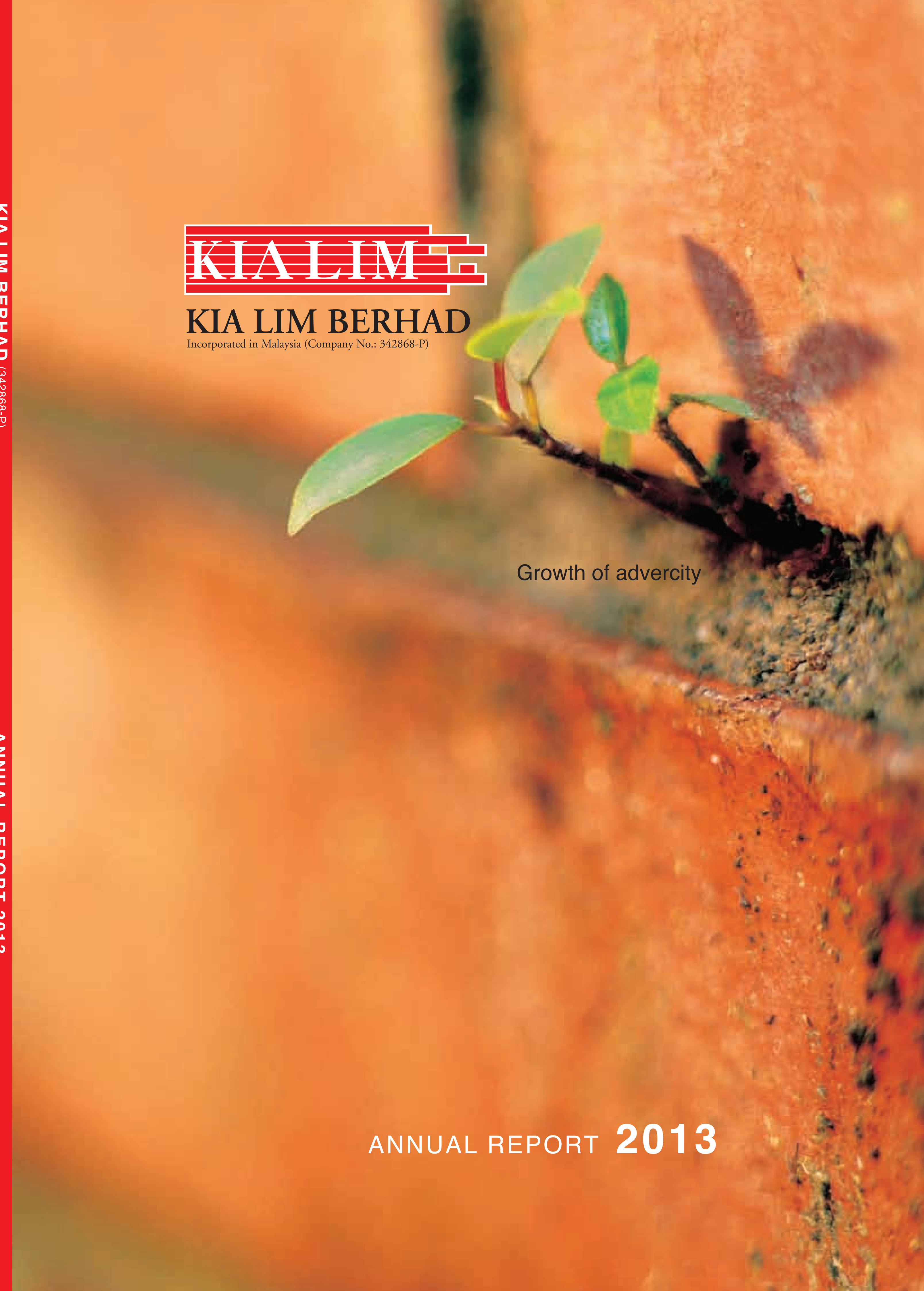


KIA LIM BERHAD

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

Growth of advercity

ANNUAL REPORT **2013**

KIA LIM BERHAD (342868-P)

ANNUAL REPORT 2013

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

1st Floor, Wisma Ng Hoo Tee,
No. 79, Jalan Muar,
83500 Parit Sulong, Batu Pahat,
Johor Darul Takzim, Malaysia.
Tel: 607-418 8999, 418 6249   Fax: 607-418 8820

www.kialim.com.my

Contents

Facing

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

Cream - Rockface Facing Brick

Cream - Barkface Facing Brick

Super Red - Smooth Face Facing Brick

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

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

Heritage Red

Paver

Heritage Brown

Heritage Cream

ECONBLOCK

Bigger • Stronger • Better

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

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

Bigger size translates to bigger saving.

Is EconBlock ....

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

NOTICE IS HEREBY GIVEN THAT the Nineteenth Annual General Meeting ("AGM") of Kia Lim Berhad will be held at Minyak Beku Agrotourism Resort, Room Straits View 2 (SV 2), PTD 3077a, PTD 3438, PTD 3732, Batu 5, Minyak Beku, 83030 Batu Pahat, Johor Darul Takzim on Thursday, 29 May 2014 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 2013 together with the Directors' and Auditors' Report thereon. — Refer to Note (a)

2. To approve the payment of Directors' fees for the year ended 31 December 2013. — RESOLUTION 1

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

   (i) Mr Chua Syer Cin — RESOLUTION 2
   (ii) Mr Ng Chin Kang — RESOLUTION 3

4. To consider, and if thought fit, to pass the following resolutions:-

   (i) "THAT pursuant to Section 129(6) of the Companies Act, 1965 ("Act"), Dr Ng Yam Puan @ Ng Ah Bah be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next AGM." — RESOLUTION 4

   (ii) "THAT pursuant to Section 129(6) of the Companies Act, 1965, Mr Tan See Chip be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next AGM." — RESOLUTION 5

5. To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration. — RESOLUTION 6

SPECIAL BUSINESS

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

ORDINARY RESOLUTION 1 — RESOLUTION 7
AUTHORITY TO ALLOT SHARES - SECTION 132D

"THAT pursuant to Section 132D of the Act, 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 AGM of the Company." — Refer to Note (b)

ORDINARY RESOLUTION 2 — RESOLUTION 8
CONTINUATION OF TERMS OF OFFICE AS INDEPENDENT DIRECTOR

"THAT authority be and is hereby given to Mr Loh Chee Kan to continue to serve as an Independent Director of the Company in accordance with Malaysian Code On Corporate Governance 2012." — Refer to Note (c)

ORDINARY RESOLUTION 3 — RESOLUTION 9
CONTINUATION OF TERMS OF OFFICE AS INDEPENDENT DIRECTOR

"THAT authority be and is hereby given to Mr Chua Syer Cin to continue to serve as an Independent Director of the Company in accordance with Malaysian Code On Corporate Governance 2012." — Refer to Note (c)

ORDINARY RESOLUTION 4
PROPOSED RENEWAL OF THE EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("Proposed RSM") 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 2.1.1 of the Circular to Shareholders dated 29 April 2014 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: - Refer to Note (d)

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

(b) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

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

whichever is earlier;

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

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

BY ORDER OF THE BOARD

LEONG SIEW FOONG
MAICSA No. 7007572
Company Secretary

Johor Bahru
29 April 2014

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. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the member to speak at the meeting.

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

4. Where a member is an authorised nominee as defined under the SICDA 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.

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.

6. All forms of proxy must be deposited at the Registered Office of the Company situated at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor, Malaysia not less than forty-eight (48) hours before the time appointed for holding the Meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS:

(a) This Agenda item is meant for discussion only as the provision of Section 169 (1) of the Companies Act, 1965 does not require a formal approval of the shareholders and hence, it is not put forward for voting.

(b) Resolution 7

The proposed Resolution 7 will give powers to the Directors to issue up to a maximum ten per centum (10%) of the issued share capital of the Company for the time being for such purposes as the Directors would consider in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.

The general mandate sought for issue of securities is a renewal to a general mandate sought in the preceding year. The Company did not utilize the mandate sought during the financial year ended 31 December 2013. The renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

(c) Resolutions 8 and 9

Both Mr. Loh Chee Kan and Mr. Chua Syer Cin are Independent Directors of the Company who have served the Company for more than nine years.

In line with the Malaysian Code on Corporate Governance 2012, the Nomination Committee has assessed their independence as defined in Bursa Securities Listing Requirements which have not been compromised all these while. In fact, they exercises their judgment in an independent and unfettered manner, discharge their duties with reasonable care, skill and diligent; bringing independent thought and experience to board deliberations and decision making process all these while which is valuable to the Company. To that, the Board recommends Mr Loh Chee Kan and Mr Chua Syer Cin to continue their office as Independent Directors according to the resolutions put forth in the forthcoming Annual General Meeting.

(d) Resolution 10

The Proposed RSM under Resolution 10 was intended to renew the shareholders' mandate granted by the shareholders of the Company at an Annual General Meeting of the Company held on 29 May 2014.

The Proposed RSM is 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 is 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 2013.

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Mr Loh Chee Kan
Mr Chua Syer Cin
Dr Ng Yam Puan @ Ng Ah Bah *

NOMINATION COMMITTEE

Mr Loh Chee Kan
Mr Chua Syer Cin

REMUNERATION COMMITTEE

Mr Loh Chee Kan
Mr Chua Syer Cin

COMPANY SECRETARY

Ms Leong Siew Foong
MAICSA No. 7007572

REGISTERED OFFICE

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

SHARE REGISTRAR

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

PRINCIPAL PLACE OF BUSINESS

Wisma Ng Hoo Tee
79 Jalan Muar
83500 Parit Sulong
Batu Pahat
Johor Darul Takzim
Tel : 07-4187100
Fax : 07-4188600
Website : www.kialim.com.my

AUDITORS

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

PRINCIPAL BANKERS

CIMB Bank Berhad
Hong Leong Bank Berhad
Malaysian Industrial Development Finance Berhad
RHB Bank Berhad

STOCK EXCHANGE

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

Explanatory Notes:-
* Appointed on 5 March 2014

MR LOH CHEE KAN, aged 59, Malaysian, was appointed as Independent Non-Executive Director of Kia Lim Berhad ("KLB") on 5 March 1996 and redesignated as Chairman of the Company on 1 March 2011. Presently, he is the Chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee.

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

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

DATUK ARISS BIN SAMSUDIN, aged 58, Malaysian, was appointed as Vice Chairman & Executive Director of KLB on 5 March 1996 and was appointed to the Board of Syarikat Kia Lim Kilang Batu Bata Sdn Bhd ("SKL") on 28 February 1995. He also sits on the Board of several other private limited companies.

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

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

DATUK NG YENG KENG @ NG KA HIAT, aged 68, Malaysian, was appointed as Executive Director of KLB on 5 March 1996 and redesignated as Deputy Managing Director on 29 November 2006. Subsequently, on 8 October 2007, Datuk Ng Yeng Keng was redesignated as Chief Executive Officer of the Company.

He has over thirty (30) years of experience in the manufacturing of clay bricks, building and civil engineering works, sawmilling, logging and manufacturing of wood-based products. He was an Executive Director of Syarikat Kayu Wangi Berhad since 1981 and resigned in 2005. He also sits on the Board of several other private limited companies.

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

MR TAN SEE CHIP, aged 74, Malaysian. was appointed as Executive Director of KLB on 5 March 1996 and is also one of the founder members of SKL and Kangkar Raya Batu Bata Sdn Bhd ("KRBB"). He has over thirty three (33) years of experience in the manufacturing of clay bricks, building and civil engineering works. He also sits on the Board of several other private limited companies.

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

MR NG CHIN KANG, aged 43, Malaysian, was appointed as Executive Director of KLB on 26 November 2001. He graduated with a Bachelor of Commerce with Honours degree from University of Western Australia and ASIA Graduate Diploma from Security Institute of Australia. He also holds a MBA from Sydney University and Master of Arts in Business Research from Macquarie University, Australia.

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

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

DR NG YAM PUAN @ NG AH BAH, aged 76, Malaysian, was appointed as Non-Independent Non-Executive Director of KLB on 5 March 1996 and is a graduate from the Tohoku National University, Japan with a Bachelor of Medicine and Bachelor of Surgery in 1967 and Doctor of Philosophy in Internal Medicine in 1972. He started his medical career at the Johor Bahru General Hospital as a medical officer in 1973. He has since left the civil service in 1977 to establish his own private clinic in Batu Pahat. He is also a Director of several other private limited companies. He was appointed as members of Audit Committee on 5 March 2014.

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

MR CHUA SYER CIN, aged 42, Malaysian, was appointed as Independent Non-Executive Director of KLB on 1 November 2001 and is presently a member of the Audit Committee, Nomination Committee and the Remuneration Committee of the Company.

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

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

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

Note:

(1) Please refer to page 69 and page 71 of this Annual Report for Directors' shareholdings and warrant holdings.

The Board of Directors remains committed to subscribe to the principles of good corporate governance that is central to the effective operation of the Company and to ensure the highest standards of accountability and transparency.

As stated in Malaysian Code on Corporate Governance ("MCCG" or "the Code"), corporate governance is defined as: "The process and structure used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value, whilst taking into account the interests of the other stakeholders."

The Board of Directors supports the framework which is designed and constantly being reviewed to promote the best Corporate Governance culture and which assists the Board to discharge its corporate governance responsibilities in line with principles and recommendations as stated in the MCCG 2012 in promoting corporate governance through suitable structures, systems, good practices and development of a good corporate governance environment and culture. The Board of Directors will continue promoting existing corporate governance practices and incorporate the principles and recommendations of the MCCG 2012 into the existing Corporate Governance framework.

This statement outlines the Group's main corporate governance practices and policies in place, which is in line with the principles and recommendations laid out in the MCCG 2012 as belows:

1. Clear Roles and Responsibilities
2. Strengthen Composition
3. Reinforce Independence
4. Foster Commitment
5. Uphold Integrity in Financial reporting
6. Recognise and Manage Risks
7. Ensure Timely and High Quality Disclosure
8. Strengthen Relationship between Company and Shareholders

The Board of Directors supports the 8 principles and 26 recommendations stated in MCCG 2012 in promoting best corporate governance through structures, systems, processes in self promoting good practices and development of a corporate governance culture and environment. The Board of Directors will continue the existing corporate governance practises and will undertake appropriate action in promoting the principles and recommendations of the MCCG 2012 into the existing Corporate Governance framework.

The Board is pleased to report below on the extent to which the principles and best practices of the Code were applied throughout the financial year ended 31 December 2013.

CLEAR ROLES AND RESPONSIBILITIES

Board Role and Responsibilities

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

a) Composition of Board

The Board currently has seven (7) members, comprising of the Chairman, who is an Independent Non-Executive Director, the Vice Chairman, who is an Executive Director, the Chief Executive Officer, two (2) other Executive Directors and two (2) Non-Executive Directors of which one (1) is Independent Non-Executive Directors and one (1) is Non-Independent Non-Executive Director. With the above appointments, Kia Lim Berhad has thus complied with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") which requires at least one-third (1/3) of the Board to be Independent Directors. A brief profile of each Director is presented separately in this Annual Report.

CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

b) Board Function

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

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

c) Board Committees

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

i) Audit Committee

The information is presented in the Audit Committee Report in page 17 of this Annual Report.

ii) Nomination Committee

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

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

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

Mr Loh Chee Kan	Chairman
Mr Chua Syer Cin	Member
En Mohd Salleh Bin Jantan (Resigned on 14 November 2013)	Member

The Nomination Committee met once during the financial year ended 31 December 2013.

CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

c) Board Committees (cont'd)

iii) Remuneration Committee

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

The members of the Committee are as follows:

Mr Loh Chee Kan	Chairman
Mr Chua Syer Cin	Member
En Mohd Salleh Bin Jantan (Resigned on 14 November 2013)	Member

The Remuneration Committee met once during the financial year ended 31 December 2013.

d) Board Meetings

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

There were four (4) Board Meetings held during the financial year ended 31 December 2013. A majority of the Directors attended all the Board Meetings held during their tenure. Details of attendance are as follows:

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

Explanatory Notes:-

^ He had resigned on 14 November 2014 hence he did not attend the Board Meeting held on 27 November 2013.

e) Supply of information

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

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

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

CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

f) Directors' Code of Ethics

The Board is mindful of the need to formalize and commit to ethical values through a code of conduct and ensure the implementation of appropriate internal systems to support, promote and ensure its compliance. The Board had in 2013 formalized a Board Charter setting out the duties, responsibilities and functions of the Board in accordance with the principles of good corporate governance. The Board Charter is available on Kia Lim's Corporate website of www.kialim.com.my. In addition, the Board also ensures the Group complies with all other relevant prevailing laws and regulations during its course of carrying out its business.

g) Business Sustainability

The Board regularly reviews the strategic direction of the Company and the progress of the Company's operations, taking into account changes in the business and political environment and risk factors such as level of competition although the Company does not have any policy for the time being.

h) Company Secretary

The Company Secretary is responsible for the secretarial function such as ensuring compliance with all statutory and regulatory requirements, recording the proceedings of all Board and Committee meetings, and proper maintenance of secretarial records.

i) Appointment and Re-election of the Board

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

j) Corporate Social Responsibility

The Group recognises its commitment to contribute positively to the community and society.

STRENGHTEN COMPOSITION

The Company strives to have a Board comprising members with suitable academic and professional qualifications, skills, expertise and wide exposure. The Company also recognizes the importance of fostering the development of women in decision making positions in the corporate sector. The Board has no immediate plans to implement a gender diversity policy or target as it is of the view that equal opportunity should be given to all candidates based on merit subject to evaluation of Nomination Committee, to ensure the Board of Directors has the required mix of responsibilities, skills and experience.

The Nomination Committee is headed by the Chairman, who is an Independent Non-Executive Director. His fellow members are both Independent Non-Executive Directors. The Nomination Committee does an annual review of the composition of the Board and makes recommendations to the Board accordingly, with a view to meeting current and future requirements of the Company. The Committee is satisfied with the current size of the Board, and with the mix of qualifications, skills and experience among the Board members. Among other evaluation criteria is the commitment displayed, the depth of contribution, ability to communicate and undertake assignments on behalf of the Board.

STRENGHTEN COMPOSITION (CONT'D)

Directors' Remuneration

The Remuneration Committee is headed by the Chairman, who is an Independent Non-Executive Director. His fellow members are majority Independent Non-Executive Directors.

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 Committee reviews the remuneration packages each year with a view to ensuring it is fair and able to attract and retain talent who can add value to the Company. The remuneration packages of the Executive Directors are structured to link to the corporate and individual performance and commitment. The individual Director did not participate in discussion and determination of his own remuneration. Non-Executive Directors are paid a meeting allowance for each meeting they attended. The Company reimburses expenses incurred by the Directors in the course of their duties as Directors. The Directors' fees would be endorsed by the Board for approval by shareholders in the forthcoming AGM.

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

The aggregate remuneration of Directors, received or receivable, categorised into appropriate components for the financial year ended 31 December 2013 are as follows:

	Salaries and Other Emoluments RM	Estimated Value of Benefits in Kind RM	Fees RM
Executive	638,610	55,773	57,200
Non-Executive	14,000	-	65,158
Total	652,610	55,773	122,358

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

Range of Remuneration	Number of Directors Executive	Number of Directors Non-Executive
Below RM100,000	-	4
RM100,001 to RM200,000	3	-
RM200,001 to RM300,000	-	-
RM300,001 to RM400,000	1	-

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

REINFORCE INDEPENDENCE

The Independent Non-Executive Directors are able to provide independent judgment, experience and objectivity without being subordinated to operational considerations. They help to ensure that the interests of all shareholders are taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board. In line with the recommendation of the Code, the tenure of an Independent Director of the Company shall not exceed a cumulative term of nine (9) years. An Independent Director may continue to serve the Board subject to the re-designation of the Independent Director as a Non-Independent Director. In the event the Board intends to retain the Independent Director as an Independent Director after serving a cumulative term of nine (9) years, shareholders' approval will be sought.

REINFORCE INDEPENDENCE (CONT"D)

Mr Loh Chee Kan and Mr Chua Syer Cin have served the Board for accumulated terms of nine years. In line with the MCCG 2012, the Nomination Committee has assessed the independence of Mr Loh Chee Kan and Mr Chua Syer Cin as defined in Bursa Securities Listing Requirements which have not been compromised all these while. In fact, they exercise their judgment in an independent and unfettered manner, discharge their duties with reasonable care, skill and diligent; bringing independent thought and experience to board deliberations and decision making process all these while which is valuable to the Company. To that, the Board recommends Mr Loh Chee Kan and Mr Chua Syer Cin to continue their office as an Independent Directors according to the resolution put forth in the forthcoming AGM.

FOSTER COMMITMENT

All the Non-Executive Directors have committed sufficient time to carry out their duties and responsibilities for the tenure of their appointments during the year.

Continuing Development Programme

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

The training programmes or seminars attended by all of the Directors for the financial year ended 31 December 2013 are as follows:

NO.	DIRECTOR	COURSE TITLE / ORGANISER	DATE ATTENDED
1	Datuk Ng Yeng Keng @ Ng Ka Hiat	Dialogue Session On Revised Shariah Screening Methodology	21.02.2013
		FX & Economic Outlooks Briefing (RHB Bank Berhad)	27.03.2013
2	Datuk Ariss Bin Samsudin	FX & Economic Outlooks Briefing (RHB Bank Berhad)	27.03.2013
		Trade Beyond Boundaries : Trade With Confidence (RHB Bank Berhad)	20.08.2013
3	Dr Ng Yam Puan	Risk Management & Internal Control	28.03.2013
4	Mr Tan See Chip	Risk Management & Internal Control	28.03.2013
5	Mr Ng Chin Kang	FSA 2013 & IFSA 2013 : Changes and It's Impact	10.12.2013
6	Mr Loh Chee Kan	Risk Management & Internal Control	28.03.2013
7	En Mohd Salleh Bin Jantan	Risk Management & Internal Control	28.03.2013
8	Mr Chua Syer Cin	Workshop On Tax Planning On Individuals' Income From Employment & Latest Statutory Requirements By Employers in 2013	05.02.2013
		Workshop On Reinvestment Allowance & Industrial Building Allowance	21.02.2013
		Latest Update On Salient Features, Agreement And Tax Implications Of Limited Liability Partnership Act 2012	17.05.2013
		Understanding of GST And Updates In Malaysia	24.09.2013 & 25.09.2013
		Understanding Public Rulings On Tax Deductibility Of Expenses	22.10.2013 & 23.10.2013
		The 2014 Budget Seminar	29.11.2013

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

UPHOLD INTEGRITY IN FINANCIAL REPORTING

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

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

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

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

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

The Audit Committee reviewed the independence of its external auditors. It noted the independence policy of external auditors which includes its own rotation of audit partners once every five (5) years.

RECOGNISE AND MANAGE RISKS

Relevant internal control systems are implemented for the day to day operations of the Group. The internal auditors is authorised to conduct independent audits of all the departments and offices within the Group and reports the findings to the Audit Committee.

The Audit Committee reviews, deliberates and decides on the next course of action and evaluates the effectiveness and efficiency of the internal control systems in the organisation.

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

The information on the Company’s internal control is presented in the Statement on Risk Management and Internal Control in pages 19 to 21 of this Annual Report.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

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

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

Apart from the provisions relating to the “closed period” for dealing in the Company’s shares, the directors and senior management privy to price sensitive information are prohibited from dealing in the shares of the Company until such information is publicly available.

STRENGHTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

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

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

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

OTHER INFORMATION

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

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

c) Share Buybacks
There were no share buybacks by the Company during the financial year.

d) Exercise of Options or Convertible Securities
The Company has not issued any options or convertible securities during the financial year.

e) Utilisation of Proceeds
No proceeds were raised by the Company from any corporate proposal during the financial year.

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

g) Non-Audit Fees
The amount of non-audit fees paid and payable to the external auditors by the Group for the financial year was RM9,000.

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

i) Profit Guarantee
During the year, there was no profit guarantee given by the Company.

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

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

l) Recurrent related party Transactions
Please refer to Circular to Shareholders dated 29 April 2014.

The Board is pleased to report to its shareholders that the Group has complied with and shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices of the MCCG and all other applicable laws.

MEMBERS

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

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

Dr Ng Yam Puan @ Ng Ah Bah (Appointed on 5 March 2014)
- Member, Non-Independent Non-Executive Director

En Mohd Salleh Bin Jantan (Resigned on 14 November 2013)
- Member, Independent Non-Executive Director

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

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

- Reviewed and recommended for the Board's approval the quarterly financial results for public announcement;
- Reviewed with the external auditors their audit plan prior to the commencement of the audit activities;
- Discussed the annual audited financial statements with the external auditors and ensured that the financial reporting and disclosure requirements are complied with the relevant authorities, as well as their findings and recommendations;
- Discussed with the external auditors to ensure that internal control system is adequate and functioning and any weaknesses identified are properly remedied;
- Reviewed 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 2013 as follows:

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

Explanatory Notes:-
En Mohd Salleh Bin Jantan had resigned on 14 November 2013 hence he did not attend the last Audit Committee Meeting held on 27 November 2013.

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

INTERNAL AUDIT FUNCTIONS

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

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

The cost incurred in maintaining the internal audit function for the financial year ended 31 December 2013 was RM32,785.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

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

The Directors are of the view that, in preparing the financial statements of the Group and of the Company for the year ended 31 December 2013, the Company has adopted appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgments and estimates. The Directors have also considered that all applicable accounting standards have been followed during the preparation of audited financial statements.

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

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

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

CORPORATE SOCIAL RESPONSIBILITY

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

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

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

i) Environment, health and safety;

ii) Employee communication channels;

iii) Sports and wellness programs; and

iv) Employee training and development

The Corporate Social Responsibility (“CSR”) activities undertaken in 2013 were as follows:

- Team Building activities were held from 21 June 2013 to 23 June 2013 to foster better relationship and teamwork among employees of the Group.
- On 30 June 2013, the Group organised a bowling competition with an aim to encourage employees to lead healthy lifestyles.
- On 3 October 2013, the Group organised a blood donation campaign together with the Hospital Batu Pahat for the well being of society at large.
- During the year, the Group has given financial assistance and in-kind contribution for various charitable causes and to certain needy bodies, such as schools, orphanage house, etc.

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

INTRODUCTION

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

BOARD RESPONSIBILITY

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

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

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

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

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

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

Risk Management Framework

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

For the period under review, the Audit Committee is assisted by the internal auditors and the management to effectively embed risk management and control into the corporate culture, processes and structures within the Group. The framework is continually monitored to ensure it is responsive to the changes in the business environment and clearly communicated to all levels.

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

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

Key Elements of Internal Control

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

(i) Strategic business direction and risk management

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

BOARD RESPONSIBILITY (CONT'D)

Key Elements of Internal Control (cont'd)

(ii) Organisational structure and corporate culture

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

(iii) Definition of employees' roles and responsibilities

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

(iv) Reporting and review

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

(v) Procedures and control environment

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

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

(vi) Audit Committee

The Audit Committee analyses the Group's current quarter and year-to-date performance compared to previous quarter, previous corresponding quarter and year-to-date and then reports to the Board. The Report of the Audit Committee is set out on page 17 of the Annual Report.

(vii) Internal audit function

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

(viii) Review of the statement by external auditors

The external auditors have reviewed this statement for inclusion in the Annual Report of the Group for the financial year ended 31 December 2013 and reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the systems of internal controls and risk management.

The Board's Statement on Risk Management and Internal Control

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

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Kia Lim Berhad Group for the financial year ended 31 December 2013.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2013, the revenue of the Group stood at RM66.1 million as compared to RM65.5 million for the preceding year. Despite achieving higher sales volume over the year, revenue growth was relatively flat due to an overall decline in average selling prices for the Group's major products.

Profit before taxation of RM5.0 million represents a decline of 9.1% as compared to RM5.5 million for the preceding year. The decline in profit before taxation was primarily due to lower other operating income and higher finance costs that was caused by the reversal of interest of RM354,000 under FRS139 as a result of early partial redemption of Redeemable Convertible Secured Loan Stocks.

Although turning in a profit, the Group does not incur a current income tax expense due to available unutilised tax losses and unabsorbed allowances on which deferred tax benefit had not been recognised previously for reason of uncertain recoverability. On the optimism of continue profitability, the Group had recognised a further RM443,000 deferred tax assets on previously unrecognised unutilised tax losses.

REVIEW OF OPERATIONS

In 2013, demand for clay bricks and related products was sustained by the continued strong performance of the Malaysian construction sector which, according to figures released by Bank Negara, grew by 10.9%. The growth had remained firm, underpinned by robust activities in both the non-residential as well as the residential sub-sector.

For the Kia Lim Group, demand for its clay bricks products which was principally from the domestic residential sub-sector, had registered improvement. However, due to the continuing overcapacity in the industry, albeit shrinking with increasing consumption and no additional capacity coming on stream, pricing continue to remain extremely competitive.

On the production front, the main challenge faced by the Group during the year was the coming into force of the law on minimum wage. Despite various efforts by the management to reorganise the manpower utilisation, the new minimum wage requirement had resulted in increased production costs and consequently putting pressure on margin. In addition to increased labour costs, the management had also had to deal with rising costs of solid fuel as well as other production materials. To better manage these costs, the management had increased the allocation of resources for the strategic stockpiling of certain solid fuel and production materials.

During the year, the Group had also invested over RM1.3 million in the upgrade of the PLC (or Programmable Logic Control) system of one of its production plants. With the upgrade, the plant would be more efficiently maintained, thereby reducing downtime.

PROSPECT

Bank Negara Malaysia expects the economy in 2014 to grow at a steady trajectory. Domestic demand would remain as the key driver of grow, albeit at a moderate pace.

With the improving outlook of the Malaysian economy, the management anticipates that the construction and residential sub-sector would continue to hold out despite the Government's property price cooling measures and the domestic cost push inflation worry due to the government's effort in reducing the federal budget deficit by cutting subsidies. With continuing consumption growth of clay bricks products and with no foreseeable additional production capacity coming on stream, it is hoped that the pricing pressure on the Group would moderate in 2014.

Rising operation and production costs will continue to be of concern to the management. The hike in electricity tariff effective from 1 January 2014, rising fuel prices and transportation costs may put pricing pressure and pose challenges to the Group's performance in 2014.

On the whole nonetheless, and barring unforeseen circumstances, the Group is cautiously optimistic of its prospects for the year 2014. The Management will continue its effort in improving cost efficiency and optimizing productivity, and the Group will strive to achieve satisfactory financial results for the year 2014.

DIVIDENDS

The Board does not recommend any dividends for the financial year ended 31 December 2013.

APPRECIATION

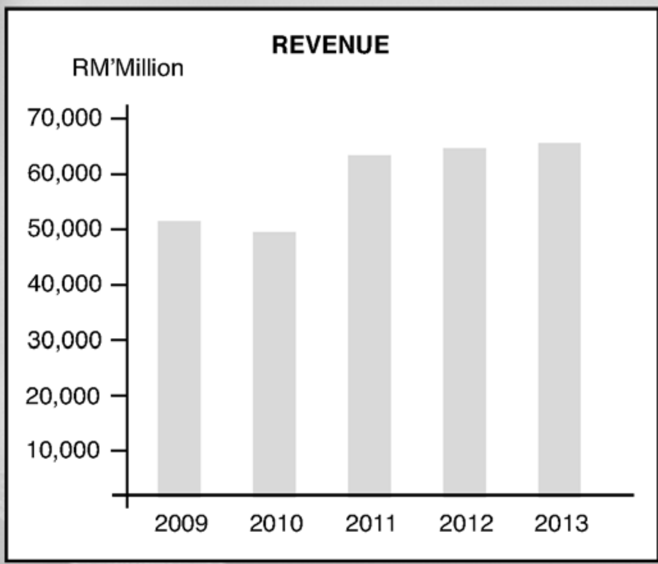
On behalf of the Board of Directors, I wish to express my gratitude to our customers, suppliers, and business associates, as well as the regulatory authorities, bankers and advisors for their part in the well being of the Group. To our shareholders, I thank you for your patience and continuing confidence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

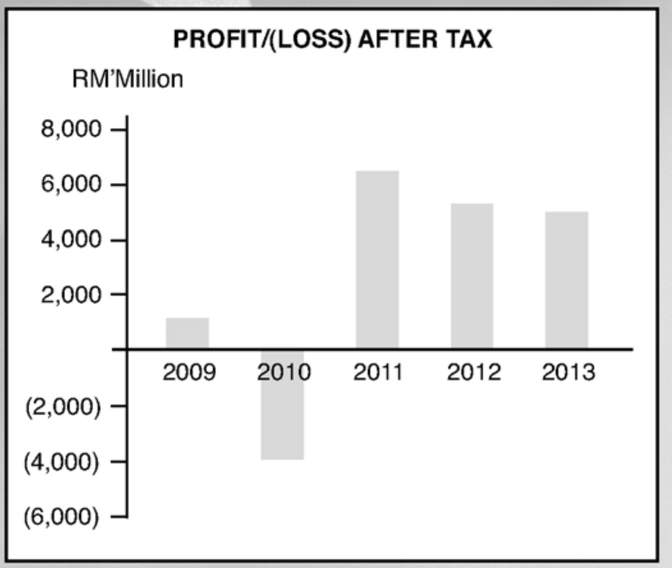
Lastly, I would like to extend my personal thanks to my fellow members of the Board for their dedication and counsel throughout the year.

Thank you.

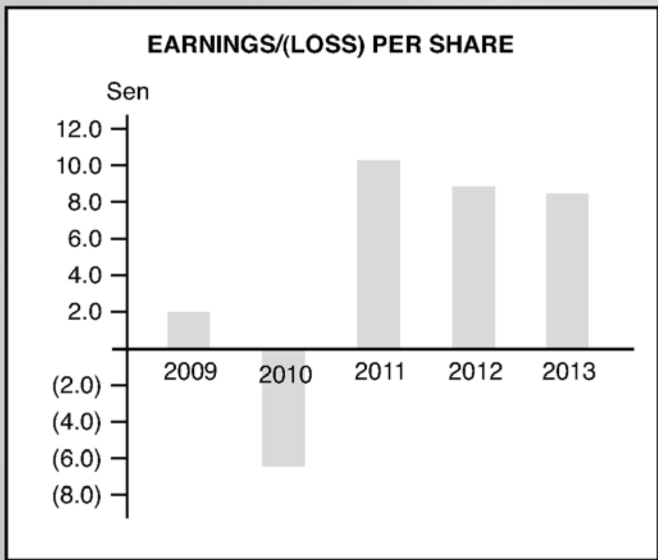
Loh Chee Kan
Chairman

GROUP FINANCIAL HIGHLIGHTS





Financial Year Ended 31 December	Revenue RM'000	Profit/ (Loss) After Tax RM'000	Earnings/ (Loss) Per Share Sen
2009	51,075	1,257	2.0
2010	48,431	(3,999)	(6.5)
2011	63,318	6,526	10.5
2012	65,543	5,486	8.9
2013	66,106	5,475	8.8



Vision

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

Mission

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

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 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

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

RESULTS

	Group RM	Company RM
Profit/(Loss) net of tax	5,474,578	(1,244,049)
Attributable to:		
Equity holders of the Company	5,474,578	(1,244,049)

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

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

DIVIDEND

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

DIRECTORS

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

Loh Chee Kan
Datuk Ariss Bin Samsudin
Datuk Ng Yeng Keng @ Ng Ka Hiat
Tan See Chip
Ng Yam Puan @ Ng Ah Bah
Chua Syer Cin
Ng Chin Kang
Mohd Salleh Bin Jantan (Resigned on 14 November 2013)

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1 each			
The Company	1 January 2013	Acquired	Sold	31 December 2013
Direct interest				
Datuk Ng Yeng Keng @ Ng Ka Hiat	1,542,255	-	-	1,542,255
Tan See Chip	799,935	-	-	799,935
Ng Yam Puan @ Ng Ah Bah	320,499	-	-	320,499
Datuk Ariss Bin Samsudin	303,000	-	-	303,000
Indirect interest *				
Datuk Ng Yeng Keng @ Ng Ka Hiat	170,998	-	-	170,998
Tan See Chip	41,100	-	-	41,100
Deemed interest				
Datuk Ng Yeng Keng @ Ng Ka Hiat	26,164,800	1,095,000	-	27,259,800
Ng Chin Kang	11,476,934	893,000	-	12,369,934
Tan See Chip	17,000	-	-	17,000

	Number of warrants			
The Company	1 January 2013	Acquired	Sold	31 December 2013
Deemed interest				
Datuk Ng Yeng Keng @ Ng Ka Hiat	3,996,427	-	-	3,996,427
Ng Chin Kang	782,534	-	-	782,534

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

Datuk Ng Yeng Keng @ Ng Ka Hiat 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.

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

WARRANTS

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

(a) Each Warrant will entitle its registered holder during the exercise period to subscribe for one new ordinary share at the exercise price, subject to adjustment in accordance with the provision of the Deed Poll.

(b) The exercise price of each Warrant has been fixed at RM1.00, subject to adjustments under certain circumstances in accordance with the provision of the Deed Poll.

(c) The expiry date of Warrants shall be the day falling on the tenth (10th) anniversary of the date of issue of the warrants, whereupon any Warrant which has not been exercised will lapse and cease thereafter to be valid for any purpose.

(d) The new ordinary shares of RM1.00 each to be issued pursuant to the exercise of the Warrants will rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the record date of which is on or before the date of allotment and issue of the new ordinary shares of the Company pursuant to the exercise of the warrants.

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

OTHER STATUTORY INFORMATION

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

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

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

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

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

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

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

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

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

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

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

(f) In the opinion of the directors:

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

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

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 10 April 2014

Datuk Ng Yeng Keng @ Ng Ka Hiat

Tan See Chip

STATEMENT BY DIRECTORS

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

We, Datuk Ng Yeng Keng @ Ng Ka Hiat and Tan See Chip, being two of the directors of Kia Lim Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 31 to 65 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended.

The information set out in Note 31 on page 66 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 10 April 2014

Datuk Ng Yeng Keng @ Ng Ka Hiat	Tan See Chip

STATUTORY DECLARATION

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

I, Datuk Ng Yeng Keng @ Ng Ka Hiat, being the director primarily responsible for the financial management of Kia Lim Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 31 to 66 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the	)	
abovenamed Datuk Ng Yeng Keng @ Ng Ka	)	
Hiat at Batu Pahat in the State of Johor	)	
Darul Ta'zim on 10 April 2014	)	Datuk Ng Yeng Keng @ Ng Ka Hiat

Before me,

Rahini A/P Nagappan
No. J130
Commissioner for Oaths

Batu Pahat, Malaysia

10 April 2014

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Kia Lim Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 65.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the 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.

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

Other reporting responsibilities

The supplementary information set out in Note 31 on page 66 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

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

Ernst & Young
AF 0039
Chartered Accountants

Lee Ming Li
2983/03/16(J)
Chartered Accountant

Johor Bahru, Malaysia
10 April 2014

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Revenue	3	66,105,742	65,543,180	-	-
Cost of sales		(47,926,029)	(47,798,287)	-	-
Gross profit		18,179,713	17,744,893	-	-
Other items of income					
Other income		434,299	630,627	658,580	713,446
Other items of expense					
Administrative expenses		(4,066,855)	(3,821,646)	(409,910)	(395,065)
Selling and distribution expenses		(7,336,543)	(7,080,267)	-	-
Finance costs	4	(2,176,028)	(1,988,347)	(1,492,719)	(1,175,897)
Share of (loss)/profit of associate		(2,730)	2,952	-	-
Profit/(Loss) before tax	5	5,031,856	5,488,212	(1,244,049)	(857,516)
Income tax	8	442,722	(2,098)	-	-
Profit/(Loss) net of tax, representing total comprehensive income/(loss) for the year		5,474,578	5,486,114	(1,244,049)	(857,516)
Attributable to:					
Equity holders of the Company		5,474,578	5,486,114	(1,244,049)	(857,516)
Earnings per share attributable to equity holders of the Company (sen):					
Basic and diluted	9	8.8	8.9		

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

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Assets					
Non-current assets					
Property, plant and equipment	10	78,237,567	80,733,498	584,092	611,863
Investment in subsidiaries	11	-	-	13,592,891	13,592,891
Investment in associate	12	82,048	84,778	-	-
Investment property	13	-	240,865	-	-
Investment in securities	14	5,037	5,037	-	-
Trade and other receivables	15	-	-	34,975,924	38,691,924
Deferred tax assets	22	443,000	-	-	-
		78,767,652	81,064,178	49,152,907	52,896,678
Current assets					
Inventories	16	16,686,085	15,863,847	-	-
Trade and other receivables	15	13,672,309	12,800,377	6,337,483	6,655,548
Other current asset	17	164,441	140,733	-	-
Tax recoverable		68,570	-	-	-
Cash and bank balances	18	80,255	130,888	2,182	9,464
		30,671,660	28,935,845	6,339,665	6,665,012
Total assets		109,439,312	110,000,023	55,492,572	59,561,690
Equity and liabilities					
Current liabilities					
Trade and other payables	21	14,222,539	15,914,713	361,786	378,403
Income tax payables		-	1,212	-	-
Borrowings	19	9,991,520	11,422,927	-	-
		24,214,059	27,338,852	361,786	378,403
Net current assets		6,457,601	1,596,993	5,977,879	6,286,609
Non-current liability					
Borrowings	19	12,113,437	15,023,933	10,974,557	13,783,009
Total liabilities		36,327,496	42,362,785	11,336,343	14,161,412
Net assets		73,111,816	67,637,238	44,156,229	45,400,278
Equity attributable to equity holders of the Company					
Share capital	23	61,937,451	61,937,451	61,937,451	61,937,451
Share premium		7,283,230	7,283,230	7,283,230	7,283,230
Retained earnings/(Accumulated losses)		3,891,135	(1,583,443)	(25,064,452)	(23,820,403)
Total equity		73,111,816	67,637,238	44,156,229	45,400,278
Total equity and liabilities		109,439,312	110,000,023	55,492,572	59,561,690

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

	Share capital RM (Note 23)	Non-distributable Share premium RM	Distributable Retained earnings/ (Accumulated losses) RM	Total RM
At 1 January 2013	61,937,451	7,283,230	(1,583,443)	67,637,238
Total comprehensive income for the year	-	-	5,474,578	5,474,578
At 31 December 2013	61,937,451	7,283,230	3,891,135	73,111,816
At 1 January 2012	61,937,451	7,283,230	(7,069,557)	62,151,124
Total comprehensive income for the year	-	-	5,486,114	5,486,114
At 31 December 2012	61,937,451	7,283,230	(1,583,443)	67,637,238

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital RM (Note 23)	Non-distributable Share premium RM	Accumulated losses RM	Total RM
At 1 January 2013	61,937,451	7,283,230	(23,820,403)	45,400,278
Total comprehensive loss for the year	-	-	(1,244,049)	(1,244,049)
At 31 December 2013	61,937,451	7,283,230	(25,064,452)	44,156,229
At 1 January 2012	61,937,451	7,283,230	(22,962,887)	46,257,794
Total comprehensive loss for the year	-	-	(857,516)	(857,516)
At 31 December 2012	61,937,451	7,283,230	(23,820,403)	45,400,278

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

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Operating activities				
Profit/(Loss) before tax	5,031,856	5,488,212	(1,244,049)	(857,516)
Adjustments for:				
Depreciation of property, plant and equipment	6,545,917	6,385,698	27,771	27,771
Dividend income	(15)	(15)	-	-
Gain on disposal of property, plant and equipment	(107,427)	(16,708)	-	-
Impairment loss of trade receivables	-	27,696	-	-
Interest expenses	2,176,028	1,988,347	1,492,719	1,175,897
Interest income	-	-	(585,171)	(634,318)
Loss on disposal of investment property	30,865	-	-	-
Reversal of impairment loss of trade receivables	(32,196)	-	-	-
Share of loss/(profit) of associate	2,730	(2,952)	-	-
Unrealised foreign exchange gain	(38,626)	(100,144)	-	-
Operating cash flows before changes in working capital	13,609,132	13,770,134	(308,730)	(288,166)
Inventories	(822,238)	(2,143,374)	-	-
Receivables	(815,060)	2,441,970	-	-
Other current asset	(23,708)	(9,185)	-	-
Payables	(1,678,224)	(5,240,514)	(16,617)	(3,290)
Cash flows generated from/(used in) operations	10,269,902	8,819,031	(325,347)	(291,456)
Interest received	-	-	585,171	634,318
Interest paid	(1,268,480)	(1,446,768)	(585,171)	(634,318)
Tax paid	(70,060)	(886)	-	-
Net cash flows generated from/ (used in) operating activities	8,931,362	7,371,377	(325,347)	(291,456)
Investing activities				
Purchase of property, plant and equipment	(3,257,058)	(2,424,557)	-	-
Proceeds from disposal of investment property	210,000	-	-	-
Proceeds from disposal of property, plant and equipment	136,719	101,265	-	-
Repayment from subsidiary companies	-	-	4,034,065	298,286
Net dividend received	15	15	-	-
Net cash flows (used in)/generated from investing activities	(2,910,324)	(2,323,277)	4,034,065	298,286
Financing activities				
Repayment of term loan	-	(3,595,636)	-	-
Proceeds from trust receipts	48,958	-	-	-
Repayment of obligations under finance lease	(849,353)	(523,277)	-	-
Repayment of bankers' acceptances	(371,000)	(203,000)	-	-
Repayment of redeemable convertible secured loan stocks	(3,716,000)	-	(3,716,000)	-
Net cash flows used in financing activities	(4,887,395)	(4,321,913)	(3,716,000)	-
Net increase/(decrease) in cash and cash equivalents	1,133,643	726,187	(7,282)	6,830
Cash and cash equivalents at 1 January	(3,922,352)	(4,648,539)	9,464	2,634
Cash and cash equivalents at 31 December (Note 18)	(2,788,709)	(3,922,352)	2,182	9,464

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

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor Darul Ta'zim. The principal place of business of the Company is located at 79, Jalan Muar, 83500 Parit Sulong, Batu Pahat, Johor Darul Ta'zim.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements for the year ended 31 December 2013 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have also been prepared on the historical cost basis and are presented in Ringgit Malaysia (RM).

2.2 Changes in accounting policies

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

On 1 January 2013, the Group and the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127 Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 128 Investment in Associate and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Annual Improvements 2009-2011 Cycle	1 January 2013
Amendments to MFRS 1: Government Loans	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

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

2.2 Changes in accounting policies (cont'd)

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

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

MFRS 13 Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materially impacted the fair value measurement of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

MFRS 128 Investments in Associates and Joint Ventures

As a consequence of the new MFRS 11 and MFRS 12, MFRS 128 is renamed as MFRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

2.3 Standards and interpretations issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011–2013 Cycle	1 July 2014
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

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

2.4 Current versus non-current classification

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

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

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

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

All other liabilities are classified as non-current.

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

2.5 Fair value measurement

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

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

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

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

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

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

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

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

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

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

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

2.5 Fair value measurement (cont'd)

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

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

2.6 Basis of consolidation

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

The Company controls an investee if and only if the Company has all the following:

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

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

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

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

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

2.6 Basis of consolidation (cont'd)

Business combinations

Acquisition of subsidiary is accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2.7 Foreign currency

(a) Functional and presentation currency

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

(b) Foreign currency transactions

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

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

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

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

2.8 Property, plant and equipment and depreciation

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

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

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

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

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

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

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

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

2.9 Investment properties

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

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

2.10 Impairment of non-financial assets

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

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

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

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

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

Impairment losses are recognised in profit or loss.

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

2.11 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

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

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

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

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

2.12 Investment in associates

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

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

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

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

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

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

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

2.12 Investment in associates (cont'd)

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

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

2.13 Financial assets

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

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

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

(a) Loans and receivables

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

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

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

(b) Available-for-sale financial assets

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

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

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

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

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

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

2.14 Impairment of financial assets

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

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

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

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

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

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

(b) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2.15 Cash and cash equivalents

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

2.16 Inventories

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

- Raw materials: purchase costs on a weighted average basis.

- Indirect materials: purchase costs on a first-in first-out basis.

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

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

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

2.17 Provisions

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

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

2.18 Financial liabilities

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

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

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

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

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

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

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

2.19 Borrowing costs

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

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

2.20 Employee benefits

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

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

2.21 Leases

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

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

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

2.22 Revenue

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

(a) Sale of goods

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

(b) Rental income

Rental income is recognised on accrual basis.

(c) Dividend income

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

(d) Interest income

Interest income is recognised using the effective interest method.

2.23 Income taxes

(a) Current tax

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

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

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

2.23 Income taxes (cont'd)

(b) Deferred tax

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

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

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

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

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

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

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

(c) Sales and service taxes

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

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

- Receivables and payables that are stated with the amount of sales or service tax included.

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

2.24 Share capital and share issuance expenses

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

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

3. REVENUE

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

4. FINANCE COSTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Interest expense on:				
- Bankers' acceptances, overdraft and trust receipts	524,161	600,051	-	-
- Obligations under finance lease	143,140	120,701	-	-
- Other loans	16,008	-	-	-
- Redeemable convertible secured loan stocks	1,492,719	1,175,897	1,492,719	1,175,897
- Term loans	-	91,698	-	-
	2,176,028	1,988,347	1,492,719	1,175,897

5. PROFIT/(LOSS) BEFORE TAX

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Employee benefits expense (Note 6)	8,689,687	7,489,994	127,958	108,000
Non-executive directors' remuneration (Note 7)	79,158	69,200	77,958	68,000
Auditors' remuneration				
- Statutory audit	89,000	83,000	23,000	20,000
- Other audit services	9,000	11,000	5,000	5,000
Depreciation of property, plant and equipment (Note 10)	6,545,917	6,385,698	27,771	27,771
Dividend income from available-for-sale financial assets	(15)	(15)	-	-
Foreign exchange gain				
- realised	(152,195)	(282,604)	-	-
- unrealised	(38,626)	(100,144)	-	-
Gain on disposal of property, plant and equipment	(107,427)	(16,708)	-	-
Impairment loss of trade receivables (Note 15)	-	27,696	-	-
Interest expenses	2,176,028	1,988,347	1,492,719	1,175,897
Interest income	-	-	(585,171)	(634,318)
Loss on disposal of investment property	30,865	-	-	-
Rental income	(73,734)	(82,728)	(72,534)	(79,128)
Rental of premises	144,000	124,000	-	-
Reversal of impairment loss of trade receivables (Note 15)	(32,196)	-	-	-
Vehicle rental income	-	(15)	-	-

6. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Wages and salaries	7,858,582	6,772,603	127,958	108,000
Defined contribution plan	748,050	647,419	-	-
Social security contributions	83,055	69,972	-	-
	8,689,687	7,489,994	127,958	108,000

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM695,810 (2012 : RM665,759) and RM50,000 (2012 : RM40,000) respectively as further disclosed in Note 7.

7. DIRECTORS' REMUNERATION

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Executive directors' remuneration				
Fees	57,200	47,200	50,000	40,000
Other emoluments	638,610	618,559	-	-
	695,810	665,759	50,000	40,000
Non-executive directors' remuneration				
Fees	65,158	56,200	63,958	55,000
Other emoluments	14,000	13,000	14,000	13,000
	79,158	69,200	77,958	68,000
Total directors' remuneration (excluding benefits-in-kind)	774,968	734,959	127,958	108,000
Estimated money value of benefits-in-kind	55,773	44,908	-	-
Total directors' remuneration (including benefits-in-kind)	830,741	779,867	127,958	108,000

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

	Number of Directors 2013	Number of Directors 2012
Executive directors:		
RM50,001 - RM100,000	-	1
RM100,001 - RM200,000	3	2
RM300,001 - RM350,000	1	1
Non-executive directors:		
<RM50,000	4	4

8. INCOME TAX

Major component of income tax

The major component of income tax for the years ended 31 December 2013 and 2012 are:

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Statement of comprehensive income:				
Current income tax:				
Underprovision in respect of prior years	278	2,098	-	-
Deferred tax (Note 22):				
Relating to origination and reversal of temporary differences	(443,000)	-	-	-
Income tax expense recognised in profit or loss	(442,722)	2,098	-	-

8. INCOME TAX (CONT'D)

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2013 and 2012 are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit/(Loss) before tax	5,031,856	5,488,212	(1,244,049)	(857,516)
Taxation at Malaysian statutory tax rate of 25% (2012 : 25%)	1,257,964	1,372,053	(311,012)	(214,379)
Expenses not deductible for tax purposes	434,749	364,197	311,012	214,379
Deferred tax assets not recognised	-	220,314	-	-
Deferred tax assets recognised on previously unrecognised unutilised tax losses	(443,000)	-	-	-
Utilisation of previously unrecognised unabsorbed capital allowances	(108,589)	-	-	-
Utilisation of previously unrecognised unutilised tax losses	(600,858)	-	-	-
Utilisation of current year reinvestment allowances	(353,183)	(179,902)	-	-
Utilisation of previously unrecognised unutilised reinvestment allowances	(630,083)	(1,776,662)	-	-
Underprovision of income tax in respect of prior years	278	2,098	-	-
Income tax recognised in profit or loss	(442,722)	2,098	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2012 : 25%) of the estimated assessable profit for the year.

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

	Group	
	2013 RM	2012 RM
Unutilised tax losses	12,543,000	16,716,000
Unabsorbed capital allowances	25,289,000	25,723,000
Unutilised reinvestment allowances	16,231,000	18,751,000

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

9. EARNINGS PER SHARE

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

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

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

	2013 RM	2012 RM
Profit attributable to ordinary equity holders of the Company	5,474,578	5,486,114
Weighted average number of ordinary shares in issue	61,937,451	61,937,451

	2013 Sen	2012 Sen
Basic and diluted earnings per share	8.8	8.9

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings RM	Plant and machinery RM	Motor vehicles RM	Other assets RM	Total RM
Group					
At 31 December 2013					
Cost					
At 1 January 2013	42,823,168	129,290,725	10,340,972	4,015,672	186,470,537
Additions	814,039	2,402,901	734,050	128,288	4,079,278
Disposals	-	(150,523)	(408,627)	(5,849)	(564,999)
At 31 December 2013	43,637,207	131,543,103	10,666,395	4,138,111	189,984,816
Accumulated depreciation					
At 1 January 2013	4,021,228	91,929,631	7,617,862	2,168,318	105,737,039
Depreciation charge for the year (Note 5)	659,756	5,028,732	794,944	62,485	6,545,917
Disposals	-	(150,523)	(379,388)	(5,796)	(535,707)
At 31 December 2013	4,680,984	96,807,840	8,033,418	2,225,007	111,747,249
Net carrying amount					
At 31 December 2013	38,956,223	34,735,263	2,632,977	1,913,104	78,237,567
At 31 December 2012					
Cost					
At 1 January 2012	42,660,267	127,911,343	9,048,571	3,913,430	183,533,611
Additions	162,901	1,647,943	1,642,331	107,002	3,560,177
Disposals	-	(268,561)	(349,930)	(4,760)	(623,251)
At 31 December 2012	42,823,168	129,290,725	10,340,972	4,015,672	186,470,537
Accumulated depreciation					
At 1 January 2012	3,372,432	87,172,788	7,219,480	2,125,335	99,890,035
Depreciation charge for the year (Note 5)	648,796	4,942,583	748,312	46,007	6,385,698
Disposals	-	(185,740)	(349,930)	(3,024)	(538,694)
At 31 December 2012	4,021,228	91,929,631	7,617,862	2,168,318	105,737,039
Net carrying amount					
At 31 December 2012	38,801,940	37,361,094	2,723,110	1,847,354	80,733,498

	Freehold land and buildings RM	Other assets RM	Total RM
Company			
At 31 December 2013			
Cost			
At 1 January 2013/31 December 2013	750,000	10,287	760,287
Accumulated depreciation			
At 1 January 2013	138,310	10,114	148,424
Depreciation charge for the year (Note 5)	27,662	109	27,771
At 31 December 2013	165,972	10,223	176,195
Net carrying amount			
At 31 December 2013	584,028	64	584,092

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

Company	Freehold land and buildings RM	Other assets RM	Total RM
At 31 December 2012			
Cost			
At 1 January 2012/31 December 2012	750,000	10,287	760,287
Accumulated depreciation			
At 1 January 2012	110,648	10,005	120,653
Depreciation charge for the year (Note 5)	27,662	109	27,771
At 31 December 2012	138,310	10,114	148,424
Net carrying amount			
At 31 December 2012	611,690	173	611,863

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM822,220 (2012 : RM1,135,620) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to RM3,257,058 (2012 : RM2,424,557).

The carrying amount of motor vehicles held under finance leases at the reporting date was RM2,129,704 (2012 : RM2,378,482). Leased assets are pledged as security for the related finance lease liabilities (Note 19).

Certain property, plant and equipment of the Group with net carrying amount of RM75,523,771 (2012 : RM77,743,153) have been pledged as security for borrowings as disclosed in Note 19 and Note 20.

Other assets of the Group include capital work-in-progress which comprise expenditures incurred for labour quarters amounting to RM49,200 (2012 : RM49,200) and machinery under construction amounting to RM1,366,544 (2012 : RM1,157,112).

11. INVESTMENT IN SUBSIDIARIES

	Company	
	2013 RM	2012 RM
Unquoted shares at cost	34,616,709	34,616,709
Less: Accumulated impairment losses	(21,023,818)	(21,023,818)
	13,592,891	13,592,891

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2013	2012
Kangkar Raya Batu Bata Sdn. Bhd.	Malaysia	Manufacturing of bricks and roofing tiles	100%	100%
Syarikat Kia Lim Kilang Batu Bata Sdn. Bhd.	Malaysia	Manufacturing of bricks	100%	100%

Both subsidiaries are audited by Ernst & Young, Malaysia.

12. INVESTMENT IN ASSOCIATE

	Group 2013 RM	Group 2012 RM
Unquoted shares at cost	54,000	54,000
Share of post-acquisition reserves	28,048	30,778
	82,048	84,778

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

Name of Associate	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2013	Proportion of Ownership Interest 2012
Sersen Tiles Sdn. Bhd.	Malaysia	Property owner	27%	27%

The results of associate is based on the audited financial statements as at 31 August 2013.

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

	2013 RM	2012 RM
Assets and liabilities		
Current assets	1,000	1,641
Non-current assets	314,042	322,412
Total assets	315,042	324,053
Current liabilities	28,578	27,481
Total liabilities	28,578	27,481
Net assets	286,464	296,572
Results		
Total comprehensive (loss)/income for the year	(10,108)	10,935

13. INVESTMENT PROPERTY

	Group 2013 RM	Group 2012 RM
Cost model		
At 1 January	240,865	240,865
Less: Disposal	(240,865)	-
At 31 December	-	240,865

During the financial year, the Group disposed the investment property for a total cash consideration of RM210,000.

14. INVESTMENT IN SECURITIES

Group	Carrying amount 2013 RM	Carrying amount 2012 RM	Market value of quoted investment 2013 RM	Market value of quoted investment 2012 RM
Non-current				
Available-for-sale financial assets				
Quoted equity instruments, at fair value	5,036	5,036	5,036	5,036
Unquoted equity instruments, at cost	756,862	756,862	-	-
Less: Accumulated impairment losses	(756,861)	(756,861)	-	-
	1	1	-	-
Total investment	5,037	5,037	5,036	5,036

15. TRADE AND OTHER RECEIVABLES

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Current				
Trade receivables				
Third parties	13,069,588	12,168,504	-	-
Less: Allowance for impairment				
Third parties	(187,093)	(369,369)	-	-
	12,882,495	11,799,135	-	-
Other receivables				
Subsidiaries	-	-	6,322,353	6,640,418
Related parties	3,130	3,130	-	-
Deposits	63,530	60,330	15,130	15,130
Sundry receivables	777,490	992,118	-	-
	844,150	1,055,578	6,337,483	6,655,548
Less: Allowance for impairment				
Third parties	(54,336)	(54,336)	-	-
	789,814	1,001,242	6,337,483	6,655,548
Total trade and other receivables (current)	13,672,309	12,800,377	6,337,483	6,655,548
Non-current				
Other receivables				
Amount due from subsidiaries	-	-	34,975,924	38,691,924
Total trade and other receivables (current and non-current)	13,672,309	12,800,377	41,313,407	45,347,472

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2012 : 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

<u>Ageing analysis of trade receivables</u>

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

	Group 2013 RM	Group 2012 RM
Neither past due nor impaired	12,689,654	11,554,209
1 to 30 days past due not impaired	89,490	216,928
31 to 60 days past due not impaired	1,350	11,678
More than 91 days past due not impaired	102,001	16,320
	192,841	244,926
Impaired	187,093	369,369
	13,069,588	12,168,504

<u>Receivables that are neither past due nor impaired</u>

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

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

15. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM192,841 (2012 : RM244,926) that are past due at the reporting date but not impaired.

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

Receivables that are impaired

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

	Group	
	2013 RM	2012 RM
Individually impaired		
Trade receivables - nominal amounts	187,093	369,369
Less: Allowance for impairment	(187,093)	(369,369)
	-	-

Movement in allowance accounts:

	Group	
	2013 RM	2012 RM
At 1 January	369,369	341,673
Charge for the year (Note 5)	-	27,696
Reversal of impairment losses (Note 5)	(32,196)	-
Written off	(150,080)	-
At 31 December	187,093	369,369

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

(b) Other receivables - current

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

(c) Other receivables - non-current

Included in the Company's amount due from subsidiaries is a loan amounting to RM12,000,000 (2012 : RM15,716,000) which bears interest at 4% (2012 : 4%) per annum and is not expected to be repaid within the next 12 months. The balance of the amount owing from the subsidiaries is unsecured, non-interest bearing and is not expected to be repaid within the next 12 months.

16. INVENTORIES

	Group	
	2013 RM	2012 RM
At cost		
Raw materials	1,577,007	793,095
Indirect materials	12,163,708	10,626,311
Work-in-progress	403,395	430,316
Finished products	2,364,300	3,836,253
	16,508,410	15,685,975
At net realisable value		
Finished products	177,675	177,872
	16,686,085	15,863,847

The cost of inventories sold during the year is RM47,926,029 (2012 : RM47,798,287).

17. OTHER CURRENT ASSET

	Group 2013 RM	Group 2012 RM
Prepayment	164,441	140,733

18. CASH AND BANK BALANCES

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Cash and bank balances	80,255	130,888	2,182	9,464
Bank overdrafts (Note 19)	(2,868,964)	(4,053,240)	-	-
Cash and cash equivalents	(2,788,709)	(3,922,352)	2,182	9,464

19. BORROWINGS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Short term borrowings				
Secured:				
Bank overdrafts (Note 18)	2,868,964	4,053,240	-	-
Bankers' acceptances	6,401,000	6,772,000	-	-
Trust receipts	48,958	-	-	-
Obligations under finance lease (Note 25)	672,598	597,687	-	-
	9,991,520	11,422,927	-	-
Long term borrowings				
Secured:				
Redeemable convertible secured loan stocks (Note 20)	10,974,557	13,783,009	10,974,557	13,783,009
Obligations under finance lease (Note 25)	1,138,880	1,240,924	-	-
	12,113,437	15,023,933	10,974,557	13,783,009
Total borrowings				
Bank overdrafts (Note 18)	2,868,964	4,053,240	-	-
Bankers' acceptances	6,401,000	6,772,000	-	-
Trust receipts	48,958	-	-	-
Redeemable convertible secured loan stocks (Note 20)	10,974,557	13,783,009	10,974,557	13,783,009
Obligations under finance lease (Note 25)	1,811,478	1,838,611	-	-
	22,104,957	26,446,860	10,974,557	13,783,009

The borrowings bear interest at the following rates:

	2013 %	2012 %
Bank overdrafts	8.60 - 9.10	8.05 - 9.25
Bankers' acceptances	5.39 - 5.88	5.37 - 5.89
Trust receipts	8.60	-
Redeemable convertible secured loan stocks	8.75	8.75
Obligations under finance lease	2.18 - 4.35	2.18 - 4.75

19. BORROWINGS (CONT'D)

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
On demand or within one year	9,991,520	11,422,927	-	-
More than 1 year and less than 2 years	569,787	538,723	-	-
More than 2 years and less than 5 years	11,515,168	14,407,187	10,974,557	13,783,009
5 years or more	28,482	78,023	-	-
	22,104,957	26,446,860	10,974,557	13,783,009

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

20. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS

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

(a) Conversion Rights - The registered holders of the RCSLS will have the rights to convert such nominal value of RCSLS at the conversion price, into new ordinary shares in the Company during the conversion period.

(b) Conversion Rate - The conversion price is set at the par value of the Company's shares of RM1.00 each on the basis of one (1) share for every RM1.00 nominal value of the RCSLS.

(c) Conversion Period - The RCSLS may be converted, based on the maximum amount as stated below, by the RCSLS holders into new ordinary shares in the Company at the conversion price, two (2) years after the date of issue of the RCSLS up to the maturity date or the date of declaration of an Event of Default, whichever is earlier.

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

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

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

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

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

20. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS (CONT'D)

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

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Current				
Trade payables				
Third parties	9,216,783	11,506,518	-	-
Related parties	506,435	471,627	-	-
	9,723,218	11,978,145	-	-
Current				
Other payables				
Related parties	1,073,527	614,710	-	-
Accruals	2,454,422	2,373,136	81,912	108,246
Other payables	971,372	948,722	279,874	270,157
	4,499,321	3,936,568	361,786	378,403
Total trade and other payables	14,222,539	15,914,713	361,786	378,403

(a) Trade payables

Trade payables of the Group are non-interest bearing and the normal trade credit terms granted to the Group range from one month to three months (2012 : one month to three months).

(b) Other payables

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

22. DEFERRED TAX ASSETS

	Group 2013 RM	Group 2012 RM
At 1 January	-	-
Recognised in profit or loss (Note 8)	443,000	-
At 31 December	443,000	-
Presented after appropriate offsetting as follows:		
Deferred tax assets	6,264,000	6,188,000
Deferred tax liabilities	(5,821,000)	(6,188,000)
	443,000	-

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

Deferred tax liabilities of the Group:

	2013 RM	2012 RM
Property, plant and equipment		
At 1 January	(6,188,000)	(6,691,000)
Recognised in profit or loss	367,000	503,000
At 31 December	(5,821,000)	(6,188,000)

Deferred tax assets of the Group:

	Unabsorbed reinvestment allowances RM	Unutilised tax losses RM	Unrealised foreign exchange RM	Total RM
At 1 January 2013	6,188,000	-	-	6,188,000
Recognised in profit or loss	(416,000)	443,000	49,000	76,000
At 31 December 2013	5,772,000	443,000	49,000	6,264,000
At 1 January 2012	6,691,000	-	-	6,691,000
Recognised in profit or loss	(503,000)	-	-	(503,000)
At 31 December 2012	6,188,000	-	-	6,188,000

23. SHARE CAPITAL

	Number of ordinary shares of RM1 each 2013	Number of ordinary shares of RM1 each 2012	Amount 2013 RM	Amount 2012 RM
Authorised share capital:				
At 1 January/31 December	100,000,000	100,000,000	100,000,000	100,000,000
Share capital issued and fully paid:				
At 1 January/31 December	61,937,451	61,937,451	61,937,451	61,937,451

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group 2013 RM	Group 2012 RM
Sales of spare parts and upkeep of tools to:		
Sri Senanggar Batu Bata Sdn. Bhd. (note a)	38,903	30,986
Purchases of indirect materials from:		
Ban Dung Palm Oil Industries Sdn. Bhd. (note c)	850,118	1,173,416
Kia Lim Timber Trading Sdn. Bhd. (note b)	39,135	-
Insurance premium payable to:		
Kia Lim Timber Trading Sdn. Bhd. (note b)	276,772	134,769
Rental payable to:		
Kia Lim Timber Trading Sdn. Bhd. (note b)	144,000	124,000
Sri Senanggar Batu Bata Sdn. Bhd. (note a)	47,588	47,588

	Company 2013 RM	Company 2012 RM
Interest recouped from subsidiaries:		
Kangkar Raya Batu Bata Sdn. Bhd.	257,511	279,139
Syarikat Kia Lim Kilang Batu Bata Sdn. Bhd.	327,660	355,179

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

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

Notes:

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

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

(c) Certain directors of the Company, namely Datuk Ng Yeng Keng @ Ng Ka Hiat and Ng Chin Kang are directors of that company and have substantial interest in that company.

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

25. COMMITMENTS

(a) Capital commitments

	Group 2013 RM	Group 2012 RM
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	948,685	573,521

25. COMMITMENTS (CONT'D)

(b) Finance lease commitments

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

	Group	
	2013 RM	2012 RM
Future minimum lease payments:		
Not later than 1 year	768,401	712,089
Later than 1 year and not later than 2 years	619,892	605,953
Later than 2 years and not later than 5 years	569,749	662,263
Later than 5 years	29,652	83,303
Total future minimum lease payments	1,987,694	2,063,608
Less: Future finance charges	(176,216)	(224,997)
Present value of finance lease liabilities (Note 19)	1,811,478	1,838,611
Analysis of present value of finance lease liabilities:		
Not later than 1 year	672,598	597,687
Later than 1 year and not later than 2 years	569,787	538,723
Later than 2 years and not later than 5 years	540,611	624,178
Later than 5 years	28,482	78,023
	1,811,478	1,838,611
Less: Amount due within 12 months (Note 19)	(672,598)	(597,687)
Amount due after 12 months (Note 19)	1,138,880	1,240,924

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

(a) Credit risk

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

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

Exposure to credit risk

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

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

(a) Credit risk (cont'd)

Credit risk concentration profile

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

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

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

Financial guarantees

	Company	
	2013 RM	2012 RM
Unsecured:		
Corporate guarantees to banks for credit facilities granted to subsidiaries	9,269,964	10,825,240

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

(b) Liquidity risk

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

At the reporting date, approximately 45% (2012 : 43%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

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

31 December 2013	On demand or within one year RM	One to five years RM	Later than five years RM	Total RM
Financial liabilities				
Group				
Trade and other payables	14,222,539	-	-	14,222,539
Loans and borrowings	10,087,323	12,164,198	29,652	22,281,173
	24,309,862	12,164,198	29,652	36,503,712
Company				
Trade and other payables	361,786	-	-	361,786
Loans and borrowings	-	10,974,557	-	10,974,557
	361,786	10,974,557	-	11,336,343

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

(b) Liquidity risk (cont'd)

31 December 2012	On demand or within one year RM	One to five years RM	Later than five years RM	Total RM
Financial liabilities				
Group				
Trade and other payables	15,914,713	-	-	15,914,713
Loans and borrowings	11,537,329	15,051,225	83,303	26,671,857
	27,452,042	15,051,225	83,303	42,586,570
Company				
Trade and other payables	378,403	-	-	378,403
Loans and borrowings	-	13,783,009	-	13,783,009
	378,403	13,783,009	-	14,161,412

(c) Interest rate risk

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

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

Sensitivity analysis for interest rate risk

During the financial year, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's net profit after tax would have been approximately RM45,571 (2012 : RM55,047) lower/higher, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observable market environment.

(d) Foreign currency risk

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

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

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

	2013 RM	2012 RM
Financial assets/(liabilities) held in non-functional currencies		
SGD	2,533,920	2,405,300
USD	(1,077)	62,727
EUR	(606,798)	(252,477)
	1,926,045	2,215,550

The Company does not hedge its foreign currency exposure.

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

(d) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

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

		Increase/(Decrease) in profit net of tax 2013 RM	2012 RM
SGD/RM	- strengthen by 5% (2012 : 5%)	126,696	120,265
	- weaken by 5% (2012 : 5%)	(126,696)	(120,265)
USD/RM	- strengthen by 5% (2012 : 5%)	(54)	3,136
	- weaken by 5% (2012 : 5%)	54	(3,136)
EUR/RM	- strengthen by 5% (2012 : 5%)	(30,340)	(12,624)
	- weaken by 5% (2012 : 5%)	30,340	12,624

(e) Fair values

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

	Note
Other receivables (non-current)	15
Long term borrowings	19

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

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

	Note
Trade and other receivables (current)	15
Short term borrowings	19
Trade and other payables	21

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

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

Investment in equity instruments carried at cost less impairment

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

Other receivables - non-current

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

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

(e) Fair values (Cont'd)

Fair value hierarchy

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

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

- Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

- Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Group held the following assets carried at fair value in the statement of financial position:

Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
At 31 December 2013				
Financial assets measured at fair value				
Investment in securities	5,036	-	-	5,036
At 31 December 2012				
Financial assets measured at fair value				
Investment in securities	5,036	-	-	5,036

27. FINANCIAL INSTRUMENTS

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

	Note	2013 RM	2012 RM
Group			
(a) Loans and receivables measured at amortised cost			
Trade and other receivables	15	13,672,309	12,800,377
Cash and bank balances	18	80,255	130,888
		13,752,564	12,931,265
(b) Available-for-sale financial assets measured at fair value			
Investment in securities	14	5,036	5,036
(c) Financial liabilities measured at amortised cost			
Borrowings	19	22,104,957	26,446,860
Trade and other payables	21	14,222,539	15,914,713
		36,327,496	42,361,573
Company			
(a) Loans and receivables measured at amortised cost			
Trade and other receivables	15	41,313,407	45,347,472
Cash and bank balances	18	2,182	9,464
		41,315,589	45,356,936
(b) Financial liabilities measured at amortised cost			
Borrowings	19	10,974,557	13,783,009
Trade and other payables	21	361,786	378,403
		11,336,343	14,161,412

28. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

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

Group	Note	2013 RM	2012 RM
Borrowings	19	22,104,957	26,446,860
Trade and other payables	21	14,222,539	15,914,713
Less: Cash and bank balances	18	(80,255)	(130,888)
Net debt		36,247,241	42,230,685
Equity attributable to the equity holders of the Company, representing total capital		73,111,816	67,637,238
Capital and net debt		109,359,057	109,867,923
Gearing ratio		33%	38%
Company			
Borrowings	19	10,974,557	13,783,009
Trade and other payables	21	361,786	378,403
Less: Cash and bank balances	18	(2,182)	(9,464)
Net debt		11,334,161	14,151,948
Equity attributable to the equity holders of the Company, representing total capital		44,156,229	45,400,278
Capital and net debt		55,490,390	59,552,226
Gearing ratio		20%	24%

29. SEGMENT INFORMATION

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

30. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 10 April 2014.

31. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED EARNINGS/(ACCUMULATED LOSSES) INTO REALISED AND UNREALISED

The breakdown of the retained earnings/(accumulated losses) of the Group and of the Company as at 31 December 2013 and 2012 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Total accumulated losses of the Company and its subsidiaries:				
- Realised	(25,355,557)	(30,822,504)	(25,064,452)	(23,820,403)
- Unrealised	22,456,156	22,517,674	-	-
	(2,899,401)	(8,304,830)	(25,064,452)	(23,820,403)
Total share of retained earnings from associated company:				
- Realised	28,048	30,778	-	-
	(2,871,353)	(8,274,052)	(25,064,452)	(23,820,403)
Less: Consolidation adjustments	6,762,488	6,690,609	-	-
Retained earnings/(Accumulated losses) as per financial statements	3,891,135	(1,583,443)	(25,064,452)	(23,820,403)

STATEMENT OF SHAREHOLDINGS
AS AT 31 MARCH 2014

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

ANALYSIS OF SHAREHOLDINGS

Number of Holders	Holdings	Total Holdings	Percentage of Holdings
5	Less than 100	258	0.00
723	100 - 1,000	703,327	1.14
721	1,001 - 10,000	3,090,949	4.99
264	10,001 to 100,000	8,456,942	13.65
60	100,001 to less than 5% of issued shares	32,797,787	52.95
3	5% and above of issued shares	16,888,188	27.27
1776		61,937,451	100.00

THIRTY LARGEST SHAREHOLDERS

Name of Shareholders	Number of Shares	Percentage of Shares
1. Kia Lim Realty Sdn Bhd	7,312,393	11.81
2. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kia Lim Timber Trading Sdn Bhd	6,440,270	10.40
3. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Hoo Tee Holdings Sdn Bhd	3,135,525	5.06
4. Sutera Istimewa Sdn Bhd	3,000,200	4.84
5. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kia Lim Realty Sdn Bhd	2,931,600	4.73
6. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kia Lim Timber Trading Sdn Bhd	2,764,800	4.46
7. Nam Heng Oil Mill Company Sdn Bhd	2,422,200	3.91
8. Malaysian Industrial Development Finance Berhad	2,100,000	3.39
9. Kia Lim Timber Trading Sdn Bhd	1,874,864	3.03
10. Ng Hoo Tee Holdings Sdn Bhd	1,510,348	2.44
11. Ng Yeng Keng @ Ng Ka Hiat	1,187,464	1.92
12. Ban Dung Palm Oil Industries Sdn Bhd	1,117,200	1.80
13. Guan Brothers Realty Sdn Bhd	908,000	1.47
14. Tan See Chip	799,935	1.29
15. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh May Lee	717,000	1.16
16. Ng Yan Kian	706,196	1.14
17. Chng (Ching) Joong Siew	636,700	1.03
18. Syarikat Jaya Diri Kemajuan Sdn Bhd	629,900	1.02
19. Lee Chee Fee	553,200	0.89
20. Cimsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Geok Wah	400,000	0.65
21. Tan Teck Peng	396,600	0.64
22. Yong Ki Lin	395,100	0.64
23. CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Eng Sos @ Bah Chik	391,590	0.63
24. Wong Taek Boon @ Guan Taek Boon	350,000	0.57
25. Ng Yam Puan @ Ng Ah Bah	320,143	0.52
26. Ariss Bin Samsudin, Datuk	303,000	0.49
27. Tay Puat Keng @ Tee Puat Keng	301,100	0.49
28. Leow Soon Seng	300,000	0.48
29. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Ah Lek	289,000	0.47
30. Low Chon	252,000	0.41

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: -

No.	Shareholder	Direct Interest		Deemed Interest		Note
		Number of Shares	Percentage of Shares	Number of Shares	Percentage of Shares	
1.	Kour Siok Leen	401,054	0.65	10,297,993	16.63	A
2.	Kia Lim Realty Sdn. Bhd.	10,243,993	16.54	54,000	0.09	B
3.	Kia Lim Timber Trading Sdn. Bhd.	11,107,534	17.93	1,262,400	2.04	C
4.	Ng Hoo Tee Holdings Sdn. Bhd.	4,645,873	7.50	1,208,400	1.95	D
5.	Goh May Lee	832,889	1.34	27,259,800	44.01	E
6.	Datuk Ng Yeng Keng @ Ng Ka Hiat	1,542,255	2.49	27,430,798	44.29	F
7.	Ng Chin Kang	-	-	12,369,934	19.97	G
8.	Ng Yeng Keng Holdings Sdn. Bhd.	-	-	10,297,993	16.63	A

Notes:

A Deemed interest through his/her or its shareholdings in Kia Lim Realty Sdn Bhd and Sersen Tiles Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.

B Deemed interest through its shareholdings in Sersen Tiles Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.

C Deemed interest through its shareholdings in Sersen Tiles Sdn Bhd and Ban Dung Palm Oil Industries Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.

D Deemed interest through its shareholding in Ban Dung Palm Oil Industries Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.

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

F Deemed interest through his shareholding in Kia Lim Realty Sdn Bhd, Kia Lim Timber Trading Sdn Bhd, Sersen Tiles Sdn Bhd, Ban Dung Palm Oil Industries Sdn Bhd and Ng Hoo Tee Holdings Sdn Bhd by virtue of Section 6A and pursuant to Section 134 (12) (c) of the Companies (Amendment) Act, 1965.

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

LIST OF DIRECTORS' SHAREHOLDINGS AS AT 31 March 2014

No.	Director	Direct Interest		Deemed Interest		
		Number of Shares	Percentage of Shares	Number of Shares	Percentage of Shares	
1.	MR LOH CHEE KAN	-	-	-	-	
2.	DATUK ARISS BIN SAMSUDIN	303,000	0.49	-	-	
3.	DATUK NG YENG KENG @ NG KA HIAT	1,542,255	2.49	27,430,798	44.29	*
4.	MR TAN SEE CHIP	799,935	1.29	61,000	0.09	#
5.	MR NG CHIN KANG	-	-	12,369,934	19.97	*
6.	MR CHUA SYER CIN	-	-	-	-	
7.	DR NG YAM PUAN @ NG AH BAH	320,499	0.52	-	-	

Notes:

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

Deemed interest through his shareholdings in Tan See Chip Sdn Bhd by virtue of Section 6A and pursuant to Section 134 (12) (c) of the Companies (Amendment) Act, 1965.

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

ANALYSIS OF WARRANT HOLDINGS

Number of Holders	Holdings	Total Holdings	Percentage of Holdings
0	Less than 100	0	0.00
110	100 - 1,000	14,200	0.34
8	1,001 - 10,000	48,600	1.18
3	10,001 to 100,000	83,100	2.02
3	100,001 to less than 5% of issued shares	416,100	10.09
4	5% and above of issued shares	3,560,527	86.37
130		4,122,527	100.00

THIRTY LARGEST WARRANT HOLDERS

Name of Warrant Holders	Number of Warrants	Percentage of Warrants
1. Kia Lim Realty Sdn Bhd	2,088,540	50.66
2. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Hoo Tee Holdings Sdn Bhd	522,587	12.68
3. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kia Lim Realty Sdn Bhd	488,600	11.85
4. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kia Lim Timber Trading Sdn Bhd	460,800	11.18
5. Ban Dung Palm Oil Industries Sdn Bhd	186,200	4.52
6. Kia Lim Timber Trading Sdn Bhd	115,734	2.81
7. Ng Hoo Tee Holdings Sdn Bhd	114,166	2.77
8. Low Chon	40,000	0.97
9. Ng Boon Huah	16,900	0.41
10. Ban Dung Palm Oil Industries Sdn Bhd	15,200	0.37
11. Kong Chee Leong	11,000	0.27
12. Kong Pang Kwan	10,000	0.24
13. Teh Hock Seng	10,000	0.24
14. Quek Khen Sian	8,000	0.19
15. Abdul Aziz Bin Bador	5,000	0.12
16. Kia Lim Timber Trading Sdn Bhd	4,600	0.11
17. James Chan Khay Syn	4,000	0.10
18. Loh Mooi	3,000	0.07
19. Maha Perkasa Sdn Bhd	2,000	0.05
20. Mohd Nooh Bin Shafien	2,000	0.05
21. Ooi Chye Seng @ Ng Chai Seng	1,000	0.02
22. Goh Soo Cheng @ Goh Su Mei	600	0.01
23. Choi Yaw Tong	400	0.01
24. Lee Kok Peng	400	0.01
25. Lee Yoon Wah	400	0.01
26. Chong Miau Moi	200	0.00
27. Chua Ah Moi	200	0.00
28. Chua Thean Cheang	200	0.00
29. Hee Lee Ping	200	0.00
30. Low Eng Choon	200	0.00

LIST OF DIRECTORS' WARRANT HOLDINGS AS AT 31 March 2014

No.	Director	Direct Interest		Deemed Interest		
		Number of Warrants	Percentage of Warrants	Number of Warrants	Percentage of Warrants	
1.	MR LOH CHEE KAN	-	-	-	-	
2.	DATUK ARISS BIN SAMSUDIN	-	-	-	-	
3.	DATUK NG YENG KENG @ NG KA HIAT	-	-	3,996,427	96.94	*
4.	MR TAN SEE CHIP	-	-	-	-	
5.	MR NG CHIN KANG	-	-	782,534	18.98	#
6.	MR CHUA SYER CIN	-	-	-	-	
7.	DR NG YAM PUAN @ NG AH BAH	-	-	-	-	

Notes:

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

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

Location of Properties	Description	Tenure / Age of Buildings	Approximately Land Area / (Built-up Area)	Net Book Value RM'000	Date of Acquisition/ Valuation
5 plots of land comprising Lot Nos : PT 5032, 5033 5034, 5035 and 5036 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Industrial land (with factory for brick making plant, office, store and workshop)	Freehold (Between 21 - 28 years)	23.2923 acres (68,988 sq.ft)	7,830	31.12.2007
2 plots of land Lot Nos : 25 and 26 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Industrial land (with 1 open-sided factory buidings for paver plants)	Freehold (Between 15 years)	5.8686 acres (159,375 sq.ft)	10,653	31.12.2007
2 plots of land comprising Lot Nos : PTD 6922 and 1186 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Extraction of clay	Freehold	24.3376 acres (N/A)	1,220	31.12.2007
4 plots of land comprising Lot Nos : 1187, 27, 24 and 20 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	18.3562 acres (N/A)	1,086	31.12.2007
Lot No : 1617 Mukim Simpang Kiri 4, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	5.0812 acres (N/A)	180	31.12.2007
Lot No : PTD 6920 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Industrial land (with 2 open-sided factory buildings for brick making plants)	Freehold (Between 28 years)	7.0000 acres (111,705 sq.ft)	4,335	31.12.2007
Lot Nos : PTD 6988 and PTD 6989 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Industrial land (with open-sided factory buildings for roofing tiles plants, office building cum store and laboratory)	Freehold (Between 17 years)	8.7810 acres (224,772 sq.ft)	11,796	31.12.2007
Lot No : PTD 6921 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Extraction of clay	Freehold	20.5597 acres (N/A)	1,030	31.12.2007
3 plots of land comprising Lot Nos : PTD 8029, 6642, and 809 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	22.9330 acres (N/A)	1,050	31.12.2007
EMR 3460 Lot 6641 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	1.6311 acres (N/A)	90	31.12.2007
EMR 3134 Lot 6625 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	4.0747 acres (N/A)	120	31.12.2007
Suite No 1604 Tower A Menara Atlas Plaza Pantai Kuala Lumpur.	Office building	Freehold (16 years)	2,360 sq.ft	584	31.12.2007

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CDS ACCOUNT NO.	
NO. OF SHARES HELD	

FORM OF PROXY

I/We____ of ____________________________

____being a member/members

of **Kia Lim Berhad**, hereby appoint Mr/Ms ____

(NRIC No. ______________________________) of____

or failing whom,____(NRIC No.______________________________) of

____

as my/our proxy to vote for *me/us and on *my/our behalf at the **Nineteenth Annual General Meeting** of the Company to be held at Minyak Beku Agrotourism Resort, Room Straits View 2 (SV 2), PTD 3077a, PTD 3438, PTD 3732, Batu 5, Minyak Beku, 83030 Batu Pahat, Johor Darul Takzim on Thursday, 29 May 2014 at 12.00 noon and, at every adjournment thereof *for/against the resolutions to be proposed thereat.

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

Resolutions	Agenda	For	Against
1.	To approve the payment of Directors' fees for the year ended 31 December 2013.		
	To re-elect the following Directors retiring according to the Company's Articles of Association: -		
2.	i) Mr Chua Syer Cin		
3.	ii) Mr Ng Chin Kang		
	To re-appoint the following Directors pursuant to Section 129 (6) of the Companies Act, 1965: -		
4.	Dr Ng Yam Puan @ Ng Ah Bah		
5.	Mr Tan See Chip		
6.	To re-appoint Messrs Ernst & Young as auditors.		
7.	To approve the authority to allot shares - Section 132D		
8.	To approve the continuing terms of office of Mr Loh Chee Kan as an Independent Director		
9.	To approve the continuing terms of office of Mr Chua Syer Cin as an Independent Director		
10.	To approve the proposed renewal of the existing shareholders' mandate for recurrent related party transactions		

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

As witness my hand this .... day of ....2014 ……………………..…………….............................

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. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the member to speak at the meeting.
3. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus accounts it holds.
4. Where a member is an authorised nominee as defined under the SICDA 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.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.
6. All forms of proxy must be deposited at the Registered Office of the Company situated at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor, Malaysia not less than forty-eight (48) hours before the time appointed for holding the Meeting.

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STAMP

The Company Secretary

KIA LIM BERHAD

(Company No.: 342868-P)

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

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