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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting of Kia Lim Berhad will be held at Dewan Okid, 2nd Floor, Hotel Carnival, 2, Jalan Fatimah, 83000 Batu Pahat, Johor, Malaysia on Friday, 27 May 2005 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 2004 together with the Directors' and Auditors' Report thereon. RESOLUTION 1
2. To approve the payment of Directors' Fees for the year ended 31 December 2004. RESOLUTION 2
3. To re-elect the following Directors who retire in accordance with Article 80 of the Company's Articles of Association and being eligible, offer themselves for re-election: -
 - i) Datuk Ng Eng Sos @ Bah Chik RESOLUTION 3
 - ii) Datuk Ariss Bin Samsudin RESOLUTION 4
 - iii) Mr Chua Syer Cin RESOLUTION 5
 - iv) Mr Ng Chin Kang RESOLUTION 6
4. To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration. RESOLUTION 7

SPECIAL BUSINESS

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

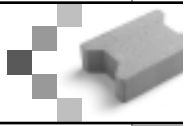
ORDINARY RESOLUTION 1
AUTHORITY TO ALLOT SHARES - SECTION 132D RESOLUTION 8

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

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

"THAT approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with related parties mentioned under section 2.1.1, of the Circular to Shareholders dated 5 May 2005 which are necessary in the ordinary course of business of the Company and its subsidiaries for day-to-day operations and on normal commercial terms which are not more favourable to the related parties than those available to the public and not detrimental to the minority shareholders of the Company and such approval shall continue to be in force until: -

- (a) the conclusion of the next Annual General Meeting ("AGM") following the forthcoming AGM at which such Proposed Renewal Of The Existing Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature was passed, at which time will lapse, unless by ordinary resolution passed at an AGM whereby the authority is renewed, either unconditionally or subject to conditions;
- (b) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in an AGM or EGM,



whichever is earlier;

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

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

RESOLUTION 10

"**THAT** approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with related parties mentioned under section 2.1.2, of the Circular to Shareholders dated 5 May 2005 which are necessary in the ordinary course of business of the Company and its subsidiaries for day-to-day operations and on normal commercial terms which are not more favourable to the related parties than those available to the public and not detrimental to the minority shareholders of the Company and such approval shall continue to be in force until: -

- (a) the conclusion of the next AGM of the Company following the forthcoming AGM at which such Proposed Shareholders' Mandate For New Recurrent Related Party Transactions Of A Revenue Or Trading Nature was passed, at which time will lapse, unless by ordinary resolution passed at an AGM whereby the authority is renewed, either unconditionally or subject to conditions;
- (b) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in an AGM or EGM,

whichever is earlier;

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

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

BY ORDER OF THE BOARD

LEONG OI WAH (MAICSA No. 7023802)
LEONG SIEW FOONG (MAICSA No. 7007572)
Company Secretaries

Johor Bahru
5 May 2005

NOTES:

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

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON SPECIAL BUSINESS:

1. Resolution 8 Pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 8, if passed, will empower the Directors to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval.

2. Resolution 9 and Resolution 10

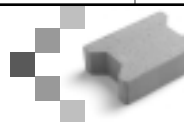
The Proposed RSM under Ordinary Resolution 9 was intended to renew the shareholders' mandate granted by the shareholders of the Company at an Annual General Meeting of the Company held on 25 June 2004.

The Proposed SM under Ordinary Resolution 10 was intended to obtain the shareholders' mandate for New Recurrent Related Party Transaction from the shareholders of the Company at this AGM.

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

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

Further information on Proposed RSM and Proposed SM are set out in the circular to shareholders of the Company which is despatched together with the Annual Report of the Company for the financial year ended 31 December 2004.



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

1. Name of individuals who are standing for re-election are as follows: -

- (a) DATUK NG ENG SOS @ BAH CHIK
- (b) DATUK ARISS BIN SAMSUDIN
- (c) MR CHUA SYER CIN
- (d) MR NG CHIN KANG

All the abovenamed Directors are retiring pursuant to Article 80 of the Company's Articles of Association.

2. Details of attendance at Board Meetings held in the financial year ended 31 December 2004 as follows: -

Please refer to page 13 of this Annual Report.

3. Details of date, hour and place of General Meeting to be held in respect of the financial year ended 31 December 2004 as follows:

Date	Hour	Place
27 May 2005 (Friday)	12.00 noon	Dewan Orkid, 2nd Floor, Hotel Carnival, 2, Jalan Fatimah, 83000 Batu Pahat, Johor.

4. Details of individuals who are standing for re-election as Directors:-

Please refer to Profile of Board of Directors on page 9 to page 12 of this Annual Report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

COMPANY SECRETARIES

Leong Oi Wah (F)
Leong Siew Foong (F)

REGISTERED OFFICE

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

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
(Formerly Known as Malaysian Share Registration Services Sdn. Bhd.)
Level 26 Menara Multi Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-27212222
Fax : 03-27212530

PRINCIPAL PLACE OF BUSINESS

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

AUDITORS

Ernst & Young
Chartered Accountants

PRINCIPAL BANKERS

Bumiputra-Commerce Bank Berhad
EON Bank Berhad
Hong Leong Bank Berhad
Malaysian Industrial Development Finance Berhad
RHB Bank Berhad

STOCK EXCHANGE LISTING

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

MEMBERS

Loh Chee Kan
- Chairman, Independent Non-Executive Director

Ng Yeng Keng @ Ng Ka Hiat
- Member, Executive Director

Tan Seng Kee
- Member, Independent Non-Executive Director

Chua Syer Cin
- Member, Independent Non-Executive Director

TERMS OF REFERENCE

Membership

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

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

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

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

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

Rights

The Committee shall:

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

in accordance with the procedure determined by the Board.

Functions

The functions of the Committee shall include the following:

- (1) review the following and report the same to the Board:
 - (a) with the external auditor, the audit plan;
 - (b) with the external auditor, his evaluation of the system of internal controls;
 - (c) with the external auditor, his audit report;

Functions (Cont'd)

- (1) review the following and report the same to the Board (Cont'd):
 - (d) the assistance given by the employees of the Company to the external auditor;
 - (e) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation under taken and whether or not appropriate action is taken on the recommendations of the internal audit function when it is established;
 - (g) the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events;
 - (iii) going concern assumptions; and
 - (iv) compliance with accounting standards and other legal requirements.
 - (h) any related party transaction and inter company transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - (i) any letter of resignation from the external auditors of the Company;
 - (j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and
 - (k) any significant audit findings, reservation, difficulties encountered or material weakness reported by the external and internal auditors.
- (2) recommend the nomination of a person or persons as external auditors and auditors' remuneration.
- (3) verify the criteria for allocation of option pursuant to a share scheme for employee.

Meetings

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

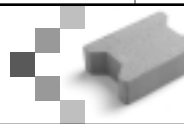
Reporting Procedures

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

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

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

- Reviewed and recommended for the Board's approval the quarterly financial results for public announcement;
- Reviewed with the external auditors their audit plan prior to the commencement of the audit activities;
- Discussed the annual audited financial statements with the external auditors and ensured that the financial reporting and disclosure requirements are complied with the relevant authorities, as well as their findings and recommendations;
- Discussed with the external auditors to ensure that internal control system is adequate and functioning and any weaknesses identified are properly remedied;

**SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (Cont'd)**

- Reviewed related party transactions entered into by the Group in its ordinary course of business;
- Discussed and reviewed the updates of new developments on accounting standards issued by the Malaysian Accounting Standards Board; and
- Reviewed and approved the internal audit reports.

ATTENDANCE OF AUDIT COMMITTEE MEETINGS

Details of attendance at Audit Committee Meetings held in the financial year ended 31 December 2004 as follows:

No.	Name of Audit Committee Members	Number of Meetings	Number of Meetings Attended
1	Loh Chee Kan	4	4
2	Ng Yeng Keng @ Ng Ka Hiat	4	4
3	Tan Seng Kee	4	3
4	Chua Syer Cin	4	3

A total of 4 Audit Committee Meetings were held during the financial year ended 31 December 2004.

INTERNAL AUDIT FUNCTIONS

The Internal Audit Unit provided an independent and objective assurance that the system of internal controls of the Group is operating satisfactorily and effectively to provide assurance to the stakeholders and add value to the Group's operations. The Unit reports directly to the Audit Committee. The audit focuses its activities on regular reviews of the internal control systems. The scope of the Internal Audit function covered mainly the audit of operating units. During the year, the Company has engaged a professional service firm to support the internal audit function of the Company.

PROFILE OF BOARD OF DIRECTORS

DATUK NG ENG SOS @ BAH CHIK, aged 69, was appointed Chairman & Managing Director of Kia Lim Berhad ("KLB") on 5 March 1996 and is one of the founder members of Syarikat Kia Lim Kilang Batu Bata Sdn Bhd ("SKL") and Kangkar Raya Batu Bata Sdn Bhd ("KRBB"), both are the subsidiary companies of KLB. Currently, he is also a member of the Remuneration Committee of the Company.

He has over 30 years of experience in various industries such as brick making, building and civil engineering works, housing development, sawmilling, logging and manufacturing of wood-based products. His entrepreneurial skill has also seen him assume the position of the Managing Director of Syarikat Kayu Wangi Berhad, a company listed on the Second Board of the Bursa Securities and several other private limited companies. Socially, he has devoted much of his time looking after the educational well-being of children as the Honorary President of the Bandar Penggaram Associated Chinese Schools Batu Pahat. He is also the Honorary President of the Chinese Chamber of Commerce Batu Pahat and Federation of Nam Ann Association Malaysia and President of Johore Brick Factories Association and Deputy President of the Hokkien Association Batu Pahat.

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

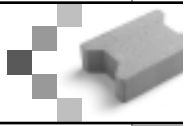
He attended all of the 4 Board Meetings of the Company held during the financial year ended 31 December 2004.

DATUK ARISS BIN SAMSUDIN, aged 49, was appointed Vice Chairman & Executive Director of KLB on 5 March 1996 and was appointed to the Board of SKL on 28 February 1995. He also sits on the Board of several other private limited companies.

Prior to joining SKL, he was appointed to the Board of Directors of Naluri Berhad (formerly known as Malaysian Helicopter Services Berhad), a company listed on the Main Board of Bursa Securities, on 22 August 1994 and had resigned from the Board on 28 March 2000. He has previously held the position of a Business Development Manager (Southern-Johor state) in Kretam Holdings Berhad from 1 April 1994 to 30 October 1994 and subsequently went on to join Jeffa Construction Sdn Bhd in a similar position from 1 November 1994 to 29 February 1996. On 1 March 1996, he joined Kretam Management Sdn Bhd as a Business Development Manager (Southern-Johor state) and resigned on 16 November 1998. He is also the Director of Wangi KMB Bhd. Datuk Ariss had been in the civil service for about 10 years from 1984 to 1994 before moving on to business. Socially, he is currently a member of State Assembly of Semerah, Johor and Deputy Head of Umno, Parit Sulong.

Datuk Ariss has no conflict of interest with the Company and has had no convictions for offences within the past 10 years.

He attended 3 of a total 4 Board Meetings of the Company held during the financial year ended 31 December 2004.



MR NG YENG KENG @ NG KA HIAT, aged 59, was appointed Executive Director of KLB on 5 March 1996 and has been responsible for the production of the Group. Presently, he is a member of the Audit Committee of the Company.

He has over 22 years of experience in the manufacturing of clay bricks, building and civil engineering works, sawmilling, logging and manufacturing of wood-based products. He is also an Executive Director of Syarikat Kayu Wangi Berhad since 31 January 1981 and several other private limited companies.

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

He attended all of the 4 Board and Audit Committee Meetings of the Company held during the financial year ended 31 December 2004.

MR TAN SEE CHIP, aged 65, was appointed Executive Director of KLB on 5 March 1996 and is also one of the founder members of SKL and KRBB. He has over 25 years of experience in the manufacturing of clay bricks, building and civil engineering works. He also sits on the Board of several other private limited companies.

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

He attended 3 of a total 4 Board Meetings of the Company held during the financial year ended 31 December 2004.

DR NG YAM PUAN @ NG AH BAH, aged 67, was appointed Non-Executive Director of KLB on 5 March 1996 and is a graduate from the Tohoku National University, Japan with a Bachelor of Medicine and Bachelor of Surgery in 1967 and Doctor of Philosophy in Internal Medicine in 1972. He started his medical career at the Johor Bahru General Hospital as a medical officer in 1973. He has since left the civil service in 1977 to establish his own private clinic in Batu Pahat. He is also a Director of several other private limited companies.

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

He attended 3 of a total 4 Board Meetings of the Company held during the financial year ended 31 December 2004.

EN MOHD SALLEH BIN JANTAN, aged 62, was appointed Non-Executive Director of KLB on 5 March 1996 and has over 30 years experience in the manufacturing of clay bricks and building and civil engineering works. Presently, he is a member of the Nomination Committee.

He also sits on the Board of Syarikat Kayu Wangi Berhad, a company listed on the Second Board of the Bursa Securities, and several other private limited companies.

En Mohd Salleh has no conflict of interest with the Company and has had no convictions for offences within the past 10 years.

He attended all of the 4 Board Meetings of the Company held during the financial year ended 31 December 2004.

MR TAN SENG KEE, aged 48, was appointed Independent Non-Executive Director of KLB on 5 March 1996. Presently, he is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company.

He graduated from the University of Malaya in 1980 with a Bachelor of Law (Honours) Degree. Since graduation, he has been practising as a legal assistant in several law firms before setting up his own legal practice, Lee, Perara & Tan in 1988. He has been a partner of Messrs Lee, Perara & Tan since then. He is a director of Pahanco Corporation Berhad, Artwright Holdings Berhad and Ajjya Berhad.

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

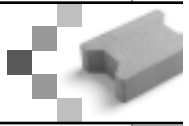
He attended 3 of a total 4 Board and Audit Committee Meetings of the Company held during the financial year ended 31 December 2004.

MR LOH CHEE KAN, aged 50, was appointed Independent Non-Executive Director of KLB on 5 March 1996. Presently, he is a Chairman of the Audit Committee, the member of Nomination Committee and the Remuneration Committee.

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

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

He attended all of the 4 Board and Audit Committee Meetings of the Company held during the financial year ended 31 December 2004.



MR CHUA SYER CIN, aged 33, was appointed Independent Non-Executive Director of KLB on 1 November 2001 and is presently a member of the Audit Committee of the Company.

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

He is presently a member of Malaysian Institute of Accountants and CPA Australia. He is currently an Independent Non-Executive Director of Syarikat Kayu Wangi Berhad, Poh Huat Resources Holdings Berhad and a director of several other private limited companies.

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

He attended 3 of a total 4 Board and Audit Committee Meetings of the Company held during the financial year ended 31 December 2004.

MR NG CHIN KANG, aged 34, was appointed Executive Director of KLB on 26 November 2001. He graduated with a Bachelor of Commerce with Honours degree from University of Western Australia and ASIA Graduate Diploma from Security Institute of Australia. He also holds a MBA from Sydney University and Master of Arts in Business Research from Macquarie University, Australia.

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

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

He attended 3 of a total 4 Board Meetings of the Company held during the financial year ended 31 December 2004.

Please refer to page 49 of this Annual Report for Directors' shareholdings.

CORPORATE GOVERNANCE STATEMENT

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

THE BOARD OF DIRECTORS

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

a) Composition

The Board consists of the Chairman, who is also the Managing Director, the Vice Chairman, who is an Executive Director, 3 other Executive Directors and 5 Non-Executive Directors of which 3 are Independent Non-Executive Directors, 2 is Non-Executive Director. With the above appointments, Kia Lim Berhad has thus complied with the Bursa Securities Listing Requirements on board composition. A brief profile of each Director is presented separately in this Annual Report.

The Chairman cum Managing Director is assisted in the management of the business on a day-to-day basis by the Executive Directors and an experienced Management team. He has gained a wealth of over 30 years of experience in building materials industries such as brick making, sawmilling, logging and manufacturing of wood-based products and has the caliber to ensure that strategies and policies approved by the Board are effectively implemented. The Independent Non-Executive Directors are independent of management and free from any business tie or other relationships that could materially interfere with the exercise of their independent judgement. They play an important role to ensure the strategies or views proposed by the Management are professional and independent and that the advice and judgement made to issues and decisions are to the best interest of the stakeholders and the Group.

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

b) Board Meetings

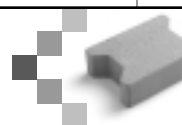
The Board meets at least 4 times a year, with additional meetings for particular matters convened as and when necessary. There were 4 Board Meetings held during the financial year ended 31 December 2004. A majority of the Directors attended all the Board Meetings held during their tenure. Details of attendance are as follows :

Directors	Status	Board Meeting Attended
Datuk Ng Eng Sos @ Bah Chik	Chairman & Managing Director	4/4
Datuk Ariss Bin Samsudin	Vice Chairman & Executive Director	3/4
Ng Yeng Keng @ Ng Ka Hiat	Executive Director	4/4
Tan See Chip	Executive Director	3/4
Ng Chin Kang	Executive Director	3/4
Dr Ng Yam Puan @ Ng Ah Bah	Non-Executive Director	3/4
Mohd Salleh Bin Jantan	Non-Executive Director	4/4
Loh Chee Kan	Independent Non-Executive Director	4/4
Tan Seng Kee	Independent Non-Executive Director	3/4
Chua Syer Cin	Independent Non-Executive Director	3/4

c) Supply of Information

The Agenda and Board Papers are circulated before each meeting. All Directors have access to the advice and services of the Company Secretaries who are responsible for ensuring that Board Meeting Procedures are adhered to and that applicable rules and regulations are complied with. Senior management staff are also invited to attend Board meetings when necessary to provide the Board with further explanation and clarification on matters being tabled for consideration by the Board. Minutes of the Board meetings are also maintained by the Company Secretaries.

In addition, the Board has the authority to assess the state of internal control as it deems necessary. The Board also has had the right to information and clarification from Management as well as to seek inputs from the Audit Committee, external/internal auditors and other experts in appropriate circumstances at the Company's expense.



THE BOARD OF DIRECTORS (Cont'd)

d) Appointment and Re-election of the Board

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

e) Nomination Committee

The Nomination Committee is responsible to assist the Board in reviewing and recommending new nominees to the Board of Directors and undertake duties specified by the Board from time to time.

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

Loh Chee Kan (Independent Non-Executive Director)	Member
Tan Seng Kee (Independent Non-Executive Director)	Member
Mohd Salleh Bin Jantan (Non-Executive Director)	Member

f) Remuneration Committee

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

The members of the Committee are as follows :

Datuk Ng Eng Sos @ Bah Chik (Chairman & Managing Director)	Member
Loh Chee Kan (Independent Non-Executive Director)	Member
Tan Seng Kee (Independent Non-Executive Director)	Member

g) Directors' Remuneration

The Board constantly takes note of the contribution and performance of the existing Directors. The objective of the Company is to ensure the level of remuneration is sufficient to attract and retain the Directors to run the Company successfully. The remuneration packages of the Executive Directors are structured to link to the corporate and individual performance and commitment. The Executive Directors abstain themselves from participation in the discussion/decision making in respect of their own remuneration packages. Non-Executive Directors are paid a meeting allowance for each meeting they attended.

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

The aggregate remuneration of Directors, received or receivable, categorised into appropriate components for the financial year ended 31 December 2004 are as follows :

	Salaries and Other Emoluments RM	Benefits in Kind RM	Fees RM
Executive	636,660	32,600	36,400
Non-Executive	8,500	-	16,100
Total	645,160	32,600	52,500

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

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

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

THE BOARD OF DIRECTORS (Cont'd)

h) Directors' Training

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

DIALOGUE WITH SHAREHOLDERS OR INVESTORS

Recognising the importance of timely dissemination of information to shareholders and other stakeholders, the Board is committed to ensure that they are well informed of major developments of the Company. The information is communicated to them through the issuance of Annual Report, Circular to Shareholders and announcements made to the Bursa Securities including Quarterly Results. Shareholders and other stakeholders could also obtain general information of the Company through the website of Bursa Securities and the Company.

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

ACCOUNTABILITY AND AUDIT

a) Financial Reporting

The Board aims to present a balanced and understandable assessment of the Group's position and prospect.

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

b) Statement of Directors' Responsibility for Preparing the Financial Statements

The Board has undertaken the responsibilities to ensure that the financial statements prepared are drawn up in accordance with the provisions of the Companies Acts, 1965; and applicable MASB Approved Accounting Standards in Malaysia. In presenting the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates.

c) Internal Control

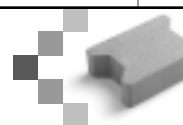
The Board acknowledges the overall responsibilities in maintaining a sound system of internal control, covering not only financial controls but also operational and compliance controls and reviewing its effectiveness. This is vital to ensure that they are consistent with the overall Company's objectives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

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

The Statement on Internal Control provides an overview of the state of internal controls within the Group.

d) Relationship with External Auditors

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

**OTHER INFORMATION****a) Conflict of Interest**

None of the Directors and/or major shareholders of Kia Lim Berhad have any personal interest in any business arrangement involving the Company. All Directors have had no convictions for any offences within the past ten years.

b) Material Contracts

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

c) Sanctions and/or Penalties Imposed

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

d) Share Buybacks

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

e) Exercise of Options, Warrants or Convertible Securities

The Employees' Share Option Scheme ("ESOS") of up to 10% of the issued and paid-up capital of the Company has been launched on 7 September 2000. During the financial year under review, no options has been exercised by the employees.

Save for the ESOS, the Company has not issued any warrants or convertibles securities during the financial year.

f) Utilisation of Proceeds

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

g) American Depository Receipts/Global Depository Receipts

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

h) Non-Audit Fees

The amount of non-audit fees paid and payable to the external auditors by the Group for the financial year was RM 21,900.

i) Profit Estimate, Forecast or Projection

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

j) Profit Guarantee

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

k) Contracts Relating to Loan

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

l) Revaluation Policy

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

STATEMENT ON INTERNAL CONTROL

Introduction

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

Board Responsibility

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

Key Elements of Internal Control

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

Strategic business direction and risk management

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

Organisational structure and corporate culture

The Chairman and the Managing Director play the role as the channel of communication between the Board and the management. The 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, the opening of the bank accounts and foreign operations.

Definition of employees' roles and responsibilities

The roles and responsibilities of key positions are clearly defined.

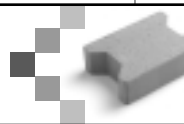
Reporting and review

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

Procedures and control environment

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

The Directors have ensured that safety and health regulations have been considered and complied with. Quality is always given prominence in all products manufactured. With that, the subsidiary companies have obtained ISO 9001:2000 certificate for their operational processes. Internal procedures and standard operating procedures have been properly documented and surveillance audits are conducted yearly by assessors of the ISO certificate body to ensure that the system is implemented as per ISO 9001:2000 requirement.

**Audit Committee**

The Audit Committee analyses the Group current quarter and year-to-date performance compared to previous quarter, previous corresponding quarter and year-to-date and then reported to the Board. The Report of the Audit Committee is set out on pages 6 to 8 of the Annual Report.

Internal audit function

The internal audit unit, with the support from a newly appointed professional service firm engaged on 7 December 2004, assist the Audit Committee in discharging their duties with regards to the adequacy and integrity of the system of internal control. The Internal Auditors will discuss areas for improvement identified and co-develop remedial action plans with management and also monitor on the management's adoption of the External Auditors' recommendations for improvement on internal controls weaknesses noted during their annual audit, if any.

Effectiveness of Internal Control

The Directors have reviewed the adequacy, integrity and effectiveness of the systems of internal control in operation during the financial year through the monitoring process set out above. There were no material finding or significant problems that had arisen during the financial year. The Board remains committed towards operating a sound system of internal control and therefore recognises that the system must continuously evolve to support the growth and dynamics of the Group.

This statement is made in accordance with a resolution of the Board dated 14 April 2005.

CHAIRMAN'S STATEMENT

" On behalf of the Board of Directors, I am pleased to present the Annual Report of Kia Lim Group for the financial year ended 31 December 2004"

FINANCIAL PERFORMANCE

Despite the construction sector contracted by 1.9% in year 2004 as compared to an expansion of 1.9% in year 2003, the Group achieved a better overall financial performance on the back of better average selling price of brick products.

The Group's revenue registered a marginal increase to RM50.1 million from RM49.8 million in the previous financial year. In tandem with the increase in revenue, the Group returned to the black by posting a profit before taxation of RM413,000 as compared to a loss before taxation of RM2.7 million in the previous financial year.

INDUSTRY TRENDS

With the global economy under pressure from the increase in crude oil prices coupled with the nationwide amnesty and deportation of illegal foreign workers, the Malaysian economy will be adversely affected, particularly, the construction sector. Thus, the year ahead would be another challenging one.

CORPORATE GOVERNANCE

The application and compliance with the principles and best practices as set out in the Code on Corporate Governance has been disclosed in the Annual Report, which also includes a "Statement on Internal Control" as required under Bursa Securities Listing Requirements.

The Board is committed to ensuring that the standards of Corporate Governance are practised throughout the Group.

CORPORATE DEVELOPMENTS

In prior year, the Company had submitted to the Securities Commission ("SC") its corporate proposals, details of which are as disclosed in Note 2 to the financial statements, with the aim of increasing the Company's issued and paid-up capital to meet the minimum requirement of RM60 million under the Bursa Securities Listing Requirements for companies listed on the Main Board. These corporate proposals also entail the restructuring of the Group's debts and funds raising for working capital purposes.

Subsequent to the financial year ended 31 December 2004, the SC has approved the above corporate proposals with the revised terms as enumerated in Note 25 to the financial statements.

PROSPECT

The global economic performance is likely to be moderate this year primarily due to higher sustained crude oil prices, tighten monetary policies to contain the inflationary pressures and the global interest rates trending upwards. Against this backdrop, the Malaysian economy is expected to be spearheaded by the domestic growth, especially from the private sector as the public sector continues its fiscal consolidation measures following the Government's endeavours to reduce its budgetary deficit. The Board of Directors believes that the long term prospect of the Group in the industry remains intact and the Group would strive to explore new potential markets and broaden its range of high quality products as well as to continue optimising and improving its operational efficiency and productivity.

At the corporate level, the impending completion of the corporate proposals would enhance the Group's earnings capabilities and the longer term viability of its business. The corporate proposals would help in bringing down the Group's financial gearing to a manageable level and at the same time raising funds for working capital purposes for the anticipated increase in revenue, which would in turn bring the Group to a greater height in the near future.

PROSPECT (Cont'd)

On the basis of the above and barring any unforeseen circumstances, the Board of Directors is cautiously optimistic that the Group will continue to achieve positive results for the forthcoming financial year.

DIVIDENDS

The Board does not recommend any dividends.

APPRECIATION

On behalf of the Board of Directors, I wish to express our sincere gratitude to the Government authorities, financial institutions, customers, suppliers, business associates, advisers and all other stakeholders for their understanding and invaluable support in helping us to mitigate problems encountered. I would like to extend my appreciation to the management and our employees for their perseverance in these challenging times. To the shareholders, we thank you for your unwavering loyalty and whole hearted support; and we look forward to your continuing support. Last but not least, I also wish to convey my deepest appreciation to my fellow Board members for their inspired counsel and unfailing support and contribution.

Thank you.

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

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiary and associated companies are as disclosed under Notes 11 and 12 to the financial statements.

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

RESULTS

	Group RM	Company RM
Net profit/(loss) for the year	413,099	(240,375)

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

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

DIVIDEND

The directors do not propose any dividend in respect of the current financial year.

DIRECTORS

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

Datuk Ng Eng Sos @ Bah Chik
Datuk Ariss Bin Samsudin
Ng Yeng Keng @ Ng Ka Hiatt
Tan See Chip
Ng Yam Puan @ Ng Ah Bah
Mohd Salleh Bin Jantan
Tan Seng Kee
Loh Chee Kan
Chua Syer Cin
Ng Chin Kang

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 acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options to be granted pursuant to the Employee Share Option Scheme.

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 as shown in Note 5 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 24 to the financial statements.

EMPLOYEE SHARE OPTION SCHEME (ESOS)

At the Extraordinary General Meeting of the Company held on 28 June 2000, the shareholders of the Company approved the establishment of an employee share option scheme in respect of shares of the Company. Pursuant to the scheme, which became effective on 7 September 2000, options to subscribe for ordinary shares of RM1 each are granted to eligible employees of the Group including executive directors of any company in the Group. The main features of the scheme are as follows :

- (a) Not exceeding in total the aggregate of ten (10) per centum of the issued ordinary share capital of the Company at any point of time during the existence of the scheme shall be available under the scheme;
- (b) Employees including executive directors of any company in the Group who have been confirmed in their employment and who fall within any one of the categories set out in the bye-laws of the employee share option scheme, are eligible to participate in the scheme;
- (c) The option price shall be not less than the market price at the time the option is granted and which is based on a discount of not more than 10% of the mean market quotation (calculated as the weighted average price transacted) of the ordinary shares of the Company as quoted and stated in the daily Official List issued by Bursa Malaysia for the five (5) trading days immediately preceding the Date of Offer.
- (d) An option granted to a selected employee shall be capable of being exercised by notice in writing to the Company, commencing on the date of acceptance of an Offer and expiring at the end of five (5) years from the date of such Offer or such shorter period as specifically stated in the Offer; and
- (e) The Option may be exercised in respect of all the Option Shares or in respect of any part of the Option Shares provided always the number of Option Shares shall be in multiples of not less than one thousand (1,000) ordinary shares nor more than the maximum allowable allocation of five hundred thousand (500,000) ordinary shares for the selected employee. Any partial exercising of the Option shall not preclude the Grantee from exercising the Option as to the balance not yet exercised.

The details of options granted to subscribe for shares which were outstanding as at 31 December 2004 are as follows :

Date of offer	Option price per share RM	Balance as at 1.1.2004	Granted	Exercised	Lapsed	Balance as at 31.12.2004
11/09/2000	2.00	3,309,000	-	-	(425,000)	2,884,000
05/03/2001	1.00	83,000	-	-	(3,000)	80,000
04/09/2001	1.00	101,000	-	-	(1,000)	100,000
12/03/2002	1.20	69,000	-	-	(2,000)	67,000
07/09/2002	1.00	135,000	-	-	(4,000)	131,000
25/01/2003	1.00	79,000	-	-	-	79,000
		3,776,000	-	-	(435,000)	3,341,000

Options exercisable in a particular year but not exercised may be carried forward to any subsequent year subject to the 5 years limit of the ESOS. The date of expiry of the options is 7 September 2005.

DIRECTORS' INTERESTS

The following directors who held office at the end of the financial year had, according to the registers required to be kept under Section 134 of the Companies Act, 1965, an interest in the shares in the Company and its related corporations as stated below:

The Company	Number of ordinary shares of RM1 each			31 December 2004
	1 January 2004	Bought	Sold	
Direct interest				
Datuk Ng Eng Sos @ Bah Chik	650,379	-	121,789	528,590
Ng Yeng Keng @ Ng Ka Hiatt	570,055	-	-	570,055
Tan See Chip	785,935	-	-	785,935
Ng Yam Puan @ Ng Ah Bah	307,499	2,000	-	309,499
Mohd Salleh Bin Jantan	1,676,416	-	10,000	1,666,416
Datuk Ariss Bin Samsudin	303,000	-	-	303,000
Deemed interest				
Datuk Ng Eng Sos @ Bah Chik	20,017,193	4,275,500	3,000,000	21,292,693
Ng Yeng Keng @ Ng Ka Hiatt	20,017,193	4,275,500	3,000,000	21,292,693
Ng Chin Kang	9,640,720	1,905,000	1,000,000	10,545,720
Tan See Chip	17,000	-	-	17,000

The Company	Number of options over ordinary shares of RM1 each			31 December 2004
	1 January 2004	Bought	Sold	
Direct interest				
Datuk Ng Eng Sos @ Bah Chik	400,000	-	-	400,000
Datuk Ariss Bin Samsudin	400,000	-	-	400,000
Ng Yeng Keng @ Ng Ka Hiatt	400,000	-	-	400,000
Tan See Chip	400,000	-	-	400,000

Datuk Ng Eng Sos @ Bah Chik, Ng Yeng Keng @ Ng Ka Hiatt, 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.

In accordance with Article 80 of the Company's Articles of Association, Datuk Ng Eng Sos @ Bah Chik, Datuk Ariss Bin Samsudin, Chua Syer Cin and Ng Chin Kang shall retire by rotation and being eligible, offer themselves for re-election.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps :
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts but that adequate provision has been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their book value as shown in the accounting records in the ordinary course of business have 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 not otherwise dealt with in this report or financial statements of the Group and of the Company which would render :
- (i) it necessary to write off any bad debts or the amount of provision for doubtful debts of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributable to current assets in the financial statements of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which 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 and consolidated 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 in respect 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 as and 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.

SUBSEQUENT EVENT

The subsequent event is disclosed in Note 25 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors.

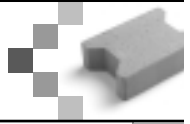
DATUK NG ENG SOS @ BAH CHIK

NG YENG KENG @ NG KA HIAT

Batu Pahat
7 March 2005

REPORT OF THE AUDITORS

TO THE MEMBERS OF KIA LIM BERHAD



We have audited the accompanying financial statements set out on pages 27 to 47. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of :
 - (i) the financial position of the Group and of the Company as at 31 December 2004 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

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

Without qualifying our opinion, we draw attention to Note 2 to the financial statements which states that the financial statements of the Group and the Company have been prepared assuming that the Group and the Company will continue as going concerns. The ability of the Group and the Company to continue as going concerns are dependent upon the successful implementation of the restructuring scheme as referred to in Note 2 and Note 25 to the financial statements.

ERNST & YOUNG
AF : 0039
Chartered Accountants

WUN MOW SANG
No. 1821/12/06(J)
Partner

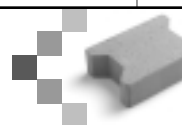
Johor Bahru
7 March 2005

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	Group		Company	
		2004 RM	2003 RM	2004 RM	2003 RM
Revenue	4	50,107,359	49,782,526	-	-
Cost of sales		(35,880,793)	(38,010,586)	-	-
Gross profit		14,226,566	11,771,940	-	-
Other operating income		1,288,631	989,951	-	27
Administrative expenses		(3,000,584)	(2,844,996)	(204,599)	(268,156)
Selling and distribution expenses		(6,545,857)	(6,804,856)	-	-
Profit/(loss) from operations	5	5,968,756	3,112,039	(204,599)	(268,129)
Finance costs	7	(5,536,254)	(5,786,187)	(35,776)	(57,669)
Operating profit /(loss)		432,502	(2,674,148)	(240,375)	(325,798)
Share of loss of associated company		(19,399)	(459)	-	-
Profit/(loss) before taxation		413,103	(2,674,607)	(240,375)	(325,798)
Taxation	8	(4)	-	-	-
Net profit/(loss) for the year		413,099	(2,674,607)	(240,375)	(325,798)
Earnings/(loss) per share (sen)					
Basic	9	1	(6)		
Fully diluted	9	1	(6)		

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

BALANCE SHEETS AS AT 31 DECEMBER 2004



	Note	Group		Company	
		2004 RM	2003 RM	2004 RM	2003 RM
NON-CURRENT ASSETS					
Property, plant and equipment	10	81,535,881	83,638,037	1,364,546	1,394,683
Subsidiary companies	11	-	-	18,592,891	18,592,891
Amount due from subsidiary companies	11	-	-	20,277,366	21,115,642
Associated company	12	98,265	117,664	-	-
Investments	13	761,898	761,898	-	-
Investment properties	14	391,365	573,769	-	-
		82,787,409	85,091,368	40,234,803	41,103,216
CURRENT ASSETS					
Investment properties	14	316,800	1,088,312	-	-
Inventories	15	11,657,108	10,098,119	-	-
Receivables	16	13,895,670	13,430,310	337,938	270,928
Cash and bank balances		165,893	8,358	1,349	672
		26,035,471	24,625,099	339,287	271,600
CURRENT LIABILITIES					
Payables	17	23,215,357	32,794,238	414,958	587,020
Taxation		500,826	500,826	-	-
Short term borrowings	18	40,367,891	32,157,159	129,561	425,837
		64,084,074	65,452,223	544,519	1,012,857
NET CURRENT LIABILITIES					
		(38,048,603)	(40,827,124)	(205,232)	(741,257)
		44,738,806	44,264,244	40,029,571	40,361,959
FINANCED BY :					
Share capital	19	44,579,000	44,579,000	44,579,000	44,579,000
Reserves	20	(23,598,393)	(24,011,492)	(4,713,495)	(4,473,120)
Shareholders' fund		20,980,607	20,567,508	39,865,505	40,105,880
Long term borrowings	18	23,758,199	23,696,736	164,066	256,079
		44,738,806	44,264,244	40,029,571	40,361,959

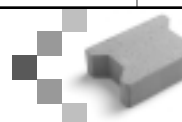
The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2004

Group	Share Capital RM	Share Premium RM	Accumulated Losses RM	Total RM
At 1 January 2003	44,579,000	7,283,230	(28,620,115)	23,242,115
Net loss for the year	-	-	(2,674,607)	(2,674,607)
At 31 December 2003	44,579,000	7,283,230	(31,294,722)	20,567,508
Net profit for the year	-	-	413,099	413,099
At 31 December 2004	44,579,000	7,283,230	(30,881,623)	20,980,607
Company				
At 1 January 2003	44,579,000	7,283,230	(11,430,552)	40,431,678
Net loss for the year	-	-	(325,798)	(325,798)
At 31 December 2003	44,579,000	7,283,230	(11,756,350)	40,105,880
Net loss for the year	-	-	(240,375)	(240,375)
At 31 December 2004	44,579,000	7,283,230	(11,996,725)	39,865,505

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

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004



	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	413,103	(2,674,607)	(240,375)	(325,798)
Adjustments for :				
Impairment loss on property , plant and equipment	-	97,610	-	-
Depreciation	6,446,083	6,457,534	31,227	31,182
Interest expense	5,536,254	5,786,187	35,776	57,669
Interest income	-	(585)	-	-
Gain on disposal of property, plant and equipment	(390,374)	(139,406)	-	-
Loss on disposal of investment properties	32,214	-	-	-
Provision for doubtful debts	-	58,342	-	-
Unrealised foreign exchange gain	(34,885)	(7,818)	-	-
Dividend income	(20)	(4)	-	-
Share of loss of associated company	19,399	459	-	-
Operating profit/(loss) before working capital changes	12,021,774	9,577,712	(173,372)	(236,947)
Inventories	(1,558,990)	110,320	-	-
Receivables	266,352	(6,031,291)	(67,010)	(227,026)
Payables	960,629	5,870,236	(172,062)	215,912
Cash generated from/(used in) operations	11,689,765	9,526,977	(412,444)	(248,061)
Tax paid	-	(17,572)	-	-
Interest received	-	585	-	-
Interest paid	(5,536,254)	(5,786,187)	(35,776)	(57,669)
Net cash generated from/(used in) operating activities	6,153,511	3,723,803	(448,220)	(305,730)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of investments	150,190	-	-	-
Purchase of property, plant and equipment	(4,269,574)	(1,138,521)	(1,090)	-
Repayment from subsidiary companies	-	-	838,276	430,726
Proceeds from disposal of property, plant and equipment	416,146	104,048	-	-
Net dividend received	16	2	-	-
Net cash (used in)/generated from investing activities	(3,703,222)	(1,034,471)	837,186	430,726
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of bankers' acceptances	(1,151,000)	(194,000)	-	-
(Repayment of)/proceeds from trust receipts	(214,439)	214,439	-	-
Repayment of term loans	(91,862)	(84,378)	(91,862)	(84,378)
Repayment of hire purchase liabilities	(370,915)	(604,505)	-	-
Repayment of fixed loans	(137,435)	(80,923)	-	-
Net cash used in financing activities	(1,965,651)	(749,367)	(91,862)	(84,378)
NET INCREASE IN CASH AND CASH EQUIVALENTS	484,638	1,939,965	297,104	40,618
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	(5,680,545)	(7,620,510)	(295,755)	(336,373)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (NOTE 21)	(5,195,907)	(5,680,545)	1,349	(295,755)

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

1. CORPORATE INFORMATION

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

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 6-1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor Darul Ta'zim. The principal place of business of the Company is located at 79, Jalan Muar, Parit Sulong, 83500 Batu Pahat, Johor Darul Ta'zim.

The number of employees in the Group and in the Company at the end of the financial year were 259 (2003 : 254) and Nil (2003 : Nil) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 7 March 2005.

2. FUNDAMENTAL ACCOUNTING CONCEPT

In prior year, the Company had made the following proposals :

- (a) Proposed Renounceable Two-Call Rights Issue with Warrants of up to 16,948,750 new ordinary shares of RM1.00 each in the Company together with up to 16,948,750 new free detachable Warrants at a proposed issue price of RM1.00 for one Rights Share together with one Warrant on the basis of seven Rights Shares together with seven Warrants for every twenty existing ordinary shares held on an entitlement date to be determined and the first call of RM0.58 per share shall be payable by cash and the second call of RM0.42 per share shall be capitalised from the share premium account.
- (b) Proposed Debt Restructuring Scheme ("DRS") involving the settlement of outstanding principal and outstanding interest amounting to RM44,667,924 owing by the subsidiaries of the Company to the Participating Bankers ("PBs") by way of :
 - (i) Settlement of 40% of outstanding principal by the issuance of RM15,716,000 nominal value of 4% 10-year Redeemable Convertible Secured Loan Stocks ("RCSLS") of RM1.00 each to be issued at 100% of its nominal value;
 - (ii) Restructuring of 40% of the outstanding principal amounting to RM15,716,000, involving the payment via instalments over a period of 6 to 7 years; and
 - (iii) Settlement of the remaining 20% of outstanding principal and outstanding interest by the issuance and allotment of up to 13,235,924 new shares in the Company to the PBs.

The above scheme was rejected by the Securities Commission ("SC") on 10 September 2004. However, an appeal was made by the Company on 9 October 2004. On 16 February 2005, a revised scheme was approved by the SC as disclosed in Note 25.

The Directors are of the opinion that the above revised restructuring scheme as approved by the SC will be successfully completed and accordingly, the preparation of the financial statements on a going concern basis is appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES

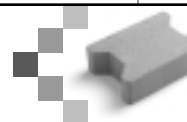
(a) Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.



3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Basis of Consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

Acquisition of subsidiaries which meet the criteria for merger are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's book is recorded at the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares acquired is treated as merger reserve or merger deficit. The results of the companies being merged are included as if the merger had been effected throughout the current and previous financial years.

As provided under the transitional provision of Malaysian Accounting Standards Board (MASB) Standard No. 21 - Business Combinations, the Company has applied this standard prospectively.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

(ii) Associates

Associates are those companies in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves as well as goodwill on acquisition.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

(c) Investments in Subsidiaries and Associates

The Company's investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is charged or credited to the income statement.

(d) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m).

Freehold land, property, plant and equipment held for disposal and capital work-in-progress are not depreciated. Depreciation of other property, plant and equipment is calculated on the straight line method to write off the cost of the property, plant and equipment over the estimated useful lives as follows :

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

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Investment Properties

Investment properties consist of investments in land and buildings that are not substantially occupied for use by, or in the operations of the Company.

Long term investment properties are stated at cost less impairment losses and short term investment properties are stated at lower of cost and market value and are not depreciated. The policy for recognition and measurement of impairment losses is in accordance with Note 3(m).

Upon the disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

(f) Income Tax

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

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

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

(g) Employee Benefits

(i) Short term benefits

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

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

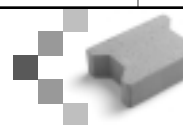
(h) Inventories

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

Cost includes the actual cost of material and incidentals in bringing the inventories into store. For manufactured inventories, it also includes labour and an appropriate allocation of the relevant overhead expenses.

(i) Cash and Cash Equivalents

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



3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Hire Purchase and Leases

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

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

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

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 3(d).

(k) Revenue Recognition

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

- (i) Sale of goods
Revenue relating to sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.
- (ii) Interest income
Interest is recognised on a time proportion basis that reflects the effective yield on the asset.
- (iii) Dividend income
Dividend income is recognised when the right to receive payment is established.
- (iv) Rental income
Rental income is recognised on accrual basis.

(l) Foreign Currencies Transactions

Transactions in foreign currencies are initially converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items which are carried at historical cost are translated using the historical rate as of the date of acquisition and non monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

The principal exchange rates used for each respective unit of foreign currency ruling at the balance sheet date are as follows :

	2004 RM	2003 RM
United States Dollar	3.797	3.797
Singapore Dollar	2.291	2.234
Euro	5.120	4.630

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(n) Financial Instruments

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

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

(i) Marketable securities

Marketable securities are stated at cost less impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 3(m).

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(ii) Receivables

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

(iii) Payables

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

(iv) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

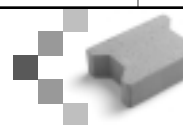
Borrowing costs directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(v) Equity Instruments

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

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. Revenue of the Company comprises gross dividend income.


5. PROFIT/(LOSS) FROM OPERATIONS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
This is arrived at after charging :				
Staff costs (excluding directors' remuneration) (Note 6)	4,695,759	4,251,358	-	-
Auditors' remuneration				
Statutory audits				
- current year	37,000	32,000	7,000	5,000
- underprovided in prior year	1,000	1,000	1,000	-
Other services	21,900	20,300	10,200	8,600
Depreciation	6,446,083	6,457,534	31,227	31,182
Directors' fees payable to directors of :				
- Company	52,500	52,500	28,000	28,000
- Subsidiary companies	4,200	4,200	-	-
Directors' other emoluments payable to directors of Company	645,160	640,948	8,500	9,000
Loss on disposal of investment properties	32,214	-	-	-
Provision for doubtful debts	-	58,342	-	-
Impairment loss on property, plant and equipment	-	97,610	-	-
Rental of motor vehicle	4,000	24,000	-	-
Rental of premises	202,800	202,800	-	-
And crediting :				
Bad debts recovered	120	-	-	-
Dividend from quoted shares	20	4	-	-
Foreign exchange gain				
- realised	145,546	98,058	-	-
- unrealised	34,885	7,818	-	-
Gain on disposal of property, plant and equipment	390,374	139,406	-	-
Interest income	-	585	-	-
Vehicle rental income	650,808	669,447	-	-

The estimated monetary value of benefits provided to directors during the financial year by way of usage of the Group's assets and provision of other benefits amounted to RM32,600 (2003 : RM31,450).

6. STAFF COSTS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Wages and salaries	4,247,711	3,836,936	-	-
Employee Provident Fund	389,570	360,886	-	-
Social security cost	58,478	53,536	-	-
	4,695,759	4,251,358	-	-

7. FINANCE COSTS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Bank interest	908,202	1,067,852	8,860	23,272
Hire purchase charges	35,188	198,639	-	-
Loan interest and charges	4,538,954	4,457,942	26,916	34,397
Overdue interest	53,910	61,754	-	-
	5,536,254	5,786,187	35,776	57,669

8. TAXATION

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Current year's provision	4	-	-	-

The provision for taxation in current financial year represents taxation on dividend income received in current year.

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2003 : 28%) of the estimated assessable profit for the year.

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

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Profit/(Loss) before taxation	413,103	(2,674,607)	(240,375)	(325,798)
Taxation at Malaysian statutory tax rate of 28% (2003 : 28%)	115,669	(748,890)	(67,305)	(91,223)
Expenses not deductible for tax purposes	133,287	95,055	67,305	91,223
Utilisation of previously unrecognised unabsorbed capital allowances	(434,835)	33,578	-	-
Deferred tax assets not recognised on unabsorbed capital allowances and reinvestment allowances	185,883	620,257	-	-
Tax expense for the year	4	-	-	-

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

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Unabsorbed capital allowances	72,628,000	69,037,000	-	-
Unutilised tax losses	12,500,000	12,500,000	-	-
Unutilised investment allowances	31,487,000	30,760,000	-	-
	116,615,000	112,297,000	-	-

Deferred tax assets have not been recognised in respect of these items as they have arisen in subsidiaries that have a recent history of losses.

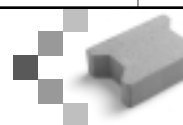
9. EARNINGS/(LOSS) PER SHARE

(a) Basic

The basic earnings/(loss) per share is calculated based on the Group's profit/(loss) after taxation of RM413,099 (2003 : RM2,674,607) on the total weighted average number of ordinary shares in issue during the year of 44,579,000 (2003 : 44,579,000).

(b) Fully diluted

The fully diluted earnings/(loss) per share for the year ended 31 December 2004 is presented to be same as the basic loss per share as the options under the ESOS are not dilutive.



10. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings RM	Plant and machinery RM	Motor vehicles RM	Other assets RM	Total RM
Cost					
At 1 January 2004	20,185,878	115,972,947	7,667,489	2,605,866	146,432,180
Additions	72,804	3,454,928	318,473	504,994	4,351,199
Disposals	-	(1,745,132)	(1,176,400)	(22,100)	(2,943,632)
At 31 December 2004	20,258,682	117,682,743	6,809,562	3,088,760	147,839,747
Accumulated Depreciation					
At 1 January 2004	3,276,712	50,188,520	6,952,902	1,575,611	61,993,745
Charge for the year	374,696	5,633,359	252,616	185,412	6,446,083
Disposals	-	(1,745,132)	(1,176,400)	(14,828)	(2,936,360)
At 31 December 2004	3,651,408	54,076,747	6,029,118	1,746,195	65,503,468
Impairment Losses					
At 1 January 2004/31 December 2004	-	800,398	-	-	800,398
Net Book Value					
At 31.12.2004	16,607,274	62,805,598	780,444	1,342,565	81,535,881
At 31.12.2003	16,909,166	64,984,029	714,587	1,030,255	83,638,037
Depreciation charge for 2003	375,324	5,688,230	197,326	196,654	6,457,534
Impairment loss for 2003	-	97,610	-	-	97,610
Company					
			Freehold land and buildings RM	Other assets RM	Total RM
Cost					
At 1 January 2004			1,513,102	9,197	1,522,299
Addition			-	1,090	1,090
At 31 December 2004			1,513,102	10,287	1,523,389
Accumulated Depreciation					
At 1 January 2004			120,898	6,718	127,616
Charge for the year			30,262	965	31,227
At 31 December 2004			151,160	7,683	158,843
Net Book Value					
At 31 December 2004			1,361,942	2,604	1,364,546
At 31 December 2003			1,392,204	2,479	1,394,683
Depreciation charge for 2003			30,262	920	31,182

10. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM4,268,485 (2003 : RM1,351,521) of which RM100,123 (2003 : RM213,000) was acquired by means of hire purchase agreement.

The net book value of property, plant and equipment being acquired under instalment purchase plans is as follows :

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Motor vehicles	386,047	336,553	-	-
Plant and machinery	360,368	3,818,262	-	-

Certain property, plant and equipment of the Group with net book value of RM70,364,246 (2003 : RM68,258,897) have been pledged as security for banking facilities obtained by subsidiary companies as mentioned in Note 18.

In the course of upgrading a subsidiary company's production facilities, certain plant and machinery in excess of requirements are being held for disposal. These assets have been stated at their estimated recoverable amounts amounting to RM742,853 (2003 : RM761,355), net of provision for impairment in value of RM800,398 (2003 : RM800,398).

Other assets include capital work-in-progress which comprise of expenditures incurred for labour quarters amounting to RM195,597 (2003 : RM49,200). Plant and machinery costing RM864,104 (2003 : RM140,000) was also included as capital work-in-progress due to installation yet to be completed as at year end.

The gross amount of property, plant and equipment of the Group and Company which are fully depreciated but still in use amounted to RM26,629,770 (2003 : RM26,838,820) and RMNil (2003 : RMNil) respectively.

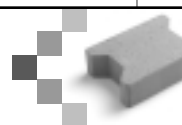
11. SUBSIDIARY COMPANIES

	Company	
	2004 RM	2003 RM
Unquoted shares, at cost	29,616,709	29,616,709
Less : Accumulated impairment losses	(11,023,818)	(11,023,818)
	18,592,891	18,592,891
Loans to subsidiary companies	14,740,000	14,740,000
Advances to subsidiary companies	5,537,366	6,375,642
	20,277,366	21,115,642

The subsidiary companies, which are incorporated in Malaysia, are :

Name of Subsidiaries	Principal Activities	Equity Interest Held	
		2004	2003
Kangkar Raya Batu Bata Sdn. Bhd.	Manufacturing of bricks and roofing tiles	100%	100%
Syarikat Kia Lim Kilang Batu Bata Sdn. Bhd.	Manufacturing of bricks	100%	100%

The loans and advances to subsidiary companies are unsecured, interest free and not expected to be repaid within the next 12 months. The loans are fully subordinated to the term loans and certain banking facilities as stated in Note 18.



12. ASSOCIATED COMPANY

	2004 RM	Group 2003 RM
Unquoted shares, at cost	54,000	54,000
Group's share of post-acquisition profits	44,265	63,664
	98,265	117,664
The Group's interest in associated company is as follows :		
Share of net assets of associated company	93,561	112,960
Goodwill on acquisition	4,704	4,704
	98,265	117,664

The associated company, which is incorporated in Malaysia, is :

Name of company	Principal Activities	Equity Interest Held 2004	2003
Sersen Tiles Sdn. Bhd.	Property owner	27%	27%

13. INVESTMENTS

	2004 RM	Group 2003 RM
At cost		
Shares quoted in Malaysia	761,833	761,833
Warrants quoted in Malaysia	65	65
	761,898	761,898
Market value of quoted shares	662,248	979,293
Market value of quoted warrants	17	34

No provision for impairment losses is made as the directors are of the opinion that the decrease in market value is temporary in nature and they have no intention to dispose the investment in near future.

14. INVESTMENT PROPERTIES

Investment properties with cost of RM391,365 (2003 : RM573,769) are charged to secure bank facilities as stated in Note 18.

During the year ended 31 December 2002, a subsidiary has entered into an agreement with a third party to transfer investment properties amounting to RM1,528,485 to extinguish part of the debts owing by another subsidiary. Upon the expiry of 24 months from the date of the agreement and a further extension of 12 months thereafter, the transferee shall be granted a put option to sell these investment properties back to the subsidiary at the transfer sum.

15. INVENTORIES

At cost	Group	
	2004 RM	2003 RM
Raw materials	3,406,546	3,596,246
Indirect materials	2,551,987	2,426,356
Work-in-progress	568,260	415,115
Finished products	5,130,315	3,660,402
	11,657,108	10,098,119

16. RECEIVABLES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade receivables	13,850,441	13,266,721	-	-
Other receivables	736,533	978,739	337,938	270,928
	14,586,974	14,245,460	337,938	270,928
Provision for doubtful debts	(691,304)	(815,150)	-	-
	13,895,670	13,430,310	337,938	270,928

Included in trade and other receivables of the Group are debts owing by related parties amounting to RM720,101 (2003 : RM655,176). The amount due is unsecured, interest free and has no fixed terms of repayment.

The Group's normal trade credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

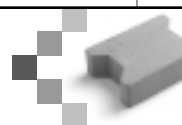
The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

17. PAYABLES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade payables	14,115,017	17,186,040	-	-
Other payables	5,749,995	5,894,959	256,832	443,254
Accrued expenses	1,701,934	1,795,586	-	-
Directors	329,817	489,083	158,126	143,766
Interest payable	1,318,594	7,428,570	-	-
	23,215,357	32,794,238	414,958	587,020

Included in trade and other payables of the Group and Company are debts owing to related parties amounting to RM4,544,585 (2003 : RM3,610,056) and RMNil (2003 : RMNil) respectively.

The normal trade credit term granted to the Group ranges from 30 to 120 days.



18. BORROWINGS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Short term borrowings				
Secured :				
Bank overdrafts	5,361,800	5,392,476	-	-
Bankers' acceptances	8,275,000	9,426,000	-	-
Fixed loans	65,338	88,035	-	-
Hire purchase payables	123,031	345,376	-	-
Term loans	26,413,161	16,264,996	-	-
Trust receipt	-	214,439	-	-
	40,238,330	31,731,322	-	-
Unsecured :				
Bank overdrafts	-	296,427	-	296,427
Term loan	129,561	129,410	129,561	129,410
	40,367,891	32,157,159	129,561	425,837
Long term borrowings				
Secured :				
Hire purchase payables	161,749	210,196	-	-
Fixed loans	40,718	155,457	-	-
Term loans	23,391,666	23,075,004	-	-
	23,594,133	23,440,657	-	-
Unsecured :				
Term loan	164,066	256,079	164,066	256,079
	23,758,199	23,696,736	164,066	256,079
Total Borrowings				
Bank overdrafts (Note 21)	5,361,800	5,688,903	-	296,427
Bankers' acceptances	8,275,000	9,426,000	-	-
Fixed loans	106,056	243,492	-	-
Hire purchase payables	284,780	555,572	-	-
Term loans	50,098,454	39,725,489	293,627	385,489
Trust receipt	-	214,439	-	-
	64,126,090	55,853,895	293,627	681,916
Maturity of borrowings (excluding hire purchase liabilities) :				
Within 1 year	40,244,860	31,811,784	129,561	425,837
More than 1 year and less than 2 years	8,551,160	4,531,211	118,776	118,776
More than 2 years and less than 5 years	11,577,290	7,155,328	45,290	137,303
5 years or more	3,468,000	11,800,000	-	-
	63,841,310	55,298,323	293,627	681,916

18. BORROWINGS (Cont'd)

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Hire purchase liabilities				
Minimum lease payments:				
Not later than 1 year	146,828	378,250	-	-
Later than 1 year and not later than 2 years	97,387	120,980	-	-
Later than 2 years and not later than 5 years	92,932	130,008	-	-
	337,147	629,238	-	-
Less: Future finance charges	(52,367)	(73,666)	-	-
Present value of finance lease liabilities	284,780	555,572	-	-
Present value of finance lease liabilities :				
Not later than 1 year	123,031	345,376	-	-
Later than 1 year and not later than 2 years	82,124	100,656	-	-
Later than 2 years and not later than 5 years	79,625	109,540	-	-
	284,780	555,572	-	-
Analysed as:				
Due within 12 months	123,031	345,376	-	-
Due after 12 months	161,749	210,196	-	-
	284,780	555,572	-	-

The secured borrowings are secured by way of corporate guarantees from the Company, a fixed charge on all present and future property, plant and equipment of a subsidiary company excluding the property, plant and equipment under hire purchase financing, legal charges over certain property, plant and equipment and investment properties of another subsidiary company amounting to RM26,819,004 (2003 : RM26,898,852) and RM391,365 (2003 : RM573,769) respectively.

The secured term loans are repayable over 4.5 to 8 years whilst the fixed loans are repayables over 5 years. The unsecured term loan is repayable over 10 year and the other bank borrowings are repayable on demand.

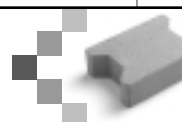
The weighted average effective interest rates at the balance sheet date for borrowings, excluding hire purchase payables, were as follows:

	Group		Company	
	2004 %	2003 %	2004 %	2003 %
Bank overdrafts	8.00 to 8.50	8.00 to 8.50	-	8.00 to 8.50
Bankers' acceptances	4.85 to 5.35	4.85 to 5.35	-	-
Trust receipts	-	7.75 to 8.50	-	-
Term loans	7.75 to 8.50	7.75 to 8.50	7.75	7.75
Fixed loans	8.45	8.45	-	-

The hire purchase liabilities bore interest at the balance sheet date of between 3.4% to 7.5% (2003 : 3.25% to 7.50%).

19. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2004	2003	2004 RM	2003 RM
Authorised :				
At 1 January/31 December	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid :				
At 1 January/31 December	44,579,000	44,579,000	44,579,000	44,579,000



20. RESERVES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Non-Distributable Share premium	7,283,230	7,283,230	7,283,230	7,283,230
Accumulated losses	(30,881,623)	(31,294,722)	(11,996,725)	(11,756,350)
	(23,598,393)	(24,011,492)	(4,713,495)	(4,473,120)

The movements in the reserves are shown in the statements of changes in equity.

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following balance sheet amounts :

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Cash and bank balances	165,893	8,358	1,349	672
Bank overdrafts (Note 18)	(5,361,800)	(5,688,903)	-	(296,427)
	(5,195,907)	(5,680,545)	1,349	(295,755)

22. SEGMENTAL REPORTING

There is no disclosure of segmental information as required by Malaysian Accounting Standards Board Standard No. 22 (Segment Reporting) as the Group operates principally within one industry and one country.

23. CONTINGENT LIABILITY

	Company	
	2004 RM	2003 RM
Unsecured corporate guarantees given to secure banking and trade facilities granted to subsidiary companies	52,828,996	54,616,605

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

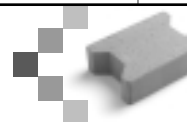
	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Sales of finished goods to:				
E.S. Ng Building Products Sdn Bhd (note a)	-	1,320	-	-
Syarikat Kayu Wangi Berhad (note c)	-	18,169	-	-
Sales of spare parts and upkeep of tools to :				
Sri Senanggar Batu Bata Sdn Bhd (note b)	17,137	-	-	-
Purchases of spare parts and upkeep of tools from :				
Kia Lim Timber Trading Sdn Bhd (note d)	1,139	-	-	-
E.S. Ng Building Products Sdn Bhd (note a)	1,071	-	-	-
Purchases of indirect materials from:				
E.S. Ng Building Products Sdn Bhd (note a)	-	4,830	-	-
Syarikat Kayu Wangi Berhad (note c)	201,787	100,323	-	-
Syarikat Subari Pembinaan Perniagaan Sdn Bhd (note f)	14,400	9,630	-	-
Repair and maintenance charges payable to:				
Kia Lim Timber Trading Sdn Bhd (note d)	-	17,086	-	-
Repair and maintenance charges receivable from :				
E.S. Ng Pembinaan Perniagaan Sdn Bhd (note a)	-	1,840	-	-
Sri Senanggar Batu Bata Sdn Bhd (note b)	-	10,243	-	-
Rengam Batu Bata Sdn Bhd (note e)	-	2,627	-	-
Rental payable to:				
Kia Lim Timber Trading Sdn Bhd (note d)	176,026	86,400	-	-
Rengam Batu Bata Sdn Bhd (note e)	40,150	30,000	-	-
Hotel Carnival Sdn Bhd (note g)	30,000	15,000	-	-
Antara Construction Sdn Bhd (note h)	-	6,000	-	-
Rental receivable from:				
Sri Senanggar Batu Bata Sdn Bhd (note b)	15,950	6,213	-	-
Transport charges receivable from:				
Syarikat Kayu Wangi Berhad (note c)	-	1,050	-	-
Antara Construction Sdn Bhd (note h)	-	1,215	-	-
Sri Senanggar Batu Bata Sdn Bhd (note b)	7,482	2,389	-	-
Other charges payable to:				
Kia Lim Timber Trading Sdn Bhd (note d)	-	18,169	-	-
Original Clay Industries Sdn Bhd (note a)	-	5,713	-	-

The above transactions have been entered into in the normal course of business and established under mutually agreed terms.

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

Notes:

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



24. SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

Notes (Cont'd):

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

25. SUBSEQUENT EVENT

On 16 February 2005, SC has approved the proposed rights issue and DRS with the following revised terms :

- (i) Rights issue of up to 9,671,000 new ordinary shares of RM1.00 each together with up to 9,671,000 warrants in the Company at an issue price of RM1.00 per share payable in cash, on the basis of one new Share together with one Warrant for every five existing shares held;
- (ii) DRS involving the settlement of outstanding principal and outstanding interest amounting to RM44,667,924 owing by the subsidiaries of the Company to the PBs, namely, RHB Bank Berhad and Malaysian Industrial Development Finance Berhad, by way of -
 - (a) Settlement of 40% of outstanding principal amounting to RM15,716,000 by the issuance of RM15,716,000 nominal value of 4% 10-year RCSLS of RM1.00 each at 100% of its nominal value to the PBs;
 - (b) Restructuring of 40% of the outstanding principal amounting to RM15,716,000 involving payment via instalments over a period of 6 to 7 years; and
 - (c) Settlement of the remaining 20% of the outstanding principal of RM7,868,000 and outstanding interest of RM5,377,924 (ie., amounting to RM13,235,924 in aggregate) by the issuance of up to 13,235,924 new ordinary shares of RM1.00 each in the Company at par to the PBs.
- (iii) Listing of and quotation for the new shares and warrants arising from the rights issue and DRS and the new shares arising from the exercise of warrants and conversion of RCSLS, on the Main Board of Bursa Malaysia Securities Berhad.

26. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

(b) Interest Rate Risk

The Group's primary interest rate risk relates to hire purchase and bank borrowings liabilities, as the Group had no substantial long-term interest-bearing assets as at 31 December 2004.

As stated in Note 2 above, the Company has submitted a proposal which includes conversion of a portion of the subsidiaries existing debts and outstanding interest to shares in the Company. The proposed scheme was rejected by the SC on 10 September 2004. However, an appeal was made by the Company on 9 October 2004. On 16 February 2005, a revised scheme was approved by the SC as disclosed in Note 25.

(c) Foreign Exchange Risk

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

(d) Liquidity Risk

The Group's liquidity position is dependent on the proposals by the Company as stated in Note 2 above.

(e) Credit Risk

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

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

(f) Fair Values

The aggregate net fair values of financial assets and financial liabilities which are not carried at fair value on the balance sheet are represented as follows:

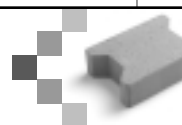
	Note	Group Carrying Amount		Company Carrying Amount		Group & Company Fair Value	
		2004 RM	2003 RM	2004 RM	2003 RM	2004 RM	2003 RM
Financial Assets							
Associate company - unquoted shares	12	54,000	54,000	-	-	*	*
Financial Liabilities							
Fixed loans	18	40,718	155,457	-	-		
Term loans - secured	18	23,391,666	23,075,004	-	-	**	**
- unsecured	18	164,066	256,079	164,066	256,079	**	**

* It is not practical to estimate the fair value of the Group's non-current unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, the Group believes that the carrying amount represents the recoverable values.

** It is not practical to estimate the fair value of the term loans in view of the uncertainty of the timing and period of the repayment due to the debt restructuring proposal in progress.

The carrying amounts of cash and cash equivalents, trade and other receivables/payables approximate fair value due to the relatively short term maturity of these financial instruments.

STATEMENT OF SHAREHOLDINGS AS AT 11 April 2005



Authorised capital	:	RM100,000,000
Issued and fully paid-up capital	:	RM44,579,000
Class of shares	:	Ordinary shares of RM1.00 each
Voting rights	:	One vote per share

ANALYSIS OF SHAREHOLDINGS

Holdings	Number of Holders	Number of Shares	Percentage of Shares
Less than 100	1	50	0.00
100 - 1,000	1,016	1,002,633	2.25
1,001 - 10,000	922	3,537,780	7.93
10,001- 100,000	153	4,319,420	9.69
100,001 to less than 5% of issued shares	29	12,374,361	27.76
5% and above of issued shares	6	23,344,756	52.37
	2,127	44,579,000	100.00

THIRTY LARGEST SHAREHOLDERS

Shareholder	Number of Shares	Percentage of Shares
1. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kia Lim Timber Trading Sdn Bhd	6,440,270	14.45
2. Kia Lim Realty Sdn Bhd	5,419,653	12.16
3. Permodalan Nasional Berhad	4,124,895	9.25
4. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Hoo Tee Holdings Sdn Bhd	2,612,938	5.86
5. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kia Lim Realty Sdn Bhd	2,443,000	5.48
6. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kia Lim Timber Trading Sdn Bhd	2,304,000	5.17
7. AmFinance Berhad Pledged Securities Account for Mohd Salleh Bin Jantan	1,484,000	3.33
8. HLG Nominee (Asing) Sdn Bhd Commerzbank (Sea) Ltd. for Shogun Investment Limited	1,287,000	2.89
9. Sutera Istimewa Sdn Bhd	1,087,000	2.44
10. Ban Dung Palm Oil Industries Sdn Bhd	931,000	2.09
11. Tan See Chip	785,935	1.76
12. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh May Lee	717,000	1.61
13. Ng Yan Kian	706,196	1.58
14. Syarikat Jaya Diri Kemajuan Sdn Bhd	630,000	1.41
15. Ng Hoo Tee Holdings Sdn Bhd	522,682	1.17
16. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Choon Lan	489,800	1.10
17. HLG Nominee (Asing) Sdn Bhd Commerzbank (Sea) Ltd. for Silver Arrow Investment Limited	392,000	0.88
18. Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Eng Sos @ Bah Chik	391,590	0.88
19. Ariss Bin Samsudin, Datuk	303,000	0.68
20. AmFinance Berhad Pledged Securities Account for Chin Choon Lan	284,900	0.64
21. Kour Siok Leen	246,790	0.55
22. Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Dr Ng Yam Puan @ Ng Ah Bah	232,000	0.52
23. Ng Yeng Keng @ Ng Ka Hiat	217,395	0.49
24. Ng Yeng Keng @ Ng Ka Hiat	179,502	0.40
25. Ponnirah Binti Parion	178,968	0.40
26. Eng Lee @ Ng Hoe Sai	164,304	0.37
27. Mohd Salleh Bin Jantan	159,804	0.36
28. Citicorp Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kour Siok Leen	154,264	0.35
29. AmFinance Berhad Pledged Securities Account for Ng Eng Sos @ Bah Chik	137,000	0.31
30. Ng Yan Kian	129,496	0.29

SUBSTANTIAL SHAREHOLDERS

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

Shareholder	Direct Interest		Deemed Interest		Note
	Number of Shares	Percentage of Shares	Number of Shares	Percentage of Shares	
1. E.S. Ng Holdings Sdn Bhd	-	-	8,546,653	19.17	A
2. Kia Lim Realty Sdn Bhd	7,862,653	17.64	54,000	0.12	B
3. Kia Lim Timber Trading Sdn Bhd	8,854,720	19.86	684,000	1.53	C
4. Ng Hoo Tee Holdings Sdn Bhd	3,135,620	7.03	1,007,000	2.26	D
5. Datuk Ng Eng Sos @ Bah Chik	528,590	1.19	21,543,993	48.33	E
6. Ng Yeng Keng @ Ng Ka Hiatt	570,055	1.28	21,543,993	48.33	E
7. Ng Chin Lan	10,000	0.02	8,546,653	19.17	A
8. Ng Chin Kang	-	-	10,545,720	23.66	F
9. Permodalan Nasional Berhad	4,124,895	9.25	-	-	-
10. Yayasan Pelaburan Bumiputra	-	-	4,124,895	9.25	G
11. Ng Yeng Keng Holdings Sdn Bhd	-	-	8,546,653	19.17	A
12. Kour Siok Leen	401,054	0.90	8,546,653	19.17	A

Notes:

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

LIST OF DIRECTORS' SHAREHOLDINGS AS AT 11 APRIL 2005

No.	Director	Employee Share Option	(DIRECT INTEREST)		(DEEMED INTEREST)		
			Number of Shares	Percentage of Shares	Number of Shares	Percentage of Shares	
1.	DATUK NG ENG SOS @ BAH CHIK	400,000	528,590	1.19	21,543,993	48.33	*
2.	DATUK ARISS BIN SAMSUDIN	400,000	303,000	0.68	-	-	
3.	MR NG YENG KENG @ NG KA HIAT	400,000	570,055	1.28	21,543,993	48.33	*
4.	MR TAN SEE CHIP	400,000	785,935	1.76	17,000	0.04	#
5.	MR NG CHIN KANG	-	-	-	10,545,720	23.66	*
6.	MR LOH CHEE KAN	-	-	-	-	-	
7.	MR TAN SENG KEE	-	-	-	-	-	
8.	MR CHUA SYER CIN	-	-	-	-	-	
9.	DR NG YAM PUAN @ NG AH BAH	-	309,499	0.69	-	-	
10.	EN MOHD SALLEH BIN JANTAN	-	1,646,416	3.69	-	-	

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

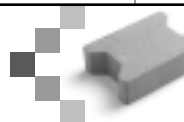
Deemed interest through his or its shareholdings in Tan See Chip Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.

LIST OF PROPERTIES

Location of Properties	Description	Tenure / Age of Buildings	Approximately Land Area / (Built-up Area)	Net Book Value RM' 000	Date of Acquisition
5 plots of land comprising Lot Nos : PT 5032, 5033, 5034, 5035 and 5036 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Industrial land (with factory or brick making plant, office, store and workshop)	Freehold (Between 12 - 19 years)	23.2923 acres (68,988 sq/ft)	1,297	08.12.73, 08.12.73, 08.12.73, 11.04.94, 11.04.94
2 plots of land Lot Nos : 25 and 26 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Industrial land (with 1 open-sided factory buildings for paver plants)	Freehold (Between 6 years)	5.8686 acres (159,375 sq/ft)	4,645	16.11.76
2 plots of land comprising Lot Nos : PTD 6922 and 1186 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Extraction of clay	Freehold	24.3376 acres (N/A)	353	29.06.85 30.09.85
4 plots of land comprising Lot Nos : 1187, 27, 24 and 20 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	18.3562 acres (N/A)	371	30.09.85 03.09.83 17.06.96 17.11.99
Lot No : 1617 Mukim Simpang Kiri 4, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	5.0812 acres (N/A)	408	23.12.96
Lot No : PTD 6920 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Industrial land (with 2 open-sided factory buildings for brick making plants)	Freehold (Between 19 years)	7.0000 acres (111,705 sq/ft)	1,841	29.06.85
Lot Nos : PTD 6988 and PTD 6989 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Industrial land (with open-sided factory buildings for roofing tiles plants, office building cum store and laboratory)	Freehold (Between 8 years)	8.7810 acres (224,772 sq/ft)	5,207	14.09.91 26.04.84
Lot No : PTD 6921 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Extarction of clay	Freehold	20.5597 acres (N/A)	292	29.06.85
3 plots of land comprising Lot Nos : PTD 8029, 6642, and 809 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	22.9330 acres (N/A)	313	31.01.91 20.10.93 07.01.94
EMR 3460 Lot 6641 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	1.6311 acres (N/A)	104	25.09.95

LIST OF PROPERTIES

Location of Properties	Description	Tenure / Age of Buildings	Approximately Land Area / (Built-up Area)	Net Book Value RM' 000	Date of Acquisition
EMR 3134 Lot 6625 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	4.0747 acres (N/A)	212	12.04.97
Suite No 1604 Tower A Menara Atlas Plaza Pantai Kuala Lumpur.	Office building	Freehold (8 years)	2,360 sq/ft	1,392	24.05.96
2 units of double storey semi-detached house Lot Nos : PTD 19824 and 19826 Taman Melawati, Mukim Tanjong Sembrong, Yong Peng, Johor Darul Takzim.	House (vacant-to be sold)	Freehold (4 years)	6,034 sq/ft (4,480 sq/ft)	391	01.11.00
2 units of double storey terrace house Lot Nos : PTD 80331 and 80360, Taman Impian Jaya, Mukim Tebrau, Kempas, Johor Bahru, Johor Darul Takzim.	House (vacant-to be sold)	Leasehold (4 years)	3,184 sq/ft (3,598 sq/ft)	317	05.05.00



I/We
of
being a member/members of the abovenamed Company, hereby appoint
.....
of
or failing whom,
of
as *my/our proxy to vote for *me/us and on *my/our behalf at the Tenth Annual General Meeting of the Company to be held at Dewan Okid, 2nd Floor, Hotel Carnival, 2, Jalan Fatimah, 83000 Batu Pahat, Johor, Malaysia on Friday, 27 May 2005 at 12.00 noon and at any adjournment thereof * for/against the resolutions to be proposed thereat.

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

NO.	RESOLUTIONS	FOR	AGAINST
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2004 together with the Directors' and Auditors' Report thereon.		
2.	To approve the payment of Directors' Fees for the year ended 31 December 2004.		
3.	To re-elect the following Directors who retire in accordance with Article 80 of the Company's Articles of Association: -		
	a) Datuk Ng Eng Sos @ Bah Chik		
	b) Datuk Ariss Bin Samsudin		
	c) Mr Chua Syer Cin		
	d) Mr Ng Chin Kang		
4.	Re-appointment of Messrs Ernst & Young as Auditors.		
5.	Authority to Allot Shares - Section 132D.		
6.	Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
7.	Proposed Shareholders' Mandate For New Recurrent Related Party Transactions of a Revenue or Trading Nature.		

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

Dated this day of 2005

Number of Shares Held	
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Signature of Member(s)

Notes:-

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

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STAMP

The Company Secretary
SYMPHONY INCORPORATIONS SDN BHD

(Co. No. 118382-V)

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

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