before taxation of RM7.9 million as compared to RM9.1 million for the preceding year.

The higher loss before taxation for the preceding year was mainly due to the effect of the impairment provision for property, plant and equipment of RM5.0 million as compared to an impairment provision charged to the current financial year of RM1.3 million. Excluding the effect of the said impairment provision, loss before taxation for the current financial year would be higher as compared to the preceding year, in tandem with the lower revenue recorded due to lower selling prices and sales volume for the Group's brick products.

For the year ended 31 December 2017, the Group had written off of certain property, plant and equipment of RM0.6 million and inventories of RM0.3 million as well as unabsorbed fixed costs due to loss of production following the shutdown in one of the production lines caused by a fire incidence. These were compensated by an insurance claim of RM1.5 million.

CAPITAL RESOURCES AND LIQUIDITY

The Group's net assets value of RM65.4 million in this financial year was lower than the previous year's RM74.1 million. Correspondingly, the Group's net assets value per share dropped to RM1.06 as at 31 December 2017 from RM1.20 last year. This was primarily due to losses as reported in the current financial year as explained above.

The Group's current assets was reduced by RM4.8 million mainly due to the decrease in inventories from RM16.9 million in financial year 2016 to RM13.1 million in current financial year. The decline was due to lower finished goods stock balance as at current financial year end as a result of the loss of production caused by the shutdown of a production plant that was damaged by the fire as mentioned above. The decline was also partly due to a strategic reduction of the stockpile of clay to enhance the cash flow of the Group during the financial year under review.

In accordance with the no par value regime of the Companies Act, 2016, the amount standing to the credit of the Company's premium account becomes part of the Company's share capital. The balance on the share premium account was transferred to the share capital account, and as a result of which the share capital of the Group increased to RM69.2 million for the financial year 2017 from RM61.9 million for the financial year 2016.

CAPITAL RESOURCES AND LIQUIDITY (CONT'D)

In anticipation of the challenges ahead as a result of the sluggish performance of the property market, cash preservation was a key consideration for the Group and hence, the spending on capital expenditures for the year was modest at RM2.9 million. Though higher as compared to RM2.3 million for last year, the amount included some replacement costs for the plant that was damaged by the fire. The said replacement costs incurred was compensated by an insurance claim of RM1.5 million and the said claim amount was fully received during the financial year.

The Group registered a net decrease of RM1.4 million in its cash and cash equivalents, resulting in an increased net overdraft position of RM3.3 million as at 31 December 2017 as compared to RM1.9 million as at 31 December 2016. While operating activities generated cash flow of RM3.7 million, net capital expenditures of RM2.4 million and reduction of borrowings of RM2.7 million resulted in the net decrease in cash and cash equivalents.

As compared to last year, the Group's gearing ratio (calculated as net debt divided by total capital plus net debt) remained unchanged at 23%.

The Group's revenue, profit after tax and earnings per share for the past 5 years up to 31 December 2017, are disclosed in this Annual Report under the Group Financial Highlights in page 1.

OPERATIONAL AND BUSINESS REVIEW

The principal activity of the Company is investment holding, while the principal activity of the subsidiaries is manufacturing of clay bricks and related products. The sales of the Group's products are predominantly to the Malaysia and Singapore market.

During the year, there was no major upgrading project for the production plants except for some routine and regular preventive maintenance works. However, the Group had incurred a substantial amount of capital expenditures to repair the factory building and machineries in one of the subsidiaries' production plant that was damaged by the fire. This fire incidence had also resulted in a halt in production for more than two months. Immediately after the incidence, the Group carried out a thorough post mortem investigation and reviewed all the safety measures and procedures in place in order to mitigate the exposure to such risk as well as to prevent the recurrence of such incidence in the future. With the effort and hard work from all parties, the affected plant was able to resume production ahead of schedule in the second quarter of the financial year.

The cost of hiring and retaining foreign workers has increased tremendously in recent years, and hence the Management has continuously carried out reviews on the Group's manpower plan. Accordingly, the Group has adjusted the hiring strategy to recruit more local than foreign workers wherever is possible. However, foreign workers are still very much needed, particularly at the "3D" (dirty, difficult and dangerous) workplaces, where recruitment of local workers remains a great challenge. Certain automation projects proposed earlier to reduce the reliance on foreign workers have been deferred as a result of the challenging environment the Group has been operating under over the past two years.

Apart from the above, the Group continued to encourage staff and workers to upgrade their skills and practise multi-tasking wherever possible, while certain divisions / sections have been consolidated to improve operational efficiency and contain costs.

On the other hand, it is always the Group's culture to prioritise the needs of its customers and maintain a close relationship with them. The sales team has further intensified their efforts and consistently expanding the Group's existing customer base being one of the strategies undertaken to increase the market share as well as to diversify the risk of over concentration on few major customers.

OUTLOOK AND PROSPECT

The property market in year 2018 is expected to continue to remain flattish and challenging as the issue of lack of affordability of home buyers remains unresolved, coupled with rising cost of living and tight financing. In addition, Bank Negara's monetary policy on normalisation of interest rate could further dampen home buyers' sentiment to purchase properties.

With no signs of an imminent recovery in the property market, construction activities will likely to stay slow in the near term with no uptick in the demand for clay bricks. Competition will remain stiff due to overall over capacity in the industry. On the other hand, the sustained unhealthy price competition in the industry over the past many months had caused losses to the major clay brick manufacturers, and of late there are signs that price competition is easing. We are hopeful that our recent upward revision in selling price is sustainable.

On the costing side, the Group is expected to be further burdened by the rise in production costs, as with for instance, the new policies in respect of foreign workers employment which took effect from 1 January 2018, where the foreign worker's levy is to be fully borne by employer and additional cost on compulsory medical check- ups during their working stint in Malaysia. These will certainly push up the production cost and erode further the Group's bottom line.

Given the aforementioned scenario, the Group will continue to focus on its strategy and effort to enhance its operational efficiency and products quality in order to remain competitive in the industry, and will strive its best to achieve a satisfactory financial results for the financial year ending 31 December 2018.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I wish to express my gratitude to our customers, suppliers, and business associates, as well as the regulatory authorities, bankers and advisors for their part in the well-being of the Group.

To our shareholders, I thank you for your patience and continuing confidence in the Group. I wish also to express my appreciation to the management and all our employees for their effort and sacrifices in ensuring the continue well-being of the Group.

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

Loh Chee Kan
Chairman

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries and associate are as disclosed in Notes 16 and 17 to the financial statements.

RESULTS

	Group RM	Company RM
Loss net of tax	8,625,460	330,315
Attributable to:		
Equity holders of the Company	8,625,460	330,315

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

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 other than as disclosed in the financial statements.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend payment of any dividend for the current financial year.

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Loh Chee Kan
Datuk Ariss Bin Samsudin**
Datuk Ng Yeng Keng @ Ng Ka Hiat**
Ng Yam Puan @ Ng Ah Bah
Chua Syer Cin
Ng Chin Kang**
Mohd Salleh Bin Jantan

**These directors are also directors of the Company's subsidiaries.

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Ng Chin Lan
Ponnirah Binti Parion

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 9 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 28 to the financial statements.

DIRECTORS AND OFFICERS INDEMNITY AND INSURANCE COST

During the financial year, the total maximum amount of indemnity coverage and insurance premium paid for Directors and Officers of the Company are RM3,000,000 and RM7,430 respectively.

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
The Company	1 January 2017	Acquired	Sold	31 December 2017
Direct interest				
Datuk Ariss Bin Samsudin	303,000	-	-	303,000
Datuk Ng Yeng Keng @ Ng Ka Hiat	1,542,255	-	-	1,542,255
Mohd Salleh Bin Jantan	42,816	-	-	42,816
Ng Yam Puan @ Ng Ah Bah	320,499	-	-	320,499
Indirect interest *				
Datuk Ng Yeng Keng @ Ng Ka Hiat	170,998	-	-	170,998
Ng Yam Puan @ Ng Ah Bah	-	50,000	-	50,000
Deemed interest				
Datuk Ng Yeng Keng @ Ng Ka Hiat **	28,972,200	-	-	28,972,200
Ng Chin Kang ***	13,445,134	-	-	13,445,134

* Indirect interest represents the interest of spouse and child of the director of the Company in the shares of the Company under Section 59(11)(c) of the Companies Act 2016.

** Deemed interest through his shareholding in Kia Lim Realty Sdn Bhd, Kia Lim Timber Trading Sdn Bhd, Sersen Tiles Sdn Bhd, Ban Dung Palm Oil Industries Sdn Bhd, Mersing Village Sdn Bhd and Ng Hoo Tee Holdings Sdn Bhd by virtue of Section 8(4) of the Companies Act 2016.

*** Deemed to have indirect interest through his shareholding in Kia Lim Timber Trading Sdn Bhd, Ban Dung Palm Oil Industries Sdn Bhd, Mersing Village Sdn Bhd and Sersen Tiles Sdn Bhd by virtue of Section 8(4) of the Companies Act 2016.

Datuk Ng Yeng Keng @ Ng Ka Hiat and Ng Chin Kang 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.

The other directors in office at the end of the financial year had no interest in shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

   (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

   (ii) the values attributable to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

OTHER STATUTORY INFORMATION (CONT'D)

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

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

Auditors' remuneration are disclosed in Note 9 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 March 2018.

Datuk Ng Yeng Keng @ Ng Ka Hiat

Ng Chin Kang

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Datuk Ng Yeng Keng @ Ng Ka Hiat and Ng Chin Kang, 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 42 to 86 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 March 2018.

Datuk Ng Yeng Keng @ Ng Ka Hiat

Ng Chin Kang

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Datuk Ng Yeng Keng @ Ng Ka Hiat, being the director primarily responsible for the financial management of Kia Lim Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 42 to 86 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the	)	
abovenamed Datuk Ng Yeng Keng @ Ng Ka	)	
Hiat at Johor Bahru in the State of Johor	)	
Darul Ta'zim on 29 March 2018	)	Datuk Ng Yeng Keng @ Ng Ka Hiat

Before me,

Mohd Zulfakar Bin Sabri
No. J 274
Commissioner for Oaths

Johor Bahru, Malaysia

29 March 2018

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Kia Lim Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 42 to 86.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By- Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matter for the audit of the financial statements of the Group is described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis of our audit opinion on the accompanying financial statements.

Impairment for property, plant and equipment

The Group is required to perform impairment assessment of property, plant and equipment ("PPE") when there is an indication that the carrying value of the PPE may be impaired. Brought about by the cessation of two of its production facilities, the management performed impairment assessment in respect of the said production facilities with a combined gross carrying amount of approximately RM1.5 million as at 31 December 2017. The impairment assessment had resulted in the recognition of impairment loss of approximately RM1.3 million.

This impairment assessment on the said production facilities is important to our audit due to its impact to the overall results of the Group. The impairment increased the Group's loss before tax by 20%.

We have reviewed management's assessment of the recoverable amount of the production facilities. Our audit procedures included, amongst others:

(i) Evaluated management's computation of the recoverable amount.
(ii) Evaluated management's assumption on the cost to sell.
(iii) Recalculated management's computation in arriving at the recoverable amount.
(iv) Assessed the presentation and disclosures regarding the impairment of property, plant and equipment in the financial statements, including significant accounting policies as disclosed in Note 2.10 and Note 14 to the financial statements.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Annual Report, which is expected to be made available to us after the date of this auditors' report.

Information other than the financial statements and auditors' report thereon (Cont'd)

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entitles or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditors' responsibilities for the audit of the financial statements (Cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF 0039
Chartered Accountants

Wun Mow Sang
01821/12/2018 J
Chartered Accountant

Johor Bahru, Malaysia
29 March 2018

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Revenue	4	38,698,870	45,057,347	-	-
Cost of sales	5	(36,988,522)	(39,104,220)	-	-
Gross profit		1,710,348	5,953,127	-	-
Other items of income					
Interest income	6	-	-	63,228	147,411
Other income	7	1,808,000	264,809	75,600	80,992
Other items of expense					
Administrative expenses		(6,318,029)	(9,477,666)	(405,915)	(13,419,679)
Selling and distribution expenses		(4,583,634)	(5,198,707)	-	-
Finance costs	8	(554,138)	(663,364)	(63,228)	(147,411)
Share of loss of an associate	17	(2,481)	(2,700)	-	-
Loss before tax	9	(7,939,934)	(9,124,501)	(330,315)	(13,338,687)
Income tax	12	(685,526)	125,925	-	-
Loss net of tax, representing total comprehensive loss for the year		(8,625,460)	(8,998,576)	(330,315)	(13,338,687)
Attributable to: Equity holders of the Company		(8,625,460)	(8,998,576)	(330,315)	(13,338,687)
Loss per share attributable to equity holders of the Company (sen): Basic and diluted	13	(13.9)	(14.5)		

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Assets					
Non-current assets					
Property, plant and equipment	14	60,642,879	66,511,756	-	-
Investment property	15	473,378	501,040	473,378	501,040
Investment in subsidiaries	16	-	-	52,881,411	50,175,411
Investment in an associate	17	79,911	82,392	-	-
Investment in securities	18	5,037	5,037	-	-
Other receivables	19	-	-	2,543,909	1,132,889
Deferred tax assets	20	604,127	1,270,452	-	-
		61,805,332	68,370,677	55,898,698	51,809,340
Current assets					
Inventories	21	13,120,154	16,932,883	-	-
Trade and other receivables	19	9,513,420	10,220,682	15,130	5,187,886
Other current asset	22	222,037	133,676	-	-
Tax recoverable		98,024	50,410	-	-
Cash and bank balances	23	22,535	392,861	1,755	9,837
		22,976,170	27,730,512	16,885	5,197,723
Total assets		84,781,502	96,101,189	55,915,583	57,007,063
Equity and liabilities					
Current liabilities					
Trade and other payables	24	12,120,653	13,154,187	466,557	406,874
Loans and borrowings	25	6,797,495	7,790,590	285,329	820,848
		18,918,148	20,944,777	751,886	1,227,722
Net current assets/(liabilities)		4,058,022	6,785,735	(735,001)	3,970,001
Non-current liability					
Loans and borrowings	25	425,051	1,092,649	-	285,329
Total liabilities		19,343,199	22,037,426	751,886	1,513,051
Net assets		65,438,303	74,063,763	55,163,697	55,494,012
Equity attributable to equity holders of the Company					
Share capital	26	69,220,681	61,937,451	69,220,681	61,937,451
Share premium	27	-	7,283,230	-	7,283,230
(Accumulated losses)/Retained earnings		(3,782,378)	4,843,082	(14,056,984)	(13,726,669)
Total equity		65,438,303	74,063,763	55,163,697	55,494,012
Total equity and liabilities		84,781,502	96,101,189	55,915,583	57,007,063

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

Group	Non-distributable Share capital RM (Note 26)	Share premium RM (Note 27)	(Accumulated losses)/ Distributable Retained earnings RM	Total RM
At 1 January 2017	61,937,451	7,283,230	4,843,082	74,063,763
Total comprehensive loss for the year	-	-	(8,625,460)	(8,625,460)
Transition to no par value regime (Note a)	7,283,230	(7,283,230)	-	-
At 31 December 2017	69,220,681	-	(3,782,378)	65,438,303
At 1 January 2016	61,937,451	7,283,230	13,841,658	83,062,339
Total comprehensive loss for the year	-	-	(8,998,576)	(8,998,576)
At 31 December 2016	61,937,451	7,283,230	4,843,082	74,063,763

Note a
The Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM7,283,230 for purposes as set out in Section 618 (3). There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

Company	Non-distributable Share capital RM (Note 26)	Share premium RM (Note 27)	Accumulated losses RM	Total RM
At 1 January 2017	61,937,451	7,283,230	(13,726,669)	55,494,012
Total comprehensive loss for the year	-	-	(330,315)	(330,315)
Transition to no par value regime (Note a)	7,283,230	(7,283,230)	-	-
At 31 December 2017	69,220,681	-	(14,056,984)	55,163,697
At 1 January 2016	61,937,451	7,283,230	(387,982)	68,832,699
Total comprehensive loss for the year	-	-	(13,338,687)	(13,338,687)
At 31 December 2016	61,937,451	7,283,230	(13,726,669)	55,494,012

Note a
The Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM7,283,230 for purposes as set out in Section 618 (3). There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Operating activities				
Loss before tax	(7,939,934)	(9,124,501)	(330,315)	(13,338,687)
Adjustments for:				
Allowance for diminution in value of investment in subsidiary	-	-	-	12,929,480
Allowance for slow moving inventories	115,260	-	-	-
Depreciation of investment property	27,662	27,663	27,662	27,663
Depreciation of property, plant and equipment	6,070,916	7,683,347	-	-
Gain on disposal of property, plant and equipment	(69,525)	(68,874)	-	-
Impairment loss on property, plant and equipment	1,334,719	5,000,000	-	-
Impairment loss on trade receivables	16,739	-	-	-
Impairment loss on other receivables	18,649	-	-	-
Interest expenses	554,138	663,364	63,228	147,411
Interest income	-	-	(63,228)	(147,411)
Inventories written off	325,529	-	-	-
Property, plant and equipment written off	916,932	1,614	-	-
Share of loss of an associate	2,481	2,700	-	-
Slow moving inventories written back	(43,275)	-	-	-
Unrealised foreign exchange loss	28,856	52,330	-	
Operating cash flows before changes in working capital	1,359,147	4,237,643	(302,653)	(381,544)
Inventories	3,415,215	(316,097)	-	-
Receivables	668,578	3,618,698	-	-
Other current asset	(88,361)	13,383	-	-
Payables	(1,059,094)	(2,297,961)	59,683	(81,531)
Cash flows generated from/(used in) operations	4,295,485	5,255,666	(242,970)	(463,075)
Interest paid	(554,138)	(663,364)	(63,228)	(147,411)
Interest received	-	-	63,228	147,411
Tax paid	(66,815)	(340,247)	-	-
Net cash flows generated from/(used in) operating activities	3,674,532	4,252,055	(242,970)	(463,075)
Investing activities				
Proceeds from disposal of property, plant and equipment	491,221	68,874	-	-
Purchase of property, plant and equipment	(2,875,386)	(2,332,514)	-	-
Repayment from subsidiaries	-	-	3,761,736	4,359,398
Subscription of redeemable convertible preference shares issued by a subsidiary	-	-	(2,706,000)	-
Net cash flows (used in)/generated from investing activities	(2,384,165)	(2,263,640)	1,055,736	4,359,398
Financing activities				
Proceeds from term loans	-	1,615,000	-	1,615,000
Repayment of bankers' acceptances	(1,401,000)	(405,000)	-	-
Repayment of obligations under finance lease	(456,262)	(581,658)	-	-
Repayment of redeemable convertible secured loan stocks	-	(5,000,000)	-	(5,000,000)
Repayment of term loans	(820,848)	(508,823)	(820,848)	(508,823)
Net cash flows used in financing activities	(2,678,110)	(4,880,481)	(820,848)	(3,893,823)
Net (decrease)/increase in cash and cash equivalents	(1,387,743)	(2,892,066)	(8,082)	2,500
Cash and cash equivalents at 1 January	(1,915,619)	976,447	9,837	7,337
Cash and cash equivalents at 31 December (Note 23)	(3,303,362)	(1,915,619)	1,755	9,837

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

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market 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 79, Jalan Muar, 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 16 and 17 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements for the year ended 31 December 2017 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company have also been prepared on the historical cost basis except as disclosed in the accounting policies below and are presented in Ringgit Malaysia ("RM").

2.2 Changes in accounting policies

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

On 1 January 2017, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2017:

Description	Effective for annual periods beginning on or after
MFRS 107: Disclosures Initiatives (Amendments to MFRS 107)	1 January 2017
MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
Annual Improvements to MFRS Standards 2014–2016 Cycle - Amendments to MFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12	1 January 2017

The nature and impact of the amended MFRSs and Annual Improvements are described below:

MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)

The amendments to MFRS 107 Statement of Cash Flows require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. The application of these amendments has had no impact on the Group and the Company.

MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application of these amendments has had no impact on the Group and on the Company as the Group and the Company have already assessed the sufficiency of future taxable profits in a way that is consistent with these amendments.

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

2.2 Changes in accounting policies (Cont'd)

Annual Improvements to MFRS Standards 2014–2016 Cycle

Amendments to MFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12

The amendments clarify that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The application of these amendments has had no effect on the Group as none of the Group's interest in these entities are classified, or included in a disposal group that is classified, as held for sale.

2.3 Standards and interpretations issued but not yet effective

The standards, IC interpretation, Amendments and Annual Improvements that are issued but not yet effective up to the date issuance of the Group's and Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, IC interpretation, Amendments and Annual Improvements, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)

The amendments to MFRS 2 address three main areas:

(a) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;

(b) The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and

(c) Accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply. The directors of the Company do not anticipate that the application of the amendments will have a significant impact on the Group's and the Company's financial statements as the Group and the Company do not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

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

2.3 Standards and interpretations issued but not yet effective (Cont'd)

MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

(i) Classification and measurement

Based on the assessment performed by the directors of the Company on the basis of facts and circumstances that exist at 31 December 2017, the Group does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of MFRS 9, as the Group only has loans and receivables which are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of these instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(ii) Impairment

The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. General approach will be applied on other receivables. The Group is in the process of finalising the estimated impact upon application of the MFRS 9's impairment requirements.

(iii) Hedge accounting

The Group does not apply hedge accounting, hence there is no impact on the Group's financial statements upon application of the hedging requirements of MFRS 9.

The assessment above may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group adopts MFRS 9.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. These amendments are not expected to have a significant impact on the Group and the Company's financial statements.

MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)

The amendments clarify that when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of change in use.

Entities can apply these amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Earlier application of the amendments is permitted and must be disclosed. The Group will apply these amendments when they become effective. However, since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements.

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

2.3 Standards and interpretations issued but not yet effective (Cont'd)

Annual Improvements to MFRS Standards 2014–2016 Cycle

The Annual Improvements to MFRS Standards 2014-2016 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

(a) MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters

This amendment is not applicable to the Group as the Group is not a first-time adopter of MFRS.

(b) MFRS 128 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that:

- an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition, on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

- if an entity, that is not itself an investment entity, has an interest in associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at a later date on which:

(i) the investment entity associate or joint venture is initially recognised;
(ii) the associate or joint venture becomes an investment entity; and
(iii) the investment entity associate or joint venture first becomes a parent.

Earlier application of these amendments are permitted and must be disclosed. These amendments are not applicable to the Group as the Group is not a venture capital organisation and the Group does not have any associate or joint venture that is an investment entity.

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability, the date of transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.

Entities may apply the amendments either retrospectively or prospectively. Specific transition provisions apply to prospective application. Early application is permitted and must be disclosed. The application of these amendments will not have an impact on the Group and the Company as the Group and the Company are already accounting for transactions involving the payment or receipt of advance consideration in foreign currency in a way that is consistent with the amendments.

MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively. Earlier application is permitted. These amendments are not expected to have a significant impact on the Group and the Company's financial statements.

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

2.3 Standards and interpretations issued but not yet effective (Cont'd)

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)

The amendments clarify that an entity applies MFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). In applying MFRS 9, an entity does not account for any losses of the associate, or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying MFRS 128 Investments in Associates and Joint Ventures.

Entities must apply the amendments retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed. As the amendments eliminate ambiguity in the wording of the standard, the directors of the Company do not expect the amendments to have any impact on the Group and the Company's financial statements.

Annual Improvements to MFRS Standards 2015–2017 Cycle

The Annual Improvements to MFRS Standards 2015-2017 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group and the Company's financial statements.

(a) MFRS 3 Business Combinations – Previously held interests in a joint operation

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

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

2.3 Standards and interpretations issued but not yet effective (Cont'd)

Annual Improvements to MFRS Standards 2015–2017 Cycle (Cont'd)

(b) MFRS 11 Joint Arrangements – Previously held interests in a joint operation

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in MFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies these amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

(c) MFRS 112 Income Taxes – Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies these amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

(d) MFRS 123 Borrowing Costs – Borrowing costs eligible for capitalisation

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies these amendments to borrowing costs incurred on or after the beginning of the annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)

The amendments require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement, which occurs during the reporting period. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements.

The amendments should be applied prospectively to plan amendments, curtailments or settlements that occur on or after 1 January 2019, with earlier application permitted. These amendments will not have a significant impact on the Group's and the Company's financial statements.

IC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;

- the assumptions an entity makes about the estimation of tax treatments by taxation authorities;

- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

- how an entity considers changes in facts and circumstances.

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

2.3 Standards and interpretations issued but not yet effective (Cont'd)

IC Interpretation 23 Uncertainty over Income Tax Treatments (Cont'd)

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group and the Company will apply the interpretation from its effective date.

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- gains and losses resulting from transactions involving the sale or contribution of assets to an associate or a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by the Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

2.4 Current versus non-current classification

Assets and liabilities in the statements of financial position are presented based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

2.5 Fair value measurement (Cont'd)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available, to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, classes of assets and liabilities are determined based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.6 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) The contractual arrangement with the other vote holders of the investee

(ii) Rights arising from other contractual arrangements

(iii) The Group's voting rights and potential voting rights

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

2.6 Basis of consolidation (Cont'd)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combinations and goodwill

Business combinations involving entities under common control are accounted for by applying the merger method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

All other business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

2.6 Basis of consolidation (Cont'd)

Business combinations and goodwill (Cont'd)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.7 Foreign currency

(a) Functional and presentation currency

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

(b) Foreign currency transactions

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

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

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

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

2.8 Property, plant and equipment and depreciation

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

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

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

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

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

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

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

2.9 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

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

2.10 Impairment of non-financial assets

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

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

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

Impairment losses are recognised in the statement of profit or loss expense categories consistent with the function of the impaired assets.

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

2.10 Impairment of non-financial assets (Cont'd)

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

2.11 Subsidiaries

A subsidiary is an entity over which the Group has control over. Control is defined in Note 2.6.

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

2.12 Investment in associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

On acquisition of an investment in associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate.

Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

After application of the equity method, the Group applies MFRS 139 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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

2.13 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity investment of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale ("AFS") financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss. The Group did not have any financial assets at fair value through profit or loss as at 31 December 2017 and 2016.

- Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 19.

- Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. The Group did not have any held-to-maturity investments during the years ended 31 December 2017 and 2016.

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

2.13 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

- AFS financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

The Group did not have any AFS financial assets during the financial years ended 31 December 2017 and 2016.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

2.13 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss

  Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

  Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

  Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

  Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 139 are satisfied. The Group does not have any financial liability at fair value through profit or loss.

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

2.13 Financial instruments (Cont'd)

(b) Financial liabilities (Cont'd)

Subsequent measurement (Cont'd)

- Loans and borrowings

This category generally applies to interest-bearing loans and borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

- Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition

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

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis to realise the assets and settle the liabilities simultaneously.

2.14 Cash and cash equivalents

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

2.15 Inventories

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

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

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

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

2.16 Provisions

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

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

2.17 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

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

2.18 Employee benefits

(a) Defined contribution plans

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

(b) 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. Employee entitlements to annual leave are recognised as liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

2.19 Leases

(a) As lessee

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

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

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

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

2.19 Leases (Cont'd)

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.20(b).

2.20 Revenue

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

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer and measured net of goods and service tax.

(b) Rental income

Rental income is recognised on accrual basis.

(c) Dividend income

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

(d) Interest income

Interest income is recognised using the effective interest method.

2.21 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

2.21 Taxes (Cont'd)

(b) Deferred tax (Cont'd)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax items in relation to the underlying transaction that do not affect profit or loss are recognised either in other comprehensive income or directly in equity.

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

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the amount of GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.22 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.23 Redeemable convertible preference shares

The redeemable convertible preference shares are regarded as compound instruments consisting of a liability component and an equity component. The component of redeemable convertible preference shares that exhibits characteristics of a liability is recognised as financial liability in the statement of financial position, net of transaction costs. The dividends on those shares are recognised as interest expense in profit or loss using the effective interest rate method.

On issuance of the redeemable convertible preference shares, the fair value of the liability component is determined using market rate for an equivalent non-convertible debt and this amount is carried as a financial liability in accordance with the accounting policy for financial liabilities set out in Note 2.13 (b).

The residual amount, after deducting the fair value of the liability component, is recognised and included in shareholder's equity, net of transaction costs.

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

2.23 Redeemable convertible preference shares (Cont'd)

Transaction costs are apportioned between the liability and equity components of the redeemable convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments were first recognised.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the Group's accounting policies, management has not made accounting judgements which have significant effect on the amounts recognised in the financial statements.

3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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.

(a) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Group and the Company establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the Group and the Company's domicile.

4. 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.

5. COST OF SALES

Cost of sales represents cost of inventories sold.

6. INTEREST INCOME

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest income from subsidiary on redeemable convertible secured loan stocks	-	-	-	66,849
Interest income from subsidiary on term loans	-	-	63,228	80,562
	-	-	63,228	147,411

7. OTHER INCOME

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Gain on disposal of property, plant and equipment	69,525	68,874	-	-
Insurance received	1,483,633	57,551	-	-
Realised foreign currency gain	49,844	36,520	-	-
Rental income	81,050	80,520	75,600	79,200
Sundry income	75,192	14,360	-	1,792
Unrealised foreign currency loss	(28,856)	(52,330)	-	-
Vehicle rental income	77,612	59,314	-	-
	1,808,000	264,809	75,600	80,992

8. FINANCE COSTS

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Interest expense on:				
- Bankers' acceptances and bank overdrafts	408,251	407,144	-	-
- Obligations under finance lease	62,523	90,379	-	-
- Other loans	20,136	18,430	-	-
- Redeemable convertible secured loan stocks	-	66,849	-	66,849
- Term loans	63,228	80,562	63,228	80,562
	554,138	663,364	63,228	147,411

9. LOSS BEFORE TAX

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

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Employee benefits expense (Note 10)	7,994,416	8,516,061	154,200	164,350
Non-executive directors' remuneration (Note 11)	109,200	105,600	109,200	105,600
Auditors' remuneration				
- Statutory audit	107,000	100,000	32,000	25,000
- Other audit services	9,000	9,000	5,000	5,000
Allowance for diminution in value of investment in subsidiary	-	-	-	12,929,480
Allowance for slow moving inventories	115,260	-	-	-
Depreciation of investment property (Note 15)	27,662	27,663	27,662	27,663
Depreciation of property, plant and equipment (Note 14)	6,070,916	7,683,347	-	-
Gain on disposal of property, plant and equipment	(69,525)	(68,874)	-	-
Impairment loss of property, plant and equipment (Note 14)	1,334,719	5,000,000	-	-
Impairment loss of trade receivables (Note 19)	16,739	-	-	-
Impairment loss of other receivables (Note 19)	18,649	-	-	-
Inventories written off	325,529	-	-	-
Property, plant and equipment written off	916,932	1,614	-	-
Rental of premises	174,852	163,952	-	-
Slow moving inventories written back	(43,275)	-	-	-

10. EMPLOYEE BENEFITS EXPENSE

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Wages and salaries	7,205,041	7,686,731	154,200	164,350
Defined contribution plan	705,613	745,299	-	-
Social security contributions	83,762	84,031	-	-
	7,994,416	8,516,061	154,200	164,350

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM616,377 (2016: RM719,274) and RM45,000 (2016: RM58,750) respectively as further disclosed in Note 11.

11. DIRECTORS' REMUNERATION

The details of remuneration for directors of the Company during the year are as follows:

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Executive directors' remuneration				
Fees	51,000	66,950	45,000	58,750
Other emoluments	565,377	652,324	-	-
	616,377	719,274	45,000	58,750
Non-executive directors' remuneration (Note 9)				
Fees	75,000	75,000	75,000	75,000
Other emoluments	34,200	30,600	34,200	30,600
	109,200	105,600	109,200	105,600
Total directors' remuneration (excluding benefits-in-kind)	725,577	824,874	154,200	164,350
Estimated money value of benefits-in-kind	23,275	37,827	-	-
Total directors' remuneration (including benefits-in-kind)	748,852	862,701	154,200	164,350

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

	Number of Directors 2017	Number of Directors 2016
Executive directors:		
RM100,001 - RM150,000	2	3
RM400,001 - RM450,000	1	1
Non-executive directors:		
<RM50,000	4	4

12. INCOME TAX

Major components of income tax

The major components of income tax for the years ended 31 December 2017 and 2016 are:

	Group		Company	
	2017	2016	2017	2016
Statement of comprehensive income:	RM	RM	RM	RM
Malaysian income tax:				
- Current year	-	113,590	-	-
- Under/(Over)provision in prior years	19,201	(7,090)	-	-
	19,201	106,500	-	-
Deferred tax (Note 20):				
Relating to origination and reversal of temporary differences	733,185	(250,120)	-	-
(Over)/Underprovision in prior years	(66,860)	17,695	-	-
	666,325	(232,425)	-	-
Income tax expense/(benefit) recognised in profit or loss	685,526	(125,925)	-	-

Reconciliation between tax expense and accounting loss

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Loss before tax	(7,939,934)	(9,124,501)	(330,315)	(13,338,687)
Taxation at Malaysian statutory tax rate of 24% (2016 : 24%)	(1,905,584)	(2,189,880)	(79,276)	(3,201,285)
Expenses not deductible for tax purposes	323,507	1,441,902	79,276	3,201,285
Deferred tax assets not recognised	2,314,667	610,800	-	-
Share of loss of an associate	595	648	-	-
(Over)/Underprovision of deferred tax in prior years	(66,860)	17,695	-	-
Under/(Over)provision of income tax in prior years	19,201	(7,090)	-	-
Income tax recognised in profit or loss	685,526	(125,925)	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016 : 24%) of the estimated assessable profit for the year.

At the reporting date, the Group has unutilised tax losses, unabsorbed capital allowances, unutilised reinvestment allowances and other deductible temporary differences of approximately RM12,647,000 (2016 : RM11,999,000), RM31,817,000 (2016 : RM31,176,000), RM25,609,000 (2016 : RM25,721,000) and RM1,706,000 (2016 : RM Nil) respectively that are available for offset against future taxable profits of the Group subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation.

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

	Group	
	2017	2016
	RM	RM
Unutilised tax losses	12,647,000	11,999,000
Unabsorbed capital allowances	30,566,000	16,979,000
Unutilised reinvestment allowances	7,774,000	7,774,000
Other deductible temporary differences	883,000	-

13. LOSS PER SHARE

Basic loss per share amount is calculated by dividing loss net of tax attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

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

	2017 RM	2016 RM
Loss attributable to ordinary equity holders of the Company	(8,625,460)	(8,998,576)
Weighted average number of ordinary shares in issue	61,937,451	61,937,451

	2017 Sen	2016 Sen
Basic and diluted loss per share	(13.9)	(14.5)

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings RM	Plant and machinery RM	Motor vehicles RM	Other assets RM	Total RM
Group					
At 31 December 2017					
Cost					
At 1 January 2017	44,124,847	142,021,524	11,283,475	4,215,971	201,645,817
Additions	458,559	2,411,984	-	4,843	2,875,386
Disposals	-	(2,996,043)	(369,688)	(4,943)	(3,370,674)
Write off	(275,865)	(1,217,137)	(5,868)	(288,011)	(1,786,881)
At 31 December 2017	44,307,541	140,220,328	10,907,919	3,927,860	199,363,648
Accumulated depreciation and impairment loss					
At 1 January 2017	6,461,374	116,835,536	9,501,392	2,335,759	135,134,061
Depreciation charge for the year (Note 9)	652,683	4,615,672	741,724	60,837	6,070,916
Impairment loss (Note 9)	-	1,334,719	-	-	1,334,719
Disposals	-	(2,574,436)	(369,689)	(4,853)	(2,948,978)
Write off	(57,666)	(805,266)	(5,868)	(1,149)	(869,949)
At 31 December 2017	7,056,391	119,406,225	9,867,559	2,390,594	138,720,769
Net carrying amount					
At 31 December 2017	37,251,150	20,814,103	1,040,360	1,537,266	60,642,879

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

	Freehold land and buildings RM	Plant and machinery RM	Motor vehicles RM	Other assets RM	Total RM
Group					
At 31 December 2016					
Cost					
At 1 January 2016	43,980,881	140,075,639	11,317,483	4,187,059	199,561,062
Additions	143,966	2,141,956	290,840	33,772	2,610,534
Disposals	-	(137,308)	(324,848)	-	(462,156)
Write off	-	(58,763)	-	(4,860)	(63,623)
At 31 December 2016	44,124,847	142,021,524	11,283,475	4,215,971	201,645,817
Accumulated depreciation and impairment loss					
At 1 January 2016	5,808,512	106,066,598	8,831,620	2,268,149	122,974,879
Depreciation charge for the year (Note 9)	652,862	5,965,009	994,620	70,856	7,683,347
Impairment loss (Note 9)	-	5,000,000	-	-	5,000,000
Disposals	-	(137,308)	(324,848)	-	(462,156)
Write off	-	(58,763)	-	(3,246)	(62,009)
At 31 December 2016	6,461,374	116,835,536	9,501,392	2,335,759	135,134,061
Net carrying amount					
At 31 December 2016	37,663,473	25,185,988	1,782,083	1,880,212	66,511,756

	Other assets RM	Total RM
Company		
At 31 December 2017		
Cost		
At 1 January/31 December 2017	10,287	10,287
Accumulated depreciation		
At 1 January/31 December 2017	10,287	10,287
Net carrying amount		
At 31 December 2017	-	-
At 31 December 2016		
Cost		
At 1 January 2016/31 December 2016	10,287	10,287
Accumulated depreciation		
At 1 January/31 December 2016	10,287	10,287
Net carrying amount		
At 31 December 2016	-	-

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM Nil (2016 : RM278,020) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to RM2,875,386 (2016 : RM2,332,514).

The carrying amount of motor vehicles held under finance leases at the reporting date was RM792,939 (2016 : RM1,326,371). Leased assets are pledged as security for the related finance lease liabilities (Note 25).

Certain property, plant and equipment of the Group with net carrying amount of RM59,849,940 (2016 : RM65,185,385) have been pledged as security for loans and borrowings as disclosed in Note 25.

Other assets of the Group include capital work-in-progress which comprise expenditures incurred for labour quarters amounting to RM Nil (2016 : RM49,200) and machinery under construction amounting to RM900,151 (2016 : RM710,250).

15. INVESTMENT PROPERTY

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Cost				
At 1 January/31 December	750,000	750,000	750,000	750,000
Accumulated depreciation				
At 1 January	248,960	221,297	248,960	221,297
Depreciation charge for the year (Note 9)	27,662	27,663	27,662	27,663
At 31 December	276,622	248,960	276,622	248,960
Net carrying amount				
At 31 December	473,378	501,040	473,378	501,040
Fair value of investment property	1,125,000	1,180,000	1,125,000	1,180,000

16. INVESTMENT IN SUBSIDIARIES

	Company 2017 RM	Company 2016 RM
Unquoted redeemable convertible preference shares, at cost	51,680,000	48,974,000
Unquoted shares at cost	34,616,709	34,616,709
Less: Accumulated impairment losses	(33,415,298)	(33,415,298)
	1,201,411	1,201,411
	52,881,411	50,175,411

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest 2017	Proportion of ownership interest 2016
Kangkar Raya Batu Bata Sdn Bhd ("KRBB")	Malaysia	Manufacturing of bricks and roofing tiles	100%	100%
Syarikat Kia Lim Kilang Batu Bata Sdn Bhd ("SKL")	Malaysia	Manufacturing of bricks	100%	100%

Both subsidiaries are audited by Ernst & Young, Malaysia.

(i) Subscription of RCPS in subsidiaries

In 2014, the Company subscribed for 42,680,000 and 6,294,000 Redeemable Convertible Preference Shares ("RCPS") at an issue price of RM1.00 per RCPS issued by SKL and KRBB respectively.

During the financial year, the Company further subscribed for 2,706,000 RCPS at an issue price of RM1.00 per RCPS issued by KRBB.

17. INVESTMENT IN AN ASSOCIATE

	Group 2017 RM	Group 2016 RM
Unquoted shares at cost	54,000	54,000
Share of post-acquisition reserves	25,911	28,392
	79,911	82,392

17. INVESTMENT IN AN ASSOCIATE (CONT'D)

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

Name of Associate	Country of Incorporation	Principal Activity	Proportion of Ownership Interest 2017	2016
Sersen Tiles Sdn Bhd	Malaysia	Property owner	27%	27%

The results of associate is based on the audited financial statements for the financial year ended 31 August 2017.

The Group's share of summarised financial information of the associate is as follows:

	2017 RM	2016 RM
Current assets	2,472	1,684
Non-current assets	319,532	322,412
Current liabilities	(43,457)	(36,361)
Equity attributable to shareholders	278,547	287,735
Equity attributable to the Group	75,207	77,688
Goodwill on acquisition	4,704	4,704
	79,911	82,392
Net Loss for the year	(9,188)	(10,000)
Group's share of loss for the year	(2,481)	(2,700)

18. INVESTMENT IN SECURITIES

	Carrying amount 2017 RM	2016 RM	Market value of quoted investment 2017 RM	2016 RM
Group				
Non-current				
Available-for-sale financial assets				
Quoted equity instruments, at fair value	5,036	5,036	5,036	5,036
Unquoted equity instruments, at cost	756,862	756,862	-	-
Less: Accumulated impairment losses	(756,861)	(756,861)	-	-
	1	1	-	-
Total investment	5,037	5,037	5,036	5,036

19. TRADE AND OTHER RECEIVABLES

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Current				
Trade receivables				
Third parties	9,560,494	10,180,303	-	-
Less: Allowance for impairment				
Third parties	(187,093)	(187,093)	-	-
	9,373,401	9,993,210	-	-
Other receivables				
Subsidiaries	-	-	-	5,172,756
Related parties	2,099	-	-	-
Deposits	78,215	72,410	15,130	15,130
Sundry receivables	78,354	155,062	-	-
	158,668	227,472	15,130	5,187,886
Less: Allowance for impairment				
Third parties	(18,649)	-	-	-
	140,019	227,472	15,130	5,187,886
Total trade and other receivables (current)	9,513,420	10,220,682	15,130	5,187,886
Non-current				
Other receivables				
Amount due from subsidiaries				
- Non-interest bearing	-	-	2,112,792	-
- Interest bearing	-	-	431,117	1,132,889
	-	-	2,543,909	1,132,889
Total trade and other receivables (current and non-current)	9,513,420	10,220,682	2,559,039	6,320,775

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2016: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	Group 2017 RM	Group 2016 RM
Neither past due nor impaired	6,185,714	9,027,069
1 to 30 days past due not impaired	2,458,772	596,991
31 to 60 days past due not impaired	406,887	320,930
More than 91 days past due not impaired	322,028	48,220
	3,187,687	966,141
Impaired	187,093	187,093
	9,560,494	10,180,303

Receivables that are neither past due nor impaired

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

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

19. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (Cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM3,187,687 (2016 : RM966,141) that are past due at the reporting date but not impaired.

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

Receivables that are impaired

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

	Group	
	2017 RM	2016 RM
Individually impaired		
Trade receivables - nominal amounts	187,093	187,093
Less: Allowance for impairment	(187,093)	(187,093)
	-	-

Movement in allowance accounts:

	Group	
	2017 RM	2016 RM
At 1 January	187,093	187,093
Charge for the year (Note 9)	16,739	-
Written off against allowance for impairment	(16,739)	-
At 31 December	187,093	187,093

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

(b) Other receivables - current

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

(c) Other receivables - non-current

Included in the amount due from subsidiaries is borrowings secured on behalf of subsidiaries which bears interest at 8.6% (2016 : 8.6%) per annum. These amounts due from subsidiaries are not expected to be repaid within the next 12 months.

20. DEFERRED TAX ASSETS

	Group	
	2017 RM	2016 RM
At 1 January	1,270,452	1,038,027
Recognised in profit or loss (Note 12)	(666,325)	232,425
At 31 December	604,127	1,270,452
Presented after appropriate offsetting as follows:		
Deferred tax assets	4,667,848	7,854,934
Deferred tax liabilities	(4,063,721)	(6,584,482)
	604,127	1,270,452

20. DEFERRED TAX ASSETS (CONT'D)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	2017 RM	2016 RM
Property, plant and equipment		
At 1 January	(6,584,482)	(7,491,000)
Recognised in profit or loss	2,520,761	906,518
At 31 December	(4,063,721)	(6,584,482)

Deferred tax assets of the Group:

	Unutilised tax losses RM	Unabsorbed capital allowances RM	Unabsorbed reinvestment allowances RM	#Others RM	Total RM
At 1 January 2017	-	3,427,346	4,307,193	120,395	7,854,934
Recognised in profit or loss	-	(3,127,214)	(26,723)	(33,149)	(3,187,086)
At 31 December 2017	-	300,132	4,280,470	87,246	4,667,848
At 1 January 2016	159,649	3,830,400	4,589,000	(50,022)	8,529,027
Recognised in profit or loss	(159,649)	(403,054)	(281,807)	170,417	(674,093)
At 31 December 2016	-	3,427,346	4,307,193	120,395	7,854,934

Others consist of provisions and unrealised foreign exchange

21. INVENTORIES

	Group 2017 RM	2016 RM
At cost		
Raw materials	2,195,131	3,900,097
Consumables	8,916,076	8,667,043
Work-in-progress	327,205	932,227
Finished products	1,560,343	3,257,894
	12,998,755	16,757,261
At net realisable value		
Finished products	121,399	175,622
	13,120,154	16,932,883

The cost of inventories sold during the year was RM36,988,522 (2016 : RM39,104,220).

22. OTHER CURRENT ASSET

	Group	
	2017 RM	2016 RM
Prepayment	222,037	133,676

23. CASH AND BANK BALANCES

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	22,535	392,861	1,755	9,837
Bank overdrafts (Note 25)	(3,325,897)	(2,308,480)	-	-
Cash and cash equivalents	(3,303,362)	(1,915,619)	1,755	9,837

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current				
Trade payables				
Third parties	6,998,231	7,968,141	-	-
Related parties	401,134	396,948	-	-
	7,399,365	8,365,089	-	-
Current				
Other payables				
Third parties	1,474,845	1,420,408	446,757	387,074
Related parties	1,869,736	1,874,736	-	-
Accruals	1,376,707	1,493,954	19,800	19,800
	4,721,288	4,789,098	466,557	406,874
Total trade and other payables	12,120,653	13,154,187	466,557	406,874

(a) Trade payables

Trade payables of the Group are non-interest bearing and the normal trade credit terms granted to the Group range from one month to three months (2016 : one month to three months).

(b) Other payables

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

25. LOANS AND BORROWINGS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Short term loans and borrowings				
Secured:				
Bank overdrafts (Note 23)	3,325,897	2,308,480	-	-
Bankers' acceptances	2,804,000	4,205,000	-	-
Obligations under finance lease (Note 29)	382,269	456,262	-	-
Term loans	285,329	820,848	285,329	820,848
	6,797,495	7,790,590	285,329	820,848
Long term loans and borrowings				
Secured:				
Obligations under finance lease (Note 29)	425,051	807,320	-	-
Term loans	-	285,329	-	285,329
	425,051	1,092,649	-	285,329
Total loans and borrowings				
Bank overdrafts (Note 23)	3,325,897	2,308,480	-	-
Bankers' acceptances	2,804,000	4,205,000	-	-
Obligations under finance lease (Note 29)	807,320	1,263,582	-	-
Term loans	285,329	1,106,177	285,329	1,106,177
	7,222,546	8,883,239	285,329	1,106,177

The loans and borrowings bear interest at the following rates:

	2017 % per annum	2016 % per annum
Bank overdrafts	8.60 - 9.10	8.60 - 9.35
Bankers' acceptances	5.54 - 6.17	5.53 - 6.49
Obligations under finance lease	2.35 - 3.75	2.18 - 3.75
Term loans	8.60	8.60 - 8.85

The remaining maturities of the loans and borrowings as at the reporting date are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
On demand or within one year	6,797,495	7,790,590	285,329	820,848
More than 1 year and less than 2 years	254,861	667,597	-	285,329
More than 2 years and less than 5 years	134,235	356,146	-	-
5 years or more	35,955	68,906	-	-
	7,222,546	8,883,239	285,329	1,106,177

The loans and borrowings are secured by a fixed charge on certain property, plant and equipment of the Group as disclosed in Note 14.

26. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2017	2016	2017 RM	2016 RM
Issued and fully paid:				
At 1 January	61,937,451	61,937,451	61,937,451	61,937,451
Transition to no par value regime:				
- Share premium (Note 27)	-	-	7,283,230	-
At 1 January/31 December	61,937,451	61,937,451	69,220,681	61,937,451

Implementation of Companies Act 2016

With effect from 31 January 2017, all entities shall comply with the Companies Act 2016 ("CA 2016") in the preparation of financial statements for the financial year ending on or after 31 January 2017.

Section 74 of CA 2016 states that all shares issued before or after 31 January 2017 shall have no par or nominal value. CA 2016 provides certain transitional provisions relating to the abolition of nominal value.

The share premium which is non-distributable represents the premium arising from the issue of shares. The Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM7,283,230 for purposes as set out in Section 618(3). There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

27. SHARE PREMIUM

The movement in the share premium account is as follows:

	Group and Company	
	2017 RM	2016 RM
At 1 January	7,283,230	7,283,230
Transition to no par value regime (Note 26)	(7,283,230)	-
At 31 December	-	7,283,230

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group	
	2017 RM	2016 RM
Rental payable to:		
Sri Senanggar Batu Bata Sdn Bhd (note i)	44,550	44,550
Kia Lim Timber Trading Sdn Bhd (note ii)	157,452	157,452

	Company	
	2017 RM	2016 RM
Interest recouped from subsidiaries:		
Kangkar Raya Batu Bata Sdn Bhd	-	29,418
Syarikat Kia Lim Kilang Batu Bata Sdn Bhd	63,228	117,993

28. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are mutually agreed upon.

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

Notes:

(i) A former director of the Company, namely Tan See Chip, and a family member of Datuk Ng Yeng Keng @ Ng Ka Hiat are directors of that company. Certain directors of the Company, namely Datuk Ng Yeng Keng @ Ng Ka Hiat and Tan See Chip and/or their family members are also substantial shareholders of that company.

(ii) Certain directors of the Company, namely Datuk Ng Yeng Keng @ Ng Ka Hiat, Ng Yam Puan @ Ng Ah Bah and Ng Chin Kang, are directors and substantial shareholders of that company.

(b) Compensation of key management during the year was as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries and other emoluments	1,015,644	1,095,779	45,000	58,750
Bonus	81,194	143,037	-	-
Defined contribution plan	152,699	158,229	-	-
Benefits-in-kind	55,475	73,327	-	-
	1,305,012	1,470,372	45,000	58,750
Included in compensation of key management personnel are directors' remuneration	639,652	757,101	45,000	58,750

29. COMMITMENTS

(a) Capital commitments

	Group	
	2017 RM	2016 RM
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	44,500	608,790
Approved but not contracted for:		
Property, plant and equipment	3,482,865	3,482,865

(b) Finance lease commitments

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

	Group	
	2017 RM	2016 RM
Future minimum lease payments:		
Not later than 1 year	418,182	518,784
Later than 1 year and not later than 2 years	271,254	418,183
Later than 2 years and not later than 5 years	148,095	383,648
Later than 5 years	37,172	72,872
Total future minimum lease payments	874,703	1,393,487
Less: Future finance charges	(67,383)	(129,905)
Present value of finance lease liabilities (Note 25)	807,320	1,263,582

29. COMMITMENTS (CONT'D)

(b) Finance lease commitments (Cont'd)

	Group 2017 RM	Group 2016 RM
Analysis of present value of finance lease liabilities:		
Not later than 1 year	382,269	456,262
Later than 1 year and not later than 2 years	254,861	382,268
Later than 2 years and not later than 5 years	134,235	356,146
Later than 5 years	35,955	68,906
	807,320	1,263,582
Less: Amount due within 12 months (Note 25)	(382,269)	(456,262)
Amount due after 12 months (Note 25)	425,051	807,320

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

(a) Credit risk

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

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

Exposure to credit risk

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

Credit risk concentration profile

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

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

Financial assets that are neither past due nor impaired

Information on trade and other receivables that are neither past due nor impaired is disclosed in Note 19.

Financial assets that are either past due or impaired

Information on trade and other receivables that are either past due or impaired is disclosed in Note 19.

Financial guarantees

	Company 2017 RM	Company 2016 RM
Unsecured:		
Corporate guarantees to banks for credit facilities granted to subsidiaries	6,129,897	6,513,480

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

(a) Credit risk (Cont'd)

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

(b) Liquidity risk

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

At the reporting date, approximately 94% (2016 : 88%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

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

31 December 2017	On demand or within one year RM	One to five years RM	Later than five years RM	Total RM
Financial liabilities				
Group				
Trade and other payables	12,120,653	-	-	12,120,653
Loans and borrowings	6,833,408	419,349	37,172	7,289,929
	18,954,061	419,349	37,172	19,410,582
Company				
Trade and other payables	466,557	-	-	466,557
Loans and borrowings	285,329	-	-	285,329
	751,886	-	-	751,886
31 December 2016				
Financial liabilities				
Group				
Trade and other payables	13,154,187	-	-	13,154,187
Loans and borrowings	7,932,159	972,413	108,572	9,013,144
	21,086,346	972,413	108,572	22,167,331
Company				
Trade and other payables	406,874	-	-	406,874
Loans and borrowings	820,848	285,329	-	1,106,177
	1,227,722	285,329	-	1,513,051

(c) Interest rate risk

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

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

Sensitivity analysis for interest rate risk

During the financial year, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's net loss net of tax would have been approximately RM29,456 lower/higher (2016 : RM33,064 lower/higher), arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observable market environment.

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

(d) Foreign currency risk

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

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

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

	2017 RM	2016 RM
Financial assets/(liabilities) held in non-functional currencies		
SGD	605,772	314,300
USD	(226,842)	(115,534)
EUR	(85,366)	(34,325)
	293,564	164,441

The Company does not hedge its foreign currency exposure.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss net of tax to a reasonably possible change in the SGD/RM, USD/RM and EUR/RM exchange rates, with all other variables held constant.

		(Decrease)/Increase in loss net of tax 2017 RM	2016 RM
SGD/RM	- strengthen by 5% (2016 : 5%)	(30,289)	(15,715)
	- weaken by 5% (2016 : 5%)	30,289	15,715
USD/RM	- strengthen by 5% (2016 : 5%)	11,342	5,777
	- weaken by 5% (2016 : 5%)	(11,342)	(5,777)
EUR/RM	- strengthen by 5% (2016 : 5%)	4,268	1,716
	- weaken by 5% (2016 : 5%)	(4,268)	(1,716)

(e) Fair values

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Note
Other receivables (non-current)	19
Long term loans and borrowings	25

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

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

	Note
Trade and other receivables (current)	19
Short term loans and borrowings	25
Trade and other payables	24

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

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

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

(e) Fair values (Cont'd)

Investment in equity instruments carried at cost less impairment

Fair value information has not been disclosed for the Group's investments in unquoted equity instruments that are carried at cost less impairment because the fair value cannot be measured reliably due to the lack of an active market for these instruments. These equity instruments primarily comprise ordinary shares in a Malaysian company that is involved in the manufacture of building materials and property development.

Other receivables - non-current

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

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets or liabilities by valuation technique:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Group held the following assets measured/disclosed at fair value in the statement of financial position:

Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
At 31 December 2017				
Financial assets measured/disclosed at fair value				
Investment in securities	5,036	-	-	5,036
Investment property	-	-	1,125,000	1,125,000
At 31 December 2016				
Financial assets measured/disclosed at fair value				
Investment in securities	5,036	-	-	5,036
Investment property	-	-	1,180,000	1,180,000

There were no transfers between the various fair value measurement levels during the financial year.

The fair value is determined based on comparison method. The comparison method involves comparing and adopting recent transactions as a yardstick as well as using sales evidence involving other similar properties in the vicinity. Significant unobservable valuation input for using the comparison method of valuation as below:

	2017 RM	2016 RM
Price per square foot	477	500

31. FINANCIAL INSTRUMENTS

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

	Note	2017 RM	2016 RM
Group			
(a) **Loans and receivables measured at amortised cost**			
Trade and other receivables	19	9,513,420	10,220,682
Cash and bank balances	23	22,535	392,861
		9,535,955	10,613,543
(b) **Available-for-sale financial assets measured at fair value**			
Investment in securities	18	5,036	5,036
(c) **Financial liabilities measured at amortised cost**			
Trade and other payables	24	12,120,653	13,154,187
Loans and borrowings	25	7,222,546	8,883,239
		19,343,199	22,037,426
Company			
(a) **Loans and receivables measured at amortised cost**			
Other receivables	19	2,559,039	6,320,775
Cash and bank balances	23	1,755	9,837
		2,560,794	6,330,612
(b) **Financial liabilities measured at amortised cost**			
Other payables	24	466,557	406,874
Loans and borrowings	25	285,329	1,106,177
		751,886	1,513,051

32. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

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

Group	Note	2017 RM	2016 RM
Loans and borrowings	25	7,222,546	8,883,239
Trade and other payables	24	12,120,653	13,154,187
Less: Cash and bank balances	23	(22,535)	(392,861)
Net debt		19,320,664	21,644,565
Equity attributable to the equity holders of the Company, representing total capital		65,438,303	74,063,763
Capital and net debt		84,758,967	95,708,328
Gearing ratio		23%	23%

32. CAPITAL MANAGEMENT (CONT'D)

Company	Note	2017 RM	2016 RM
Loans and borrowings	25	285,329	1,106,177
Trade and other payables	24	466,557	406,874
Less: Cash and bank balances	23	(1,755)	(9,837)
Net debt		750,131	1,503,214
Equity attributable to the equity holders of the Company, representing total capital		55,163,697	55,494,012
Capital and net debt		55,913,828	56,997,226
Gearing ratio		1%	3%

33. SEGMENT INFORMATION

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

34. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 29 March 2018.

STATEMENT OF SHAREHOLDINGS
AS AT 30 MARCH 2018

Total Number of Issued Shares : 61,937,451 ordinary shares

Voting rights : One vote for one ordinary share

ANALYSIS OF SHAREHOLDINGS

Number of Holders	Holdings	Total Holdings	Percentage of Holdings
7	Less than 100	294	0.00
642	100 - 1,000	612,227	0.99
738	1,001 - 10,000	3,441,549	5.56
356	10,001 to 100,000	11,764,634	18.99
59	100,001 to less than 5% of issued shares	29,230,559	47.19
3	5% and above of issued shares	16,888,188	27.27
1,805		61,937,451	100.00

THIRTY LARGEST SHAREHOLDERS

Name of Shareholders	Number of Shares	Percentage of Shares
1. Kia Lim Realty Sdn Bhd	7,312,393	11.81
2. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kia Lim Timber Trading Sdn Bhd	6,440,270	10.40
3. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Hoo Tee Holdings Sdn Bhd	3,135,525	5.06
4. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kia Lim Realty Sdn Bhd	2,931,600	4.73
5. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kia Lim Timber Trading Sdn Bhd	2,764,800	4.46
6. Kia Lim Timber Trading Sdn Bhd	2,284,064	3.69
7. Ng Hoo Tee Holdings Sdn Bhd	2,147,548	3.47
8. Sutera Istimewa Sdn Bhd	1,885,000	3.04
9. Ng Yeng Keng @ Ng Ka Hiat	1,542,255	2.49
10. Ban Dung Palm Oil Industries Sdn Bhd	1,117,200	1.80
11. Bijak Tulus Sdn Bhd	979,300	1.58
12. Tan See Chip	799,935	1.29
13. Maybank 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. Tan Teck Peng	702,000	1.13
16. Mersing Village Sdn Bhd	666,000	1.08
17. Syarikat Jaya Diri Kemajuan Sdn Bhd	629,900	1.02
18. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tee Kim Hew	572,000	0.92
19. Maybank Nominees (Tempatan) Sdn Bhd Chua Eng Ho Wa'a @ Chua Eng Wah	468,000	0.76
20. Tay Chye Hock	425,000	0.69
21. Cimsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Geok Wah	400,000	0.65
22. CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Eng Sos @ Bah Chik	391,590	0.63
23. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Lim Soon	388,000	0.63
24. Guan Brothers Realty Sdn Bhd	330,888	0.53
25. Ng Yam Puan @ Ng Ah Bah	320,143	0.52
26. Ariss Bin Samsudin, Datuk	303,000	0.49
27. Toh Guat Eng	293,000	0.47
28. Kour Siok Leen	246,790	0.40
29. Lim Kau	243,000	0.39
30. Nam Heng Oil Mill Company Sdn. Berhad	238,888	0.39

SUBSTANTIAL SHAREHOLDERS

According to the Register required to be kept under Section 144 of the Companies Act, 2016, the following are the substantial shareholders of the Company:

No.	Shareholder	Direct Interest		Deemed Interest		Note
		Number of Shares	Percentage of Shares	Number of Shares	Percentage of Shares	
1	Kour Siok Leen	401,054	0.65	10,297,993	16.63	A
2	Kia Lim Realty Sdn Bhd	10,243,993	16.54	54,000	0.09	B
3	Kia Lim Timber Trading Sdn Bhd	11,516,734	18.59	1,928,400	3.11	C
4	Ng Hoo Tee Holdings Sdn Bhd	5,283,073	8.47	1,208,400	1.95	D
5	Goh May Lee	796,100	1.29	28,972,200	46.78	E
6	Datuk Ng Yeng Keng @ Ng Ka Hiat	1,542,255	2.49	29,143,198	47.05	F
7	Ng Chin Kang	-	-	13,445,134	21.71	G
8	Ng Yeng Keng Holdings Sdn Bhd	-	-	10,297,993	16.63	A

Notes:

A Deemed interest through her shareholdings in Kia Lim Realty Sdn Bhd and Sersen Tiles Sdn Bhd by virtue of Section 8 of the Companies Act, 2016.
B Deemed interest through its shareholdings in Sersen Tiles Sdn Bhd by virtue of Section 8 of the Companies Act, 2016.
C Deemed interest through its shareholdings in Sersen Tiles Sdn Bhd, Mersing Village Sdn Bhd and Ban Dung Palm Oil Industries Sdn Bhd by virtue of Section 8 of the Companies Act, 2016.
D Deemed interest through its shareholding in Ban Dung Palm Oil Industries Sdn Bhd by virtue of Section 8 of the Companies Act, 2016.
E Deemed interest through her shareholding in Kia Lim Realty Sdn Bhd, Kia Lim Timber Trading Sdn Bhd, Sersen Tiles Sdn Bhd, Ban Dung Palm Oil Industries Sdn Bhd, Mersing Village Sdn Bhd and Ng Hoo Tee Holdings Sdn Bhd by virtue of Section 8 of the Companies Act, 2016.
F Deemed interest through his shareholding in Kia Lim Realty Sdn Bhd, Kia Lim Timber Trading Sdn Bhd, Sersen Tiles Sdn Bhd, Ban Dung Palm Oil Industries Sdn Bhd, Mersing Village Sdn Bhd and Ng Hoo Tee Holdings Sdn Bhd by virtue of Section 8 and pursuant to Section 59 (11) (C) of the Companies Act, 2016.
G Deemed to have indirect interest through his shareholding in Kia Lim Timber Trading Sdn Bhd, Ban Dung Palm Oil Industries Sdn Bhd, Mersing Village Sdn Bhd and Sersen Tiles Sdn Bhd by virtue of Section 8 of the Companies Act, 2016.

LIST OF DIRECTORS' SHAREHOLDINGS AS AT 30 MARCH 2018

No.	Directors	Direct Interest		Deemed Interest		Note
		Number of Shares	Percentage of Shares	Number of Shares	Percentage of Shares	
1	Mr Loh Chee Kan	-	-	-	-	
2	Datuk Ariss Bin Samsudin	303,000	0.49	-	-	
3	Datuk Ng Yeng Keng @ Ng Ka Hiat	1,542,255	2.49	29,143,198	47.05	*
4	Mr Ng Chin Kang	-	-	13,445,134	21.71	*
5	Mr Chua Syer Cin	-	-	-	-	
6	Dr Ng Yam Puan @ Ng Ah Bah	320,499	0.52	-	-	
7	En Mohd Salleh Bin Jantan	42,816	0.07	-	-	

Notes:

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

Location of Properties	Description	Tenure / Age of Buildings	Approximately Land Area / (Built-up Area)	Net Book Value RM'000	Date of Acquisition/ Valuation
5 plots of land comprising Lot Nos : PT 5032, 5033 5034, 5035 and 5036 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Industrial land (with factory for brick making plant, office, store and workshop)	Freehold (Between 24 - 31 years)	23.2923 acres (68,988 sq.ft)	7,751	31.12.2007
2 plots of land Lot Nos : 25 and 26 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Industrial land (with 1 open-sided factory buidings for paver plants)	Freehold (Between 18 years)	5.8686 acres (159,375 sq.ft)	10,233	31.12.2007
2 plots of land comprising Lot Nos : PTD 6922 and 1186 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Extraction of clay	Freehold	24.3376 acres (N/A)	1,220	31.12.2007
4 plots of land comprising Lot Nos : 1187, 27, 24 and 20 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	18.3562 acres (N/A)	1,043	31.12.2007
Lot No : 1617 Mukim Simpang Kiri 4, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	5.0812 acres (N/A)	180	31.12.2007
HS(M) 2918 MLO1699 Mukim Sri Medan, Batu Pahat, Johor Darul Takzim	Agricultural land (reserve for clay extraction)	Freehold	2.4875 acres	240	23.05.2014
HS(M) 641 MLO 1698 Mukim Sri Medan, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	2.4875 acres	230	13.03.2015
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 31 years)	7.0000 acres (111,705 sq.ft)	4,280	31.12.2007
Lot Nos : PTD 6988 and PTD 6989 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Industrial land (with open-sided factory buildings for roofing tiles plants, office building cum store and laboratory)	Freehold (Between 20 years)	8.7810 acres (224,772 sq.ft)	9,802	31.12.2007
Lot No : PTD 6921 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Extraction of clay	Freehold	20.5597 acres (N/A)	1,030	31.12.2007
3 plots of land comprising Lot Nos : PTD 8029, 6642, and 809 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	22.9330 acres (N/A)	1,050	31.12.2007
EMR 3460 Lot 6641 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	1.6311 acres (N/A)	90	31.12.2007
EMR 3134 Lot 6625 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	4.0747 acres (N/A)	120	31.12.2007
Suite No 1604 Tower A Menara Atlas Plaza Pantai Kuala Lumpur.	Office building	Freehold (22 years)	2,360 sq.ft	473	31.12.2007

FORM OF PROXY

CDS ACCOUNT NO.	
NO. OF SHARES HELD	

I/We____ of ________________________

____being a member/members

of **Kia Lim Berhad**, hereby appoint (1) Mr/Ms _____________________________________

(NRIC No. ________________________) of____

or failing whom,_______________________________(NRIC No.______________________) of

____

as my/our proxy to vote for *me/us and on *my/our behalf at the **Twenty-Third Annual General Meeting** of the Company to be held at The Katerina Hotel, 8, Jalan Zabedah, 83000 Batu Pahat, Johor Darul Takzim on Wednesday, 30 May 2018 at 12.00 noon and, at every adjournment thereof *for/against the resolutions to be proposed thereat.

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

Resolutions	Agenda	For	Against
1.	To approve the payment of Directors' fees and benefits for the Company and its subsidiaries for the year ended 31 December 2017.		
2.	To approve the payment of Directors' fees and benefits for the Company and its subsidiaries for the financial year ending 31 December 2018.		
	To re-elect the following Directors retiring according to the Company's Articles of Association:-		
3.	i) Mr Loh Chee Kan		
4.	ii) Datuk Ng Yeng Keng @ Ng Ka Hiat		
5.	To re-appoint Messrs Ernst & Young as auditors		
6.	To approve the authority to allot shares - Sections 75 and 76		
7.	To approve the continuing terms of office of Mr Loh Chee Kan as an Independent Director.		
8.	To approve the continuing terms of office of Mr Chua Syer Cin as an Independent Director.		
9.	To approve the continuing En Mohd Salleh Bin Jantan as an Independent Director.		

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

As witness my hand this .... day of ....2018 ……………………..……………….............................

Signature of Member(s)

NOTES:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. The proxy need not be a Member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the member to speak at the meeting.
2. A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting.
3. Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus accounts it holds. Where a member is an authorised nominee as defined under SICDA, it may appoint one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
5. 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.
6. The instrument appointing a proxy must be deposited at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

Fold Here

STAMP

The Company Secretary

KIA LIM BERHAD

(Company No.: 342868-P)

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

Fold Here