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.
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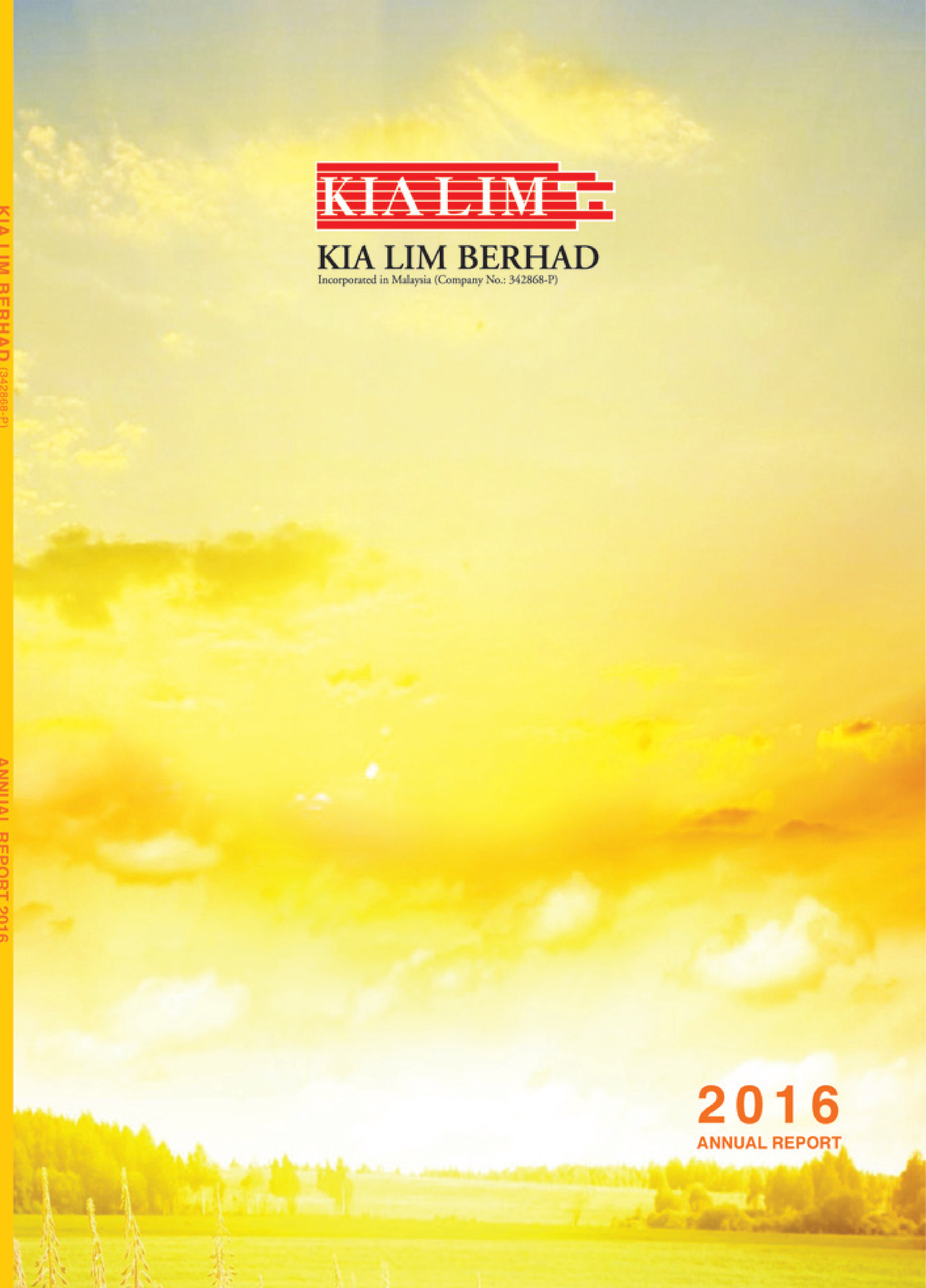
www.kialim.com.my

KIA LIM BERHAD (342868-P)

ANNUAL REPORT 2016



KIALIM

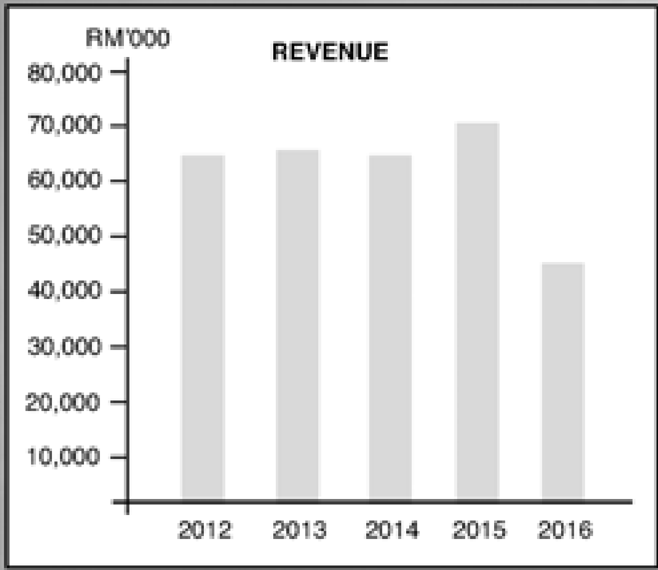
KIA LIM BERHAD

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

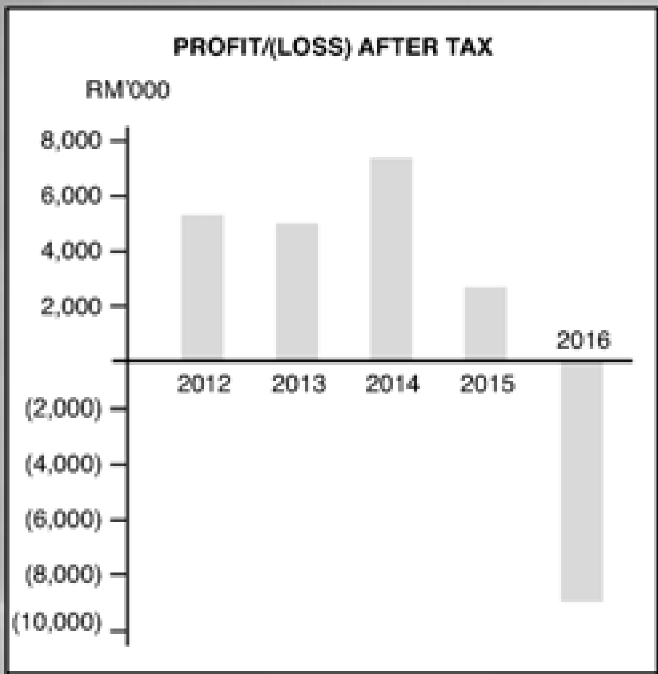
2016
ANNUAL REPORT

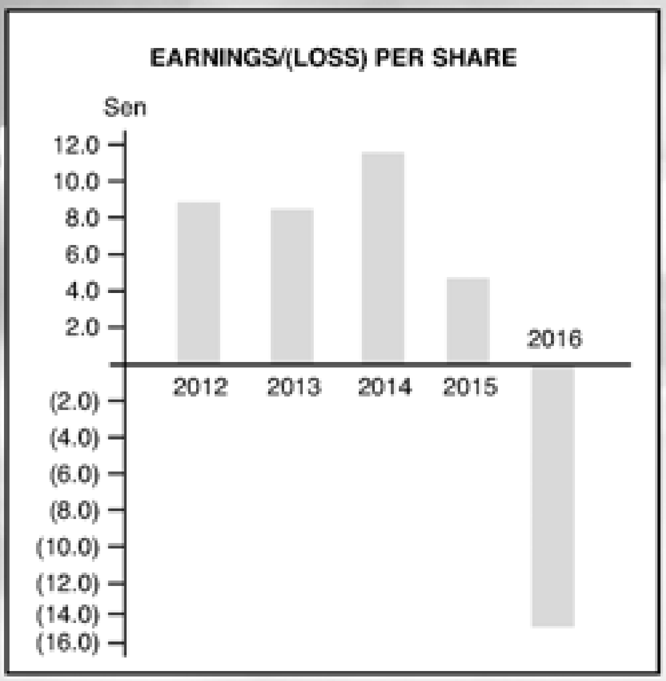
Contents

GROUP FINANCIAL HIGHLIGHTS



Financial Year Ended 31 December	Revenue RM'000	Profit/(Loss) After Tax RM'000	Earnings/ (Loss) Per Share Sen
2012	65,543	5,486	8.9
2013	66,106	5,475	8.8
2014	65,685	7,266	11.7
2015	70,722	2,685	4.3
2016	45,057	(8,999)	(14.5)





Vision

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

Mission

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Second Annual General Meeting ("AGM") of Kia Lim Berhad will be held at The Katerina Hotel, 8, Jalan Zabedah, 83000 Batu Pahat, Johor Darul Takzim on Wednesday, 24 May 2017 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 2016 together with the Directors' and Auditors' Report thereon. — *Refer to Note (a)*

2. To approve the payment of Directors' fees and benefits for the year ended 31 December 2016. — RESOLUTION 1

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

   i) Mr Chua Syer Cin — RESOLUTION 2

4. To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration. — RESOLUTION 3

SPECIAL BUSINESS

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

5. ORDINARY RESOLUTION 1
   RE-APPOINTMENT OF DIRECTORS — *Refer to Note (b)*

   "**THAT** the following Directors be and are hereby re-appointed as Directors of the Company:

   i) Datuk Ng Yeng Keng @ Ng Ka Hiat; — RESOLUTION 4
   ii) Dr Ng Yam Puan @ Ng Ah Bah; and — RESOLUTION 5
   iii) En Mohd Salleh Bin Jantan" — RESOLUTION 6

6. ORDINARY RESOLUTION 2 — RESOLUTION 7
   AUTHORITY TO ALLOT SHARES - SECTION 76

   "**THAT** pursuant to Section 76 of the Companies Act, 2016 and subject to the approval of relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of 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 conferred by this resolution shall commence upon passing this resolution until: — *Refer to Note (c)*

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

   whichever occurs first."

7. ORDINARY RESOLUTION 3 — 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 (d)*

8. ORDINARY RESOLUTION 4 — 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 (d)*

9. ORDINARY RESOLUTION 5 — RESOLUTION 10
   CONTINUATION OF TERMS OF OFFICE AS INDEPENDENT DIRECTOR

   "**THAT** authority be and is hereby given to En Mohd Salleh Bin Jantan to continue to serve as an Independent Director of the Company in accordance with Malaysian Code On Corporate Governance 2012." — *Refer to Note (d)*

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

BY ORDER OF THE BOARD

LEONG SIEW FOONG
MAICSA No. 7007572
Company Secretary

Johor Bahru
27 April 2017

NOTES:

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

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

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

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

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

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

EXPLANATORY NOTES:

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

(b) Resolution 4, 5 and 6

With the coming into force of the Companies Act, 2016 on 31 January 2017, there is no age limit for directors.

At the Twenty-First Annual General Meeting held on 25 May 2016, Datuk Ng Yeng Keng @ Ng Ka Hiat, Dr Ng Yam Puan @ Ng Ah Bah and En Mohd Salleh Bin Jantan who are above the age of 70, were re-appointed pursuant to Section 129 of the Companies Act, 1965 to hold office until the conclusion of the Twenty-First Annual General Meeting. Their term of office will end at the conclusion of Twenty-First Annual General Meeting and they have offered themselves for re-appointment.

The proposed Ordinary Resolution 4, 5 and 6 if passed, will enable Datuk Ng Yeng Keng @ Ng Ka Hiat, Dr Ng Yam Puan @ Ng Ah Bah and En Mohd Salleh Bin Jantan to continue to act as Directors of the Company and they shall subject to retirement by rotation at a later date.

The Nomination Committee of the Company has assessed the criteria and contribution of Datuk Ng Yeng Keng @ Ng Ka Hiat, Dr Ng Yam Puan @ Ng Ah Bah and En Mohd Salleh Bin Jantan and recommended for their re-appointment. The Board endorsed the Nomination Committee's recommendation that Datuk Ng Yeng Keng @ Ng Ka Hiat, Dr Ng Yam Puan @ Ng Ah Bah and En Mohd Salleh Bin Jantan be re-appointed as Directors of the Company.

(c) Resolution 7

The proposed Resolution No. 7 if passed, is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting. This is a renewal of a general mandate. The Company did not utilise the mandate granted in the preceding year's Annual General Meeting.

This authority will, unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting.

The authority will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limiting to further placing of shares, for the purpose of funding future investment(s), acquisition(s) and/or working capital.

(d) Resolutions 8, 9 and 10

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

In line with the 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, Mr Chua Syer Cin and En Mohd Salleh Bin Jantan to continue their office as Independent Directors according to the resolutions put forth in the forthcoming Annual General Meeting.

ADDITIONAL NOTES

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Ms Leong Siew Foong
MAICSA No. 7007572

REGISTERED OFFICE

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

SHARE REGISTRAR

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

PRINCIPAL PLACE OF BUSINESS

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

AUDITORS

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

PRINCIPAL BANKERS

RHB Bank Berhad
Hong Leong Bank Berhad

STOCK EXCHANGE

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

Explanatory Notes:-
** Resigned on 30 November 2016*

MR LOH CHEE KAN, aged 62, male, Malaysian, was appointed as an Independent Non-Executive Director of Kia Lim Berhad ("KLB") on 5 March 1996 and redesignated as Chairman of the Company on 1 March 2011. Presently, he is the Chairman of the 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; has no conviction for any offences within the past five (5) years other than traffic offences, if any and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DATUK ARISS BIN SAMSUDIN, aged 61, male, Malaysian, was appointed as Vice Chairman & Executive Director of KLB on 5 March 1996 and was appointed to the Board of Syarikat Kia Lim Kilang Batu Bata Sdn Bhd on 28 February 1995. He also sits on the Board of several other private limited companies.

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

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

DATUK NG YENG KENG @ NG KA HIAT, aged 71, male, Malaysian, was appointed as Executive Director of KLB on 5 March 1996 and redesignated as Deputy Managing Director on 29 November 2006. Subsequently, on 8 October 2007, Datuk Ng Yeng Keng was redesignated as Chief Executive Officer of the Company.

He has over thirty two (32) years of experience in the manufacturing of clay bricks, building and civil engineering works, sawmilling, logging and manufacturing of wood-based products. He was an Executive Director of Syarikat Kayu Wangi Berhad since 1981 and resigned in 2005. He also sits on the Board of several other private limited companies.

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

MR NG CHIN KANG, aged 46, male, 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; has no conviction for any offences within the past five (5) years other than traffic offences, if any and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DR NG YAM PUAN @ NG AH BAH, aged 79, male, Malaysian, was appointed as Non-Independent Non-Executive Director of KLB on 5 March 1996 and is a graduate from the Tohoku National University, Japan with a Bachelor of Medicine and Bachelor of Surgery in 1967 and Doctor of Philosophy in Internal Medicine in 1972. He started his medical career at the Johor Bahru General Hospital as a medical officer in 1973. He has since left the civil service in 1977 to establish his own private clinic in Batu Pahat. He is also a Director of several other private limited companies.

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

MR CHUA SYER CIN, aged 45, male, Malaysian, male, was appointed as an 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; has no conviction for any offences within the past five (5) years other than traffic offences, if any and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

EN MOHD SALLEH BIN JANTAN, aged 74, male, Malaysian, was appointed as an Independent Non-Executive Director of KLB on 15 November 2014. He has over thirty eight (38) years experience in the manufacturing of clay bricks and building and civil engineering works. Presently, he is the member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

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

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

Note:

(1) Please refer to page 80 of this Annual Report for Directors' shareholdings.

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

MR ONG YU HOCK

General Manager

Nationality : Malaysian

Age / Gender : 45 / Male

Date of appointment : 10 November 2003

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

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

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

MR NG CHENG YEW

General Manager (Operations)

Nationality: Malaysian

Age / Gender : 38 / Male

Date of appointment : 11 July 2001

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

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

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

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 2012 ("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 shareholders' 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 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 whilst incorporating the principles and recommendations of the MCCG 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 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 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 practices and will undertake appropriate action in promoting the principles and recommendations of the MCCG 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 2016.

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) 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.

Having recognised the importance of an effective and dynamic Board, the Board has established and adopted a Board Charter to ensure that all Board members are aware of the Board's fiduciary and leadership functions. The main duties and responsibilities set out in the Board Charter, amongst others, include:

(a) reviewing and adopting a sustainable business strategy / direction of the Group;
(b) approving the implementation of appropriate measures to manage the Group's key risks, internal controls and reporting systems;
(c) approving and monitoring the compliance with the Directors' Code of Ethics and Conduct;
(d) approving annual budgets, including major capital commitments;
(e) approving financial statements and accounting policies of the Group;

CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

a) Board Function (Cont'd)

(f) approving financial report to be released and related announcements;
(g) approving the dividend declaration and payment of dividend;
(h) approving corporate plans and programmes;
(i) approving acquisition, disposal or closure of any business;
(j) approving new / expansion of business ventures;
(k) approving credit facilities, borrowings or grants;
(l) approving management's authority limits;
(m) developing and implementing an investor relations programme or shareholder communication channels such as telephone, mail, email, facsimile, corporate website, in person or via attendance at the General meetings;
(n) dealing with sensitive or unusual matters of a material nature;
(o) monitoring major litigation; and
(p) any other issues which may be decided by the Board from time to time.

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, 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 Board has 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 the Company's website at www.kialim.com.my.

b) Board Meetings

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

There were five (5) Board Meetings held during the financial year ended 31 December 2016. A majority of the Directors attended all the Board Meetings held during their tenure. Details of attendance are as follows:

Directors	Status	Board Meeting Attended
Mr Loh Chee Kan	Chairman & Independent Non-Executive Director	5/5
Datuk Ariss Bin Samsudin	Vice Chairman & Executive Director	4/5
Datuk Ng Yeng Keng @ Ng Ka Hiat	Chief Executive Officer	5/5
Mr Tan See Chip*	Executive Director	5/5
Mr Ng Chin Kang	Executive Director	5/5
Dr Ng Yam Puan @ Ng Ah Bah	Non-Independent Non-Executive Director	5/5
En Mohd Salleh Bin Jantan	Independent Non-Executive Director	5/5
Mr Chua Syer Cin	Independent Non-Executive Director	3/5

Explanatory Note:-
*Resigned on 30 November 2016

c) 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 343 (3) of the Companies Act, 2016. The Company Secretary attends all the board meetings.

CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

c) Supply of information (Cont'd)

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

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

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

d) 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 Directors' Code of Ethics and Conduct is available on the Company's website at www.kialim.com.my and is subject to periodical review. 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.

e) 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 specific policy for the time being.

f) 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.

g) Appointment and Re-election of the Board

Main Market Listing Requirements of Bursa Securities provides that each Director, including the Managing and/or Executive Directors must retire from office at least once in three (3) years and shall be eligible for re-election at the Annual General Meeting. Directors who are newly appointed by the Board are subject to re-election by the shareholders at the immediate next Annual General Meeting held following their appointment.

The performance of the Directors who are subject to re-appointment and re-election at the AGM will be assessed by the Nomination Committee whereupon their recommendations will be submitted to the Board for consideration and thereafter for recommendation to the shareholders for approval at the forthcoming AGM.

h) 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.

a) Composition of Board

The Board currently has seven (7) members, comprising the Chairman, who is an Independent Non-Executive Director, the Vice Chairman, who is an Executive Director, the Chief Executive Officer, one (1) other Executive Director and three (3) Non-Executive Directors of which two (2) are Independent Non-Executive Directors and one (1) is Non-Independent Non-Executive Director. With the above appointments, Kia Lim Berhad has thus complied with the Main Market 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.

b) 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 18 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.

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

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

STRENGHTEN COMPOSITION (CONT'D)

b) Board Committees (Cont'd)

ii) Nomination Committee (Cont'd)

In the process of selecting and evaluating candidates, the Nomination Committee takes into consideration suitability for the role, board balance and composition, mix of skills, experience, knowledge and other qualities as well as diversity in terms of gender, age, ethnicity and cultural background.

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

The 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	Member

The Nomination Committee met once during the financial year ended 31 December 2016.

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	Member

The Remuneration Committee met once during the financial year ended 31 December 2016.

Directors' Remuneration

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

Although there is no directors' remuneration framework for executive directors being put in place, the Board is however of the view that their remuneration is within the reasonable level based on the performance of the Group. The Board constantly takes note of the contribution and performance of the existing Directors. The objective of the Company is to ensure the level of remuneration is sufficient to attract and retain the Directors to run the Company successfully. The 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 Annual General Meeting.

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.

STRENGHTEN COMPOSITION (CONT'D)

Directors' Remuneration (Cont'd)

The aggregate remuneration of Directors, received or receivable, categorised into appropriate components for the financial year ended 31 December 2016 are as follows:

Company	Fees RM	Sitting Allowance RM	Salaries and other Emoluments RM	Benefits in Kind RM	Total RM
Executive	58,750	-	-	-	58,750
Non-Executive	75,000	30,600	-	-	105,600
Total	133,750	30,600	-	-	164,350

Group	Fees RM	Sitting Allowance RM	Salaries and other Emoluments RM	Benefits in Kind RM	Total RM
Executive	66,950	-	652,324	37,827	757,101
Non-Executive	75,000	30,600	-	-	105,600
Total	141,950	30,600	652,324	37,827	862,701

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 RM50,000	-	4
RM50,001 to RM100,000	1*	-
RM100,001 to RM200,000	2	-
RM300,001 to RM400,000	1	-

* An Executive Director who resigned on 30 November 2016.

Details of the remuneration of each Director are not disclosed due to security and confidentiality 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. Having said this, the Board recognises that an individual's independence cannot be determined arbitrarily on the basis of a set period of time alone.

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

REINFORCE INDEPENDENCE (CONT'D)

Currently Mr Loh Chee Kan, Mr Chua Syer Cin and En Mohd Salleh Bin Jantan have served the Board for accumulated terms of nine years. In line with the MCCG, the Nomination Committee has assessed the independence of Mr Loh Chee Kan, Mr Chua Syer Cin and En Mohd Salleh Bin Jantan as defined in Main Market of Listing Requirements of Bursa Securities 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, Mr Chua Syer Cin and En Mohd Salleh Bin Jantan to continue their office as Independent Directors according to the respective resolutions put forth in the forthcoming Annual General Meeting.

Any Independent Director of the Company is, while holding office, at liberty to accept other Board appointments as long as the appointment is not in conflict with the business and does not affect his performance as an independent director. Independent Directors are expected to advise the Chairman immediately if they believe that they may no longer be independent.

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 Main Market Listing Requirements of Bursa Securities and thereafter to continually upgrade their knowledge and exposure through training programmes as well as seminars. All the Directors have attended MAP prescribed by the Main Market Listing Requirements of Bursa Securities.

The training programmes or seminars attended by all of the Directors for the financial year ended 31 December 2016 are as follows:

1	Datuk Ng Yeng Keng @ Ng Ka Hiat	• Sustainability Engagement Series for Directors/ Chief Executive Officer	02.06.2016
2	Datuk Ariss Bin Samsudin	• Economic Outlooks 2016 Luncheon Talk	18.05.2016
3	Dr Ng Yam Puan @ Ng Ah Bah	• Sustainability Engagement Series for Directors/ Chief Executive Officer	02.06.2016
4	Mr Ng Chin Kang	• Corporate Governance Breakfast Series - Thought Leadership Session for Directors – "How to Leverage on AGMs for Better Engagement with Shareholders"	21.11.2016
5	Mr Loh Chee Kan	• Updates on GST	15.11.2016
6	En Mohd Salleh Bin Jantan	• Deferred Tax – Applying Basic Principles to Complex Accounting	18.04.2016 & 19.04.2016
7	Mr Chua Syer Cin	• Goods & Services Tax – Its Impact on Employee Benefits • GST For Land & Property Development • 2017 Budget Seminar	09.06.2016 20.06.2016 23.11.2016

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 Main Market 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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965. 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 have continued to report to members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. The Board has established a formal and transparent arrangement for the achievement of objectives and maintenance of professional relationship with the external auditors. The external auditors have access to the books and records of the Group at all times and highlight to the 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) separate dialogue sessions with the external auditors where there was an exchange of views in relation to the financial reporting of the Group and other issues needing attention.

The 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. The external auditors have confirmed via its report to the Audit Committee at an Audit Committee meeting that, they are and have been independent throughout the conduct of audit engagement in according with terms of relevant professional and regulatory requirements.

RECOGNISE AND MANAGE RISKS

Relevant internal control systems are implemented for the day-to-day operations of the Group. The internal auditors are authorised to conduct independent audits of all the departments and offices within the Group and reports the findings to the 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 20 to 22 of this Annual Report.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

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

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

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

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

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 Annual General Meeting 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 Annual General Meeting 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 Annual General Meeting is announced to Bursa Securities at the end of the meeting day. Proceedings of the Annual General Meeting 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.

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

c) Audit and Non-Audit Fees
During the financial year ended 31 December 2016, the amount of audit and non-audit fees paid/payable to the external auditors by the Group and the Company respectively were as follows:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Statutory audit fees paid/payable to:-				
- Ernst & Young ("EY") Malaysia	100,000	95,000	25,000	25,000
Non audit fees paid/payable to:-				
- Ernst & Young ("EY") Malaysia	9,000	10,500	5,000	5,000

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

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

f) 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.

g) Related Party Transaction
A list of significant related party transaction between the Company and its subsidiaries, and between the Group and other related parties including relevant Key Management personnel for the 12-month financial period ended 31 December 2016 is set out on page 69 to 70 of the Annual Report.

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

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

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

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

- Reviewed and recommended for the Board's approval the quarterly financial results for public announcement;
- Reviewed with the external auditors their audit plan prior to the commencement of the audit activities;
- Discussed the annual audited financial statements with the external auditors and ensured that the financial reporting and disclosure requirements are complied with the relevant authorities, as well as their findings and recommendations;
- Discussed with the external auditors to ensure that internal control system is adequate and functioning and any weaknesses identified are properly remedied;
- Reviewed 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 2016 as follows:

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

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

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

The Group's internal and external auditors and certain members of the management team were invited to attend the Committee meetings.

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

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

INTERNAL AUDIT FUNCTIONS

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

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

During the financial year under review, based on the risk-based audit programme drawn up, the Internal Audit function had conducted audit and follow-up audit on key activities of the Group, including the areas of product planning and control management, production management, occupational safety & health management, procurement to payment process and quality assurance & quality control management.

The cost incurred in maintaining the internal audit function for the financial year ended 31 December 2016 was RM22,916.

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 2016, 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 2016 were as follows:

- On 24 August 2016, the Group organised a blood donation campaign together with the Hospital Batu Pahat for the well being of society at large.
- Team Building activities were held from 7 April 2016 to 9 April 2016 to foster better relationship and teamwork among employees of the Group.
- On 16 September 2016, the Group organised a water game competition with the aim to encourage employees to lead healthy lifestyles.
- 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 that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

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

Risk Management Framework

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

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

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

BOARD RESPONSIBILITY (CONT'D)

Risk Management Framework (Cont'd)

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

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

Key Elements of Internal Control

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

(i) Strategic business direction and risk management

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

(ii) Organisational structure and corporate culture

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

(iii) Definition of employees' roles and responsibilities

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

(iv) Reporting and review

Adequate financial and operational information systems are in place to capture pertinent internal business information. Financial and operational reports are periodically prepared and presented to management 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 18 of the Annual Report.

BOARD RESPONSIBILITY (CONT'D)

Key Elements of Internal Control (Cont'd)

(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 Company for the financial year ended 31 December 2016 and reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the systems of internal controls and risk management.

The Board's Statement on Risk Management and Internal Control

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

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 2016.

FINANCIAL REVIEW

The year 2016 was indeed a challenging year for the Kia Lim Berhad Group amid a domestic economic environment of moderating growth in general and a sluggish real property market in particular, resulting in a slump in the demand for clay bricks. The Group's results fell into the red, recording a loss before taxation of RM9.1 million on the back of lower revenue of RM45.1 million as compared to a profit before taxation of RM5.9 million on revenue of RM70.7 million last year. The loss before taxation was mainly attributable to the decline in revenue of approximately 36%, lower margins as well as the impairment loss on property, plant and equipment of RM5.0 million. The Group's overall margin was squeezed by depressed selling prices as a result of weak demand and excess clay bricks capacity in the industry during the year under review.

LIQUIDITY AND CAPITAL RESOURCES

The Group's net assets value of RM74.1 million in this financial year was lower than the previous year's RM83.1 million. Correspondingly the Group's net assets value per share was RM1.20 as at 31 December 2016 as compared to RM1.34 last year. Inventories increased slightly from RM16.6 million in financial year 2015 to RM16.9 million in current financial year, this was primarily due to higher inventories for finished goods as a result of slowdown in sales.

In anticipation of the challenges ahead, cash preservation was the key focus and hence, capital expenditure for the year was modest at RM2.3 million as compared to RM4.5 million last year. Despite lower spending on capital expenditure, the Group's cash and cash equivalents has however decreased from RM1.0 million as at 31 December 2015 to a net overdraft position of RM1.9 milllion as at 31 December 2016. This was mainly due to lower net inflow from operating activities of RM4.3 million as compared to RM12.3 million last year.

The Group's gearing ratio (calculated as net debt divided by total capital plus net debt) as at 31 December 2016 was 23% as compared to 24% as at 31 December 2015. The improved gearing ratio was mainly due to lower total borrowings following the full redemption of redeemable convertible secured loan stocks during the year.

The Group's revenue, profit after tax and earnings per share for the past 5 years up to 31 December 2016, are disclosed in this Annual Report under the Group Financial Highlights in page 1.

OPERATIONAL AND BUSINESS REVIEW

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

At the beginning of the year, the Group continued its last Phase upgrading project of PLC ("Programmable Logic Control") system for the manufacturing line. The upgraded PLC system is expected to enhance production efficiency in terms of lower product unit costs as well as increased capacity.

The Government's rationalization plan, especially the removal of subsidy for petrol and diesel coupled with the upward revision of the rates of minimum wage has inevitably brought much pressure to the production and distribution costs.

Arising from the above, the Management has reviewed and carried out a minor restructuring of human resources to encourage staff and workers to upgrade their skills and to practice multi-tasking wherever possible in order to reduce the number of headcounts while improving further operational efficiency and containing costs. In addition, several automation projects were also being explored but were subsequently put on hold as a result of the slowdown in property market.

Nevertheless, the Group continued its strategy to stockpile certain raw materials, such as solid fuel and clay to ensure consistent supply as well as to provide a hedge to the Group's exposure to the volatility of the costs of these materials.

Over the years, the Group has built a good reputation and established strong goodwill with its clients. In addition, the Group has also intensified its effort in expanding its existing client base as one of the strategies undertaken in order to secure more customers to the Group's existing portfolio.

PROSPECTS

The property market is expected to remain flattish in year 2017 as it continued to be hampered by pricing unaffordability issues, rising cost of living and lack of financing as buyers are hindered by end financing woes as a result of stringent lending standards.

With the sluggish economic outlook and lack of new launches in the property market, construction activities will continue to stay slow in the near term. Thus, the Group anticipates continuing weak demand for clay bricks and that competition will remain stiff and the Group will continue to face challenges of depressed pricing due to overall over capacity in the industry.

On a more positive note however, developers have begun to adopt more innovative marketing strategies, such as the developer housing loan assistance package, rebates and discounts which may attract more buyers to cushion such adverse impact. The fall in the value of Ringgit may also help to attract more foreign investors to take advantage to buy more properties in Malaysia.

Given the aforementioned scenario, the Group will continue to focus on its strategy and effort to enhance its operational efficiency and products quality in order to remain competitive in the industry, and will strive its best to achieve a satisfactory financial results for the financial year ending 31 December 2017.

DIVIDENDS

The Board does not recommend any dividends for the financial year ended 31 December 2016.

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 continue well-being of the Group.

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

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

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries and associate are as disclosed in Notes 14 and 15 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
Loss net of tax	8,998,576	13,338,687
Attributable to:		
Equity holders of the Company	8,998,576	13,338,687

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

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

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
Ng Yam Puan @ Ng Ah Bah
Chua Syer Cin
Ng Chin Kang
Mohd Salleh Bin Jantan
Tan See Chip (Resigned on 30 November 2016)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 27 to the financial statements.

DIRECTORS' INTERESTS

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

The Company	1 January 2016	Number of ordinary shares of RM1 each Acquired	Sold	31 December 2016
Direct interest				
Datuk Ariss Bin Samsudin	303,000	-	-	303,000
Datuk Ng Yeng Keng @ Ng Ka Hiat	1,542,255	-	-	1,542,255
Mohd Salleh Bin Jantan	42,816	-	-	42,816
Ng Yam Puan @ Ng Ah Bah	320,499	-	-	320,499
Indirect interest *				
Datuk Ng Yeng Keng @ Ng Ka Hiat	170,998	-	-	170,998
Deemed interest				
Datuk Ng Yeng Keng @ Ng Ka Hiat **	28,972,200	-	-	28,972,200
Ng Chin Kang ***	13,445,134	-	-	13,445,134

The Company	1 January 2016	Number of warrants Exercised	Expired	31 December 2016
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.

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

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

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.

On 5 February 2016, the warrants expired and no warrants were exercised during the financial year.

OTHER STATUTORY INFORMATION

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

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; 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 to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; 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.

SUBSEQUENT EVENT

Details of a subsequent event are disclosed in Note 34 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 March 2017.

Datuk Ng Yeng Keng @ Ng Ka Hiat

Ng Chin Kang

STATEMENT BY DIRECTORS

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

We, Datuk Ng Yeng Keng @ Ng Ka Hiat and Ng Chin Kang, being two of the directors of Kia Lim Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 33 to 77 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 2016 and of their financial performance and cash flows for the year then ended.

The information set out in Note 36 on page 78 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 29 March 2017.

Datuk Ng Yeng Keng @ Ng Ka Hiat

Ng Chin Kang

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 33 to 78 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed Datuk Ng Yeng Keng @ Ng Ka)
Hiat at Johor Bahru in the State of Johor)
Darul Ta'zim on 29 March 2017) Datuk Ng Yeng Keng @ Ng Ka Hiat

Before me,

Mohd Zulfakar Bin Sabri
No. J 274
Commissioner for Oaths

Johor Bahru, Malaysia

29 March 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Kia Lim Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 33 to 77.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Areas of focus	How our audit addressed the risk factors
Impairment for property, plant and equipment The Group is required to perform impairment assessment of Cash Generating Units ("CGUs") when there is an indication that the carrying value of a CGU may be impaired. Brought about by the cessation of one of its production facility, the management performed an impairment assessment in respect of the said production facility with a carrying amount of approximately RM6,000,000 (prior to any impairment loss) as at 31 December 2016. The impairment assessment had resulted in the recognition of an impairment loss of RM5,000,000. This impairment assessment on the said production facility is important to our audit due to the size of its carrying value which represents 6% of total assets of the Group at the reporting date prior to the impairment loss, its impact to the overall results of the Group as well as the significant audit efforts involved in the assessment of the recoverable amount.	We have reviewed management's assessment of the recoverable amount of the CGU. Our audit procedures included, amongst others, validating the appraisal reports obtained by the management, challenging management's assumption on the cost to sell and recalculating management's computation in arriving at the recoverable amount. We also considered the existence, independence, reputation and experience of the appraiser. Further, we evaluated the adequacy of the Company's disclosures regarding the impairment of the production facility as disclosed in Note 3.1(d) to the financial statements.

Key audit matters (Cont'd)

Areas of focus	How our audit addressed the risk factors
Impairment for property, plant and equipment (Cont'd) The Group estimated the recoverable amount of the CGU based on its fair value less cost to sell. (Refer to summary of significant accounting policies in Note 2.10 and the disclosures of property, plant and equipment in Note 12 to the financial statements.)	

Information other than the financial statements and auditors' report thereon

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

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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' report on the financial statements of the subsidiaries was 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 36 on page 78 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

Wun Mow Sang
01821/12/2018 J
Chartered Accountant

Johor Bahru, Malaysia
29 March 2017

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Revenue	4	45,057,347	70,722,060	-	-
Cost of sales		(39,104,220)	(52,208,140)	-	-
Gross profit		5,953,127	18,513,920	-	-
Other item of income					
Other income	6	264,809	585,171	228,403	268,702
Other items of expense					
Administrative expenses		(9,477,666)	(4,689,890)	(13,419,679)	(694,811)
Selling and distribution expenses		(5,198,707)	(7,287,053)	-	-
Finance costs	5	(663,364)	(1,257,787)	(147,411)	(601,021)
Share of loss of associate	15	(2,700)	(587)	-	-
(Loss)/Profit before tax	7	(9,124,501)	5,863,774	(13,338,687)	(1,027,130)
Income tax	10	125,925	(3,179,165)	-	(282)
(Loss)/Profit net of tax, representing total comprehensive (loss)/income for the year		(8,998,576)	2,684,609	(13,338,687)	(1,027,412)
Attributable to: Equity holders of the Company		(8,998,576)	2,684,609	(13,338,687)	(1,027,412)
(Loss)/Earnings per share attributable to equity holders of the Company (sen): Basic and diluted	11	(14.5)	4.3		

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Group 31.12.2016 RM	31.12.2015 RM Restated	1.1.2015 RM Restated
Assets				
Non-current assets				
Property, plant and equipment	12	66,511,756	76,586,183	79,743,728
Investment property	13	501,040	528,703	-
Investment in associate	15	82,392	85,092	85,679
Investment in securities	16	5,037	5,037	5,037
Deferred tax assets	24	1,270,452	1,038,027	3,695,000
		68,370,677	78,243,042	83,529,444
Current assets				
Inventories	18	16,932,883	16,616,786	16,252,505
Trade and other receivables	17	10,220,682	13,833,898	13,024,747
Other current asset	19	133,676	147,059	191,392
Tax recoverable		50,410	-	68,570
Cash and bank balances	20	392,861	2,485,541	443,860
		27,730,512	33,083,284	29,981,074
Total assets		96,101,189	111,326,326	113,510,518
Equity and liabilities				
Current liabilities				
Trade and other payables	23	13,154,187	15,394,336	15,136,781
Tax payables		-	183,337	-
Loans and borrowings	21	7,790,590	11,672,093	10,147,027
		20,944,777	27,249,766	25,283,808
Net current assets		6,785,735	5,833,518	4,697,266
Non-current liability				
Loans and borrowings	21	1,092,649	1,014,221	7,848,980
Total liabilities		22,037,426	28,263,987	33,132,788
Net assets		74,063,763	83,062,339	80,377,730
Equity attributable to equity holders of the Company				
Share capital	25	61,937,451	61,937,451	61,937,451
Share premium	26	7,283,230	7,283,230	7,283,230
Retained earnings		4,843,082	13,841,658	11,157,049
Total equity		74,063,763	83,062,339	80,377,730
Total equity and liabilities		96,101,189	111,326,326	113,510,518

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Company 31.12.2016 RM	Company 31.12.2015 RM
Assets			
Non-current assets			
Property, plant and equipment	12	-	-
Investment property	13	501,040	528,703
Investment in subsidiaries	14	50,175,411	63,104,891
Other receivables	17	1,132,889	5,000,000
		51,809,340	68,633,594
Current assets			
Other receivables	17	5,187,886	5,680,173
Cash and bank balances	20	9,837	7,337
		5,197,723	5,687,510
Total assets		57,007,063	74,321,104
Equity and liabilities			
Current liabilities			
Other payables	23	406,874	488,405
Loans and borrowings	21	820,848	5,000,000
		1,227,722	5,488,405
Net current assets		3,970,001	199,105
Non-current liability			
Loans and borrowings	21	285,329	-
Total liabilities		1,513,051	5,488,405
Net assets		55,494,012	68,832,699
Equity attributable to equity holders of the Company			
Share capital	25	61,937,451	61,937,451
Share premium	26	7,283,230	7,283,230
Accumulated losses		(13,726,669)	(387,982)
Total equity		55,494,012	68,832,699
Total equity and liabilities		57,007,063	74,321,104

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

Group	Non-distributable Share capital RM (Note 25)	Share premium RM (Note 26)	Distributable Retained earnings RM	Total RM
At 1 January 2016	61,937,451	7,283,230	13,841,658	83,062,339
Total comprehensive loss for the year	-	-	(8,998,576)	(8,998,576)
At 31 December 2016	61,937,451	7,283,230	4,843,082	74,063,763
At 1 January 2015	61,937,451	7,283,230	11,157,049	80,377,730
Total comprehensive income for the year	-	-	2,684,609	2,684,609
At 31 December 2015	61,937,451	7,283,230	13,841,658	83,062,339

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

Company	Non-distributable Share capital RM (Note 25)	Share premium RM (Note 26)	(Accumulated losses)/ Retained earnings RM	Total RM
At 1 January 2016	61,937,451	7,283,230	(387,982)	68,832,699
Total comprehensive loss for the year	-	-	(13,338,687)	(13,338,687)
At 31 December 2016	61,937,451	7,283,230	(13,726,669)	55,494,012
At 1 January 2015	61,937,451	7,283,230	639,430	69,860,111
Total comprehensive loss for the year	-	-	(1,027,412)	(1,027,412)
At 31 December 2015	61,937,451	7,283,230	(387,982)	68,832,699

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Operating activities				
(Loss)/Profit before tax	(9,124,501)	5,863,774	(13,338,687)	(1,027,130)
Adjustments for:				
Allowance for diminution in value of investment in subsidiary	-	-	12,929,480	246,000
Allowance for slow moving inventories	-	472,698	-	-
Depreciation of property, plant and equipment	7,683,347	7,043,061	-	27,663
Depreciation of investment property	27,663	-	27,663	-
Gain on disposal of property, plant and equipment	(68,874)	(5,585)	-	-
Impairment loss of property, plant and equipment	5,000,000	-	-	-
Interest expenses	663,364	1,257,787	147,411	601,021
Interest income	-	-	(147,411)	(222,301)
Property, plant and equipment written off	1,614	178,052	-	-
Share of loss of associate	2,700	587	-	-
Unrealised foreign exchange loss	52,330	54,092	-	-
Operating cash flows before changes in working capital	4,237,643	14,864,466	(381,544)	(374,747)
Inventories	(316,097)	(836,979)	-	-
Receivables	3,618,698	(814,208)	-	-
Other current asset	13,383	44,333	-	-
Payables	(2,297,961)	208,520	(81,531)	93,608
Cash flows generated from/(used in) operations	5,255,666	13,466,132	(463,075)	(281,139)
Interest paid	(663,364)	(879,067)	(147,411)	(222,301)
Interest received	-	-	147,411	222,301
Tax paid	(340,247)	(270,285)	-	(282)
Net cash flows generated from/(used in) operating activities	4,252,055	12,316,780	(463,075)	(281,421)
Investing activities				
Proceeds from disposal of property, plant and equipment	68,874	349,326	-	-
Purchase of property, plant and equipment	(2,332,514)	(4,467,012)	-	-
Repayment from subsidiary companies	-	-	4,359,398	2,268,899
Net cash flows (used in)/generated from investing activities	(2,263,640)	(4,117,686)	4,359,398	2,268,899
Financing activities				
Proceeds from term loans	1,615,000	-	1,615,000	-
Repayment of bankers' acceptances	(405,000)	(1,475,000)	-	-
Repayment of obligations under finance lease	(581,658)	(874,771)	-	-
Repayment of redeemable convertible secured loan stocks	(5,000,000)	(2,000,000)	(5,000,000)	(2,000,000)
Repayment of term loans	(508,823)	-	(508,823)	-
Net cash flows used in financing activities	(4,880,481)	(4,349,771)	(3,893,823)	(2,000,000)
Net (decrease)/increase in cash and cash equivalents	(2,892,066)	3,849,323	2,500	(12,522)
Cash and cash equivalents at 1 January	976,447	(2,872,876)	7,337	19,859
Cash and cash equivalents at 31 December (Note 20)	(1,915,619)	976,447	9,837	7,337

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

1. CORPORATE INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and associate are as disclosed in Notes 14 and 15 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 2016 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 except as disclosed in the accounting policies below and are presented in Ringgit Malaysia (RM).

2.2 Changes in accounting policies

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

On 1 January 2016, the Group and the Company adopted the following Standards, Amendments and Annual Improvements mandatory for annual financial periods beginning on or after 1 January 2016:

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2012–2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14: Regulatory Deferral Accounts	1 January 2016

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

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset forms part of the business) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments do not have any impact to the Group and the Company as the Group and the Company have not used a revenue-based method to depreciate its non-current assets.

Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of MFRS 141. Instead, MFRS 116 will apply. After initial recognition, bearer plants will be measured under MFRS 116 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of MFRS 141 and are measured at fair value less costs to sell.

The amendments do not have any impact on the Group’s and the Company's financial statements as the Group and the Company do not have bearer plants.

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

2.2 Changes in accounting policies (Cont'd)

Amendments to MFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

The amendments to MFRS 11 require that a joint operator which acquires an interest in a joint operation which constitute a business to apply the relevant MFRS 3 Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to MFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

These amendments do not have any impact on the Group's consolidated financial statements as there has been no interest acquired in a joint operation during the year.

Amendments to MFRS 127: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS. These amendments do not have any impact on the Group's and the Company's separate financial statements as the Company does not elect to apply equity method to account for investment in subsidiaries.

Amendments to MFRS 101: Disclosure Initiatives

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The amendments do not have any impact on the Group's and the Company's financial statements.

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The amendments do not have any impact on the Group's financial statements as the Group does not apply the consolidation exception.

MFRS 14 Regulatory Deferral Accounts

MFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulations, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of MFRS. Entities that adopt MFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in the account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing MFRS preparer, this standard does not apply.

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

2.2 Changes in accounting policies (Cont'd)

Annual Improvements to MFRSs 2012–2014 Cycle

The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's financial statements.

(a) MFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment to MFRS 5 clarifies that changing from one disposal method to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in MFRS 5.

The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is applied prospectively.

(b) MFRS 7 Financial Instruments: Disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required.

In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report. This amendment is applied retrospectively.

(c) MFRS 119 Employee Benefits

The amendment to MFRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

(d) MFRS 134 Interim Financial Reporting

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

2.3 Standards and interpretations issued but not yet effective

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

Description	Effective for annual periods beginning on or after
MFRS 107: Disclosures Initiatives (Amendments to MFRS 107)	1 January 2017
MFRS 112: Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
Annual Improvements to MFRSs 2014-2016 Cycle	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4: Insurance Contracts	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
MFRS 2: Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018

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

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

MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 9: Financial Instruments	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16: Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosures to be provided by the Group and the Company.

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

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

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies this amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group and the Company.

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

The amendments to MFRS 2 address three main areas:

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

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

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

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. These amendments are not expected to have any impact on the Group.

MFRS 15 Revenue from Contracts with Customers

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

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

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

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

MFRS 15 Revenue from Contracts with Customers (Cont'd)

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

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

MFRS 16 Leases

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

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group plans to assess the potential effect of MFRS 16 on its financial statements in year 2017.

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that:

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

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

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

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 Group.

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

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 measurement is directly or indirectly observable
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 Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

2.5 Fair value measurement (Cont'd)

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

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

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

2.6 Basis of consolidation

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

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

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

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

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

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

(ii) Rights arising from other contractual arrangements

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

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

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

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

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

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

2.6 Basis of consolidation (Cont'd)

Business combinations and goodwill

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

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

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

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

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

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

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

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

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

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.

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

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.

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 control over. Control is defined in Note 2.6.

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

2.12 Investment in associates

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

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

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

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

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

2.12 Investment in associates (Cont'd)

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

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

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

2.13 Financial instruments

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

(a) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

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

- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss. The Group did not have any financial assets at fair value through profit or loss as at 31 December 2016 and 2015.

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

2.13 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

- Loans and receivables

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

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 17.

- Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. The Group did not have any held-to-maturity investments during the years ended 31 December 2016 and 2015.

- AFS financial assets

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

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

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

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

Derecognition

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

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

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

2.13 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

Derecognition (Cont'd)

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

2.13 Financial instruments (Cont'd)

(b) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

- Financial liabilities at fair value through profit or loss

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

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

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

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

- Loans and borrowings

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

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

- Financial guarantee contracts

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

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

2.13 Financial instruments (Cont'd)

(b) Financial liabilities (Cont'd)

Derecognition

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

(c) Offsetting of financial instruments

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

2.14 Cash and cash equivalents

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

2.15 Inventories

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

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

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

2.16 Provisions

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

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

2.17 Borrowing costs

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

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

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

2.18 Employee benefits

(a) Defined contribution plans

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

(b) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Employee entitlements to annual leave are recognised as liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

2.19 Leases

(a) As lessee

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

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

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

(b) As lessor

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

2.20 Revenue

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

(a) Sale of goods

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

2.21 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.

(b) Deferred tax

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

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

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

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

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

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

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

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

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

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

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

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

2.21 Taxes (Cont'd)

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

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

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

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

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

2.22 Share capital and share issuance expenses

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

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

2.23 Redeemable convertible preference shares

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

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

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

3.1 Key sources of estimation uncertainty

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.1 Key sources of estimation uncertainty (Cont'd)

(a) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and unutilised reinvestment allowances to the extent that it is probable that taxable profit will be available against which the losses and allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's forecast of future profit or loss. These depends on forecast of future production and sales volume and prices, operating costs, capital expenditure and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised tax allowances.

The carrying value of deferred tax assets of the Group as at 31 December 2016 was approximately RM1,270,000 (2015: RM1,038,000) and unrecognised tax losses, capital allowances and reinvestment allowance of the Company was RM36,752,000 (2015: RM34,207,000). If the Company was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by RM8,820,000 (2015: RM8,210,000). Further details are disclosed in Note 10.

(b) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(c) Impairment of investment in subsidiaries

During the previous financial years, the Company has recognised impairment losses of RM20,485,818 in respect of investment in a subsidiary, namely Kangkar Raya Batu Bata Sdn. Bhd. ("KRBB"). At reporting date, management estimated the recoverable amount of its investment in KRBB by updating the value-in-use discounted cash flows ("DCF") prepared in previous years to reflect current assumptions of future economic conditions. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. Based on the updated DCF, the management has recognised a further impairment loss of RM12,929,480 during the financial year.

The assumptions which are significant to the DCF are revenue growth, operating costs and the discount rate. The discount rate applied to the DCF is 12% (2015: 8.84%). Further details on the assessment are disclosed in Note 14.

(d) Impairment assessment of property, plant and equipment

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The Group assess whether there are any indicators of impairment for all non-financial assets at each reporting date.

The Company carried out the impairment test on property, plant and equipment based on higher of the CGU's value-in-use and the fair value less cost to sell. The fair value is based on appraisal reports obtained by the management. For the financial year ended 31 December 2016, the amount of impairment loss recognised for plant and equipment was RM5,000,000 (2015: RM Nil) as disclosed in Note 12 to the financial statements.

4. REVENUE

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

5. FINANCE COSTS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Interest expense on:				
- Accretion of redeemable convertible secured loan stocks	-	378,720	-	378,720
- Bankers' acceptances and bank overdrafts	407,144	523,080	-	-
- Obligations under finance lease	90,379	115,824	-	-
- Other loans	18,430	17,862	-	-
- Redeemable convertible secured loan stocks	66,849	222,301	66,849	222,301
- Term loans	80,562	-	80,562	-
	663,364	1,257,787	147,411	601,021

6. OTHER INCOME

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Gain on disposal of property, plant and equipment	68,874	40,616	-	-
Insurance received	57,551	105,000	-	-
Interest income from subsidiary on redeemable convertible secured loan stocks	-	-	66,849	222,301
Interest income from subsidiary on term loans	-	-	80,562	-
Miscellaneous income	5,510	6,219	-	-
Realised foreign currency gain	36,520	325,924	-	-
Rental income	80,520	47,490	79,200	46,200
Sundry income	8,850	40,874	1,792	201
Unrealised foreign currency loss	(52,330)	(54,092)	-	-
Vehicle rental income	59,314	73,140	-	-
	264,809	585,171	228,403	268,702

7. (LOSS)/PROFIT BEFORE TAX

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Employee benefits expense (Note 8)	8,516,061	9,986,714	164,350	165,000
Non-executive directors' remuneration (Note 9)	105,600	105,000	105,600	105,000
Auditors' remuneration				
- Statutory audit	100,000	95,000	25,000	25,000
- Other audit services	9,000	10,500	5,000	5,000
Accretion of redeemable convertible secured loan stocks	-	378,720	-	378,720
Allowance for diminution in value of investment in subsidiary	-	-	12,929,480	246,000
Allowance for slow moving inventories	-	472,698	-	-
Depreciation of property, plant and equipment (Note 12)	7,683,347	7,043,061	-	27,663
Depreciation of investment property (Note 13)	27,663	-	27,663	-
Impairment loss of property, plant and equipment (Note 12)	5,000,000	-	-	-
Interest expenses	663,364	879,067	147,411	222,301
Loss on disposal of property, plant and equipment	-	35,031	-	-
Property, plant and equipment written off	1,614	178,052	-	-
Rental of premises	163,952	149,605	-	-

8. EMPLOYEE BENEFITS EXPENSE

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Wages and salaries	7,686,731	9,054,722	164,350	165,000
Defined contribution plan	745,299	841,378	-	-
Social security contributions	84,031	90,614	-	-
	8,516,061	9,986,714	164,350	165,000

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM719,274 (2015: RM800,645) and RM58,750 (2015: RM60,000) respectively as further disclosed in Note 9.

9. DIRECTORS' REMUNERATION

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

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Executive directors' remuneration				
Fees	66,950	68,100	58,750	60,000
Other emoluments	652,324	732,545	-	-
	719,274	800,645	58,750	60,000
Non-executive directors' remuneration (Note 7)				
Fees	75,000	75,000	75,000	75,000
Other emoluments	30,600	30,000	30,600	30,000
	105,600	105,000	105,600	105,000
Total directors' remuneration (excluding benefits-in-kind)	824,874	905,645	164,350	165,000
Estimated money value of benefits-in-kind	37,827	48,275	-	-
Total directors' remuneration (including benefits-in-kind)	862,701	953,920	164,350	165,000

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 2016	Number of Directors 2015
Executive directors:		
RM100,001 - RM150,000	3	3
RM400,001 - RM450,000	1	1
Non-executive directors:		
<RM50,000	4	4

10. INCOME TAX

<u>Major components of income tax</u>

The major components of income tax for the years ended 31 December 2016 and 2015 are:

Statement of comprehensive income:	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Malaysian income tax:				
- current year	113,590	521,910	-	-
- (over)/underprovision in prior year	(7,090)	282	-	282
	106,500	522,192	-	282
Deferred tax (Note 24):				
Relating to origination and reversal of temporary differences	(250,120)	2,544,622	-	-
Underprovision in prior year	17,695	112,351	-	-
	(232,425)	2,656,973	-	-
Income tax (benefit)/expense recognised in profit or loss	(125,925)	3,179,165	-	282

10. INCOME TAX (CONT'D)

The reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
(Loss)/Profit before tax	(9,124,501)	5,863,774	(13,338,687)	(1,027,130)
Taxation at Malaysian statutory tax rate of 24% (2015 : 25%)	(2,189,880)	1,465,944	(3,201,285)	(256,783)
Expenses not deductible for tax purposes	1,441,902	283,327	3,201,285	256,783
Effect of changes in tax rates	-	(50,837)	-	-
Deferred tax assets not recognised	610,800	1,367,957	-	-
Share of loss of associate	648	141	-	-
Underprovision of deferred tax in respect of prior years	17,695	112,351	-	-
(Over)/underprovision of income tax in respect of prior years	(7,090)	282	-	282
Income tax recognised in profit or loss	(125,925)	3,179,165	-	282

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015 : 25%) of the estimated assessable profit for the year.

At the reporting date, the Group has unutilised tax losses, unabsorbed capital allowances and unutilised reinvestment allowances of approximately RM11,999,000 (2015 : RM11,663,000), RM31,176,000 (2015 : RM30,601,000) and RM25,721,000 (2015 : RM26,809,000) respectively that are available for offset against future taxable profits of the Group subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation.

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

	Group	
	2016 RM	2015 RM
Unutilised tax losses	11,999,000	11,663,000
Unabsorbed capital allowances	16,979,000	14,770,000
Unutilised reinvestment allowances	7,774,000	7,774,000

11. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share amount is calculated by dividing (loss)/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:

	2016 RM	2015 RM
(Loss)/Profit attributable to ordinary equity holders of the Company	(8,998,576)	2,684,609
Weighted average number of ordinary shares in issue	61,937,451	61,937,451

	2016 Sen	2015 Sen
Basic and diluted (loss)/earnings per share	(14.5)	4.3

12. 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 2016					
Cost					
At 1 January 2016	43,980,881	140,075,639	11,317,483	4,187,059	199,561,062
Additions	143,966	2,141,956	290,840	33,772	2,610,534
Disposals	-	(137,308)	(324,848)	-	(462,156)
Write off	-	(58,763)	-	(4,860)	(63,623)
At 31 December 2016	44,124,847	142,021,524	11,283,475	4,215,971	201,645,817
Accumulated depreciation and impairment loss					
At 1 January 2016	5,808,512	106,066,598	8,831,620	2,268,149	122,974,879
Depreciation charge for the year (Note 7)	652,862	5,965,009	994,620	70,856	7,683,347
Impairment loss (Note 7)	-	5,000,000	-	-	5,000,000
Disposals	-	(137,308)	(324,848)	-	(462,156)
Write off	-	(58,763)	-	(3,246)	(62,009)
At 31 December 2016	6,461,374	116,835,536	9,501,392	2,335,759	135,134,061
Net carrying amount					
At 31 December 2016	37,663,473	25,185,988	1,782,083	1,880,212	66,511,756
At 31 December 2015					
Cost					
At 1 January 2015					
- As previously stated	44,191,087	134,551,680	11,141,856	4,115,819	194,000,442
- Prior year adjustments (Note 33)	-	3,254,801	-	-	3,254,801
As restated	44,191,087	137,806,481	11,141,856	4,115,819	197,255,243
Additions	539,794	3,757,208	558,729	80,281	4,936,012
Disposals	-	(1,005,441)	(383,102)	-	(1,388,543)
Reclassified to investment property (Note 13)	(750,000)	-	-	-	(750,000)
Write off	-	(482,609)	-	(9,041)	(491,650)
At 31 December 2015	43,980,881	140,075,639	11,317,483	4,187,059	199,561,062
Accumulated depreciation					
At 1 January 2015	5,353,385	101,727,542	8,225,060	2,205,528	117,511,515
Depreciation charge for the year (Note 7)	676,424	5,305,313	989,662	71,662	7,043,061
Disposals	-	(661,700)	(383,102)	-	(1,044,802)
Reclassified to investment property (Note 13)	(221,297)	-	-	-	(221,297)
Write off	-	(304,557)	-	(9,041)	(313,598)
At 31 December 2015	5,808,512	106,066,598	8,831,620	2,268,149	122,974,879
Net carrying amount					
At 31 December 2015	38,172,369	34,009,041	2,485,863	1,918,910	76,586,183

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

Company	Freehold land and buildings RM	Other assets RM	Total RM
At 31 December 2016			
Cost			
At 1 January/31 December 2016	-	10,287	10,287
Accumulated depreciation			
At 1 January/31 December 2016	-	10,287	10,287
Net carrying amount			
At 31 December 2016	-	-	-
At 31 December 2015			
Cost			
At 1 January 2015	750,000	10,287	760,287
Reclassified to investment property (Note 13)	(750,000)	-	(750,000)
At 31 December 2015	-	10,287	10,287
Accumulated depreciation			
At 1 January 2015	193,634	10,287	203,921
Depreciation charge for the year (Note 7)	27,663	-	27,663
Reclassified to investment property (Note 13)	(221,297)	-	(221,297)
At 31 December 2015	-	10,287	10,287
Net carrying amount			
At 31 December 2015	-	-	-

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM278,020 (2015 : RM469,000) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to RM2,332,514 (2015 : RM4,467,012).

The carrying amount of motor vehicles held under finance leases at the reporting date was RM1,326,371 (2015 : RM1,766,549). Leased assets are pledged as security for the related finance lease liabilities (Note 21).

Certain property, plant and equipment of the Group with net carrying amount of RM65,185,385 (2015 : RM74,819,634) have been pledged as security for loans and borrowings as disclosed in Note 21.

Other assets of the Group include capital work-in-progress which comprise expenditures incurred for labour quarters amounting to RM49,200 (2015 : RM49,200) and machinery under construction amounting to RM710,250 (2015 : RM951,632).

13. INVESTMENT PROPERTY

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cost				
At beginning of the year	750,000	-	750,000	-
Reclassified from property, plant and equipment (Note 12)	-	750,000	-	750,000
At end of the year	750,000	750,000	750,000	750,000
Accumulated depreciation				
At beginning of the year	221,297	-	221,297	-
Depreciation charge for the year (Note 7)	27,663	-	27,663	-
Reclassified from property, plant and equipment (Note 12)	-	221,297	-	221,297
At end of the year	248,960	221,297	248,960	221,297
Net carrying amount				
At end of the year	501,040	528,703	501,040	528,703
Fair value of investment property	1,180,000	1,131,000	1,180,000	1,131,000

14. INVESTMENT IN SUBSIDIARIES

	Company 31.12.2016 RM	Company 31.12.2015 RM
Unquoted redeemable convertible preference shares, at cost	48,974,000	48,974,000
Unquoted shares at cost	34,616,709	34,616,709
Less: Accumulated impairment losses	(33,415,298)	(20,485,818)
	1,201,411	14,130,891
	50,175,411	63,104,891

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest 31.12.2016	Proportion of ownership interest 31.12.2015
Kangkar Raya Batu Bata Sdn Bhd("KRBB")	Malaysia	Manufacturing of bricks and roofing tiles	100%	100%
Syarikat Kia Lim Kilang Batu Bata Sdn Bhd ("SKL")	Malaysia	Manufacturing of bricks	100%	100%

Both subsidiaries are audited by Ernst & Young, Malaysia.

(i) Subscription of RCPS in subsidiaries

In 2014, the Company subscribed for 42,680,000 Redeemable Convertible Preference Shares ("RCPS") of RM0.01 each at an issue price of RM1.00 per RCPS, comprising nominal value of RM0.01 and premium of RM0.99 issued by SKL.

The Company also subscribed for 6,294,000 RCPS of RM0.01 each at an issue price of RM1.00 per RCPS, comprising nominal value of RM0.01 and premium of RM0.99 issued by KRBB.

(ii) Impairment review of KRBB

The management carried out a review of the recoverable amount of the investment in KRBB during the current financial year as the financial performance of KRBB is worse than expected, which is an indication that the extent of the previously recognised impairment loss may no longer be appropriate. The review has resulted in additional impairment loss of RM12,929,480 to be recognised in the current year.

Management estimated the recoverable amount of investment in KRBB as at reporting date by updating the value-in-use discounted cash flows prepared in previous years to reflect current assumptions of future economic conditions. Further details on the assessment are disclosed in Note 3.1(c).

15. INVESTMENT IN ASSOCIATE

	Group 31.12.2016 RM	Group 31.12.2015 RM
Unquoted shares at cost	54,000	54,000
Share of post-acquisition reserves	28,392	31,092
	82,392	85,092

15. INVESTMENT IN ASSOCIATE (CONT'D)

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

Name of Associate	Country of Incorporation	Principal Activity	Proportion of ownership interest 31.12.2016	31.12.2015
Sersen Tiles Sdn Bhd	Malaysia	Property owner	27%	27%

The results of associate is based on the audited financial statements as at 31 August 2016.

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

	31.12.2016 RM	31.12.2015 RM
Current assets	1,684	1,886
Non-current assets	322,412	329,972
Current liabilities	(36,361)	(34,123)
Equity attributable to shareholders	287,735	297,735
Equity attributable to the Group	77,688	80,388
Goodwill on acquisition	4,704	4,704
	82,392	85,092
Net Loss for the year	(10,000)	(2,175)
Group's share of loss for the year	(2,700)	(587)

16. INVESTMENT IN SECURITIES

Group	Carrying amount 31.12.2016 RM	Carrying amount 31.12.2015 RM	Market value of quoted investment 31.12.2016 RM	Market value of quoted investment 31.12.2015 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

17. TRADE AND OTHER RECEIVABLES

	Group 31.12.2016 RM	Group 31.12.2015 RM	Company 31.12.2016 RM	Company 31.12.2015 RM
Current				
Trade receivables				
Third parties	10,180,303	13,512,081	-	-
Less: Allowance for impairment				
Third parties	(187,093)	(187,093)	-	-
	9,993,210	13,324,988	-	-
Other receivables				
Subsidiaries	-	-	5,172,756	5,665,043
Related parties	-	3,130	-	-
Deposits	72,410	71,130	15,130	15,130
Sundry receivables	155,062	434,650	-	-
	227,472	508,910	5,187,886	5,680,173
Total trade and other receivables (current)	10,220,682	13,833,898	5,187,886	5,680,173

17. TRADE AND OTHER RECEIVABLES (CONT'D)

	Group 31.12.2016 RM	Group 31.12.2015 RM	Company 31.12.2016 RM	Company 31.12.2015 RM
Non-current				
Other receivables				
Amount due from subsidiaries	-	-	1,132,889	5,000,000
Total trade and other receivables (current and non-current)	10,220,682	13,833,898	6,320,775	10,680,173

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2015: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	Group 31.12.2016 RM	Group 31.12.2015 RM
Neither past due nor impaired	9,027,069	13,235,006
1 to 30 days past due not impaired	596,991	40,166
31 to 60 days past due not impaired	320,930	19,909
More than 91 days past due not impaired	48,220	29,907
	966,141	89,982
Impaired	187,093	187,093
	10,180,303	13,512,081

Receivables that are neither past due nor impaired

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

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM966,141 (2015 : RM89,982) 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 31.12.2016 RM	Group 31.12.2015 RM
Individually impaired		
Trade receivables - nominal amounts	187,093	187,093
Less: Allowance for impairment	(187,093)	(187,093)
	-	-

17. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (cont'd)

Movement in allowance accounts:

	Group 31.12.2016 RM	Group 31.12.2015 RM
At 1 January	187,093	236,001
Written off	-	(48,908)
At 31 December	187,093	187,093

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

(b) Other receivables - current

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

(c) Other receivables - non-current

The amount due from subsidiaries bears interest at 8.6%% (2015 : 4%) per annum and is not expected to be repaid within the next 12 months.

18. INVENTORIES

	Group 31.12.2016 RM	Group 31.12.2015 RM Restated	Group 1.1.2015 RM Restated
At cost			
Raw materials	3,900,097	3,929,588	3,783,257
Consumables	8,667,043	9,353,716	9,069,344
Work-in-progress	932,227	394,365	426,807
Finished products	3,257,894	2,762,522	2,796,357
	16,757,261	16,440,191	16,075,765
At net realisable value			
Finished products	175,622	176,595	176,740
	16,932,883	16,616,786	16,252,505

The cost of inventories sold during the year was RM39,104,220 (2015 : RM52,208,140).

19. OTHER CURRENT ASSET

	Group 31.12.2016 RM	Group 31.12.2015 RM
Prepayment	133,676	147,059

20. 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 31.12.2016 RM	Group 31.12.2015 RM	Company 31.12.2016 RM	Company 31.12.2015 RM
Cash and bank balances	392,861	2,485,541	9,837	7,337
Bank overdrafts (Note 21)	(2,308,480)	(1,509,094)	-	-
Cash and cash equivalents	(1,915,619)	976,447	9,837	7,337

21. LOANS AND BORROWINGS

	Group 31.12.2016 RM	Group 31.12.2015 RM	Company 31.12.2016 RM	Company 31.12.2015 RM
Short term loans and borrowings				
Secured:				
Bank overdrafts (Note 20)	2,308,480	1,509,094	-	-
Bankers' acceptances	4,205,000	4,610,000	-	-
Obligations under finance lease (Note 28)	456,262	552,999	-	-
Redeemable convertible secured loan stocks (Note 22)	-	5,000,000	-	5,000,000
Term loans	820,848	-	820,848	-
	7,790,590	11,672,093	820,848	5,000,000
Long term loans and borrowings				
Secured:				
Obligations under finance lease (Note 28)	807,320	1,014,221	-	-
Term loans	285,329	-	285,329	-
	1,092,649	1,014,221	285,329	-
Total loans and borrowings				
Bank overdrafts (Note 20)	2,308,480	1,509,094	-	-
Bankers' acceptances	4,205,000	4,610,000	-	-
Obligations under finance lease (Note 28)	1,263,582	1,567,220	-	-
Redeemable convertible secured loan stocks (Note 22)	-	5,000,000	-	5,000,000
Term loans	1,106,177	-	1,106,177	-
	8,883,239	12,686,314	1,106,177	5,000,000

The loans and borrowings bear interest at the following rates:

	31.12.2016 % Per annum	31.12.2015 % Per annum
Bank overdrafts	8.60 - 9.35	8.85 - 9.35
Bankers' acceptances	5.53 - 6.49	5.75 - 6.49
Obligations under finance lease	2.18 - 3.75	2.18 - 3.90
Redeemable convertible secured loan stocks	-	4.00
Term loans	8.60 - 8.85	-

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

	Group 31.12.2016 RM	Group 31.12.2015 RM	Company 31.12.2016 RM	Company 31.12.2015 RM
On demand or within one year	7,790,590	11,672,093	820,848	5,000,000
More than 1 year and less than 2 years	667,597	401,637	285,329	-
More than 2 years and less than 5 years	356,146	563,593	-	-
5 years or more	68,906	48,991	-	-
	8,883,239	12,686,314	1,106,177	5,000,000

The loans and borrowings are secured by a fixed charge on certain property, plant and equipment of the Group as disclosed in Note 12.

22. 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.

(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 12.

During the financial year, the Company fully redeemed the outstanding RCSLS via cash consideration of RM 3,385,000 and a 2-year Term Loan facility of RM1,615,000.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	31.12.2016 RM	31.12.2015 RM	31.12.2016 RM	31.12.2015 RM
Current				
Trade payables				
Third parties	7,968,141	9,646,999	-	-
Related parties	396,948	354,591	-	-
	8,365,089	10,001,590	-	-
Current				
Other payables				
Related parties	1,874,736	1,890,940	-	-
Accruals	1,493,954	2,170,849	19,800	53,224
Other payables	1,420,408	1,330,957	387,074	435,181
	4,789,098	5,392,746	406,874	488,405
Total trade and other payables	13,154,187	15,394,336	406,874	488,405

(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 (2015 : 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.

24. DEFERRED TAX ASSETS

	Group	
	2016 RM	2015 RM
At 1 January	1,038,027	3,695,000
Recognised in profit or loss (Note 10)	232,425	(2,656,973)
At 31 December	1,270,452	1,038,027
Presented after appropriate offsetting as follows:		
Deferred tax assets	7,854,934	8,529,027
Deferred tax liabilities	(6,584,482)	(7,491,000)
	1,270,452	1,038,027

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:

	2016 RM	2015 RM
Property, plant and equipment		
At 1 January	(7,491,000)	(8,318,000)
Recognised in profit or loss	906,518	827,000
At 31 December	(6,584,482)	(7,491,000)

24. DEFERRED TAX ASSETS (CONT'D)

Deferred tax assets of the Group:

	Unabsorbed reinvestment allowances RM	Unutilised tax losses RM	Unrealised foreign exchange RM	Unabsorbed capital allowances RM	Total RM
At 1 January 2016	4,589,000	159,649	(50,022)	3,830,400	8,529,027
Recognised in profit or loss	(281,807)	(159,649)	170,417	(403,054)	(674,093)
At 31 December 2016	4,307,193	-	120,395	3,427,346	7,854,934
At 1 January 2015	6,397,000	202,000	(25,000)	5,439,000	12,013,000
Recognised in profit or loss	(1,808,000)	(42,351)	(25,022)	(1,608,600)	(3,483,973)
At 31 December 2015	4,589,000	159,649	(50,022)	3,830,400	8,529,027

25. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	31.12.2016	31.12.2015	31.12.2016 RM	31.12.2015 RM
Authorised:				
At 1 January/31 December	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid:				
At 1 January/31 December	61,937,451	61,937,451	61,937,451	61,937,451

26. SHARE PREMIUM

Share premium represents the excess of consideration received over the par value of ordinary shares issued. The share premium is a statutorily restricted reserve but available for purposes as specified under the Companies Act, 1965.

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group	
	2016 RM	2015 RM
Sales of spare parts and upkeep of tools to:		
Sri Senanggar Batu Bata Sdn Bhd (note a)	-	34,218
Purchases of property, plant and equipment from:		
Kia Lim Timber Trading Sdn Bhd (note b)	-	40,000
Purchases of indirect materials from:		
Ban Dung Palm Oil Industries Sdn Bhd (note c)	-	33,559
Insurance premium payable to:		
Kia Lim Timber Trading Sdn Bhd (note b)	-	42,763
Rental payable to:		
Kia Lim Timber Trading Sdn Bhd (note b)	157,452	149,605
Sri Senanggar Batu Bata Sdn Bhd (note a)	44,550	44,550

27. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	Company 2016 RM	Company 2015 RM
Interest recouped from subsidiaries:		
Kangkar Raya Batu Bata Sdn Bhd	29,418	97,826
Syarikat Kia Lim Kilang Batu Bata Sdn Bhd	117,993	124,475

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

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

Notes:

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

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

(iii) 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.

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

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Salaries and other emoluments	860,723	889,308	58,750	60,000
Bonus	118,758	194,896	-	-
Defined contribution plan	58,427	63,376	-	-
Benefits-in-kind	129,246	150,121	-	-
	1,167,154	1,297,701	58,750	60,000
Included in compensation of key management personnel are directors' remuneration	757,101	848,920	58,750	60,000

28. COMMITMENTS

(a) Capital commitments

	Group 2016 RM	Group 2015 RM
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	608,790	217,960
Approved but not contracted for:		
Property, plant and equipment	3,482,865	-

28. 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	
	2016 RM	2015 RM
Future minimum lease payments:		
Not later than 1 year	518,784	629,794
Later than 1 year and not later than 2 years	418,183	448,968
Later than 2 years and not later than 5 years	383,648	601,445
Later than 5 years	72,872	52,092
Total future minimum lease payments	1,393,487	1,732,299
Less: Future finance charges	(129,905)	(165,079)
Present value of finance lease liabilities (Note 21)	1,263,582	1,567,220
Analysis of present value of finance lease liabilities:		
Not later than 1 year	456,262	552,999
Later than 1 year and not later than 2 years	382,268	401,637
Later than 2 years and not later than 5 years	356,146	563,593
Later than 5 years	68,906	48,991
	1,263,582	1,567,220
Less: Amount due within 12 months (Note 21)	(456,262)	(552,999)
Amount due after 12 months (Note 21)	807,320	1,014,221

29. 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.

<u>Exposure to credit risk</u>

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.

<u>Credit risk concentration profile</u>

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.

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

(a) Credit risk (cont'd)

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 17.

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 17.

Financial guarantees

	Company	
	2016 RM	2015 RM
Unsecured:		
Corporate guarantees to banks for credit facilities granted to subsidiaries	6,513,480	6,119,094

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

(b) Liquidity risk

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

At the reporting date, approximately 88% (2015 : 92%) 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.

	On demand or within one year RM	One to five years RM	Later than five years RM	Total RM
31 December 2016				
Financial liabilities				
Group				
Trade and other payables	13,154,187	-	-	13,154,187
Loans and borrowings	7,932,159	972,413	108,572	9,013,144
	21,086,346	972,413	108,572	22,167,331
Company				
Trade and other payables	406,874	-	-	406,874
Loans and borrowings	820,848	285,329	-	1,106,177
	1,227,722	285,329	-	1,513,051
31 December 2015				
Financial liabilities				
Group				
Trade and other payables	15,394,336	-	-	15,394,336
Loans and borrowings	11,730,888	1,068,413	52,092	12,851,393
	27,125,224	1,068,413	52,092	28,245,729
Company				
Trade and other payables	488,405	-	-	488,405
Loans and borrowings	5,000,000	-	-	5,000,000
	5,488,405	-	-	5,488,405

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

(c) Interest rate risk

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

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

Sensitivity analysis for interest rate risk

During the financial year, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's net (loss)/profit net of tax would have been approximately RM33,064 lower/higher (2015 : RM44,115 higher/lower), arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observable market environment.

(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:

	2016 RM	2015 RM
Financial assets/(liabilities) held in non-functional currencies		
SGD	314,300	1,495,609
USD	(115,534)	(584,214)
EUR	(34,325)	(81,032)
	164,441	830,363

The Company does not hedge its foreign currency exposure.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's (loss)/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 (loss)/profit net of tax 2016 RM	 2015 RM
SGD/RM	- strengthen by 5% (2015 : 5%)	(15,715)	74,780
	- weaken by 5% (2015 : 5%)	15,715	(74,780)
USD/RM	- strengthen by 5% (2015 : 5%)	5,777	(29,211)
	- weaken by 5% (2015 : 5%)	(5,777)	29,211
EUR/RM	- strengthen by 5% (2015 : 5%)	1,716	(4,052)
	- weaken by 5% (2015 : 5%)	(1,716)	4,052

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

(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)	17
Long term loans and borrowings	21

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)	17
Short term loans and borrowings	21
Trade and other payables	23

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.

Fair value hierarchy

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

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

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

Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
At 31 December 2016				
Financial assets measured/disclosed at fair value				
Investment in securities	5,036	-	-	5,036
Investment property	-	-	1,180,000	1,180,000
At 31 December 2015				
Financial assets measured/disclosed at fair value				
Investment in securities	5,036	-	-	5,036
Investment property	-	-	1,131,000	1,131,000

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

(e) Fair values (Cont'd)

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

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

	2016 RM	2015 RM
Price per square foot	500	479

30. FINANCIAL INSTRUMENTS

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

	Note	2016 RM	2015 RM
Group			
(a) Loans and receivables measured at amortised cost			
Trade and other receivables	17	10,220,682	13,833,898
Cash and bank balances	20	392,861	2,485,541
		10,613,543	16,319,439
(b) Available-for-sale financial assets measured at fair value			
Investment in securities	16	5,036	5,036
(c) Financial liabilities measured at amortised cost			
Loans and borrowings	21	8,883,239	12,686,314
Trade and other payables	23	13,154,187	15,394,336
		22,037,426	28,080,650
Company			
(a) Loans and receivables measured at amortised cost			
Other receivables	17	6,320,775	10,680,173
Cash and bank balances	20	9,837	7,337
		6,330,612	10,687,510
(b) Financial liabilities measured at amortised cost			
Loans and borrowings	21	1,106,177	5,000,000
Other payables	23	406,874	488,405
		1,513,051	5,488,405

31. 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 2016 and 31 December 2015.

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.

31. CAPITAL MANAGEMENT (CONT'D)

Group	Note	2016 RM	2015 RM
Loans and borrowings	21	8,883,239	12,686,314
Trade and other payables	23	13,154,187	15,394,336
Less: Cash and bank balances	20	(392,861)	(2,485,541)
Net debt		21,644,565	25,595,109
Equity attributable to the equity holders of the Company, representing total capital		74,063,763	83,062,339
Capital and net debt		95,708,328	108,657,448
Gearing ratio		23%	24%

Company	Note	2016 RM	2015 RM
Loans and borrowings	21	1,106,177	5,000,000
Trade and other payables	23	406,874	488,405
Less: Cash and bank balances	20	(9,837)	(7,337)
Net debt		1,503,214	5,481,068
Equity attributable to the equity holders of the Company, representing total capital		55,494,012	68,832,699
Capital and net debt		56,997,226	74,313,767
Gearing ratio		3%	7%

32. SEGMENT INFORMATION

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

33. PRIOR YEAR ADJUSTMENTS

The following reclassification adjustments are made according to the nature of transactions for a better presentation. The effects to the previously issued financial statements for the financial years ended 31 December 2015 and 31 December 2014 are as below:

	As previously stated RM	Prior year adjustments RM	As restated RM
Consolidated statement of financial position			
As at 1 January 2015			
Property, plant and equipment	76,488,927	3,254,801	79,743,728
Inventories	19,507,306	(3,254,801)	16,252,505
As at 31 December 2015			
Property, plant and equipment	72,600,491	3,985,692	76,586,183
Inventories	20,602,478	(3,985,692)	16,616,786
Consolidated statement of cash flows			
For the year ended 31 December 2015:			
Operating cash flows before changes in working capital:			
Inventories	(1,567,870)	730,891	(836,979)
Investing activities			
Purchase of property, plant and equipment	(3,736,121)	(730,891)	(4,467,012)

34. SUBSEQUENT EVENT

On 10 February 2017, a fire incident occurred at one of the subsdiary's bricks plant. The affected items comprise machineries for firing materials preparations and storage as well as the firing materials transportation and feeding system together with a tunnel kiln.

As at to date, the Group is looking into ascertaining the actual extent and quantum of the damage caused by the fire together with the insurers and other relevant parties. It is also note that the loss of production would likely be mitigated gradually by another factory located within the same district as the affected factory.

35. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 29 March 2017.

36. 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 2016 and 2015 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:				
- Realised	(23,837,473)	(14,662,890)	(13,726,669)	(387,982)
- Unrealised	22,469,860	22,471,622	-	-
	(1,367,613)	7,808,732	(13,726,669)	(387,982)
Total share of retained earnings from associated company:				
- Realised	28,392	31,092	-	-
	(1,339,221)	7,839,824	(13,726,669)	(387,982)
Less: Consolidation adjustments	6,182,303	6,001,834	-	-
Retained earnings/(Accumulated losses) as per financial statements	4,843,082	13,841,658	(13,726,669)	(387,982)

STATEMENT OF SHAREHOLDINGS
AS AT 20 MARCH 2017

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

Voting rights : One vote for one ordinary share

ANALYSIS OF SHAREHOLDINGS

Number of Holders	Holdings	Total Holdings	Percentage of Holdings
5	Less than 100	194	0.00
660	100 - 1,000	632,327	1.02
793	1,001 - 10,000	3,744,949	6.05
363	10,001 to 100,000	11,671,734	18.84
52	100,001 to less than 5% of issued shares	29,000,059	46.82
3	5% and above of issued shares	16,888,188	27.27
1,876		61,937,451	100.00

THIRTY LARGEST SHAREHOLDERS

Name of Shareholders	Number of Shares	Percentage of Shares
1. Kia Lim Realty Sdn Bhd	7,312,393	11.81
2. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kia Lim Timber Trading Sdn Bhd	6,440,270	10.40
3. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Hoo Tee Holdings Sdn Bhd	3,135,525	5.06
4. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kia Lim Realty Sdn Bhd	2,931,600	4.73
5. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kia Lim Timber Trading Sdn Bhd	2,764,800	4.46
6. Kia Lim Timber Trading Sdn Bhd	2,284,064	3.69
7. Ng Hoo Tee Holdings Sdn Bhd	2,147,548	3.47
8. Sutera Istimewa Sdn Bhd	1,885,000	3.04
9. Ng Yeng Keng @ Ng Ka Hiat	1,542,255	2.49
10. Ban Dung Palm Oil Industries Sdn Bhd	1,117,200	1.80
11. Guan Brothers Realty Sdn Bhd	888,888	1.44
12. Nam Heng Oil Mill Company Sdn Bhd	888,888	1.44
13. Bijak Tulus Sdn Bhd	872,300	1.41
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. Tan Teck Peng	702,000	1.13
18. Mersing Village Sdn Bhd	666,000	1.08
19. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tee Kim Hew	635,600	1.03
20. Syarikat Jaya Diri Kemajuan Sdn Bhd	629,900	1.02
21. Tay Chye Hock	425,000	0.69
22. Cimsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Geok Wah	400,000	0.65
23. CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Eng Sos @ Bah Chik	391,590	0.63
24. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Lim Soon	388,000	0.63
25. Ng Yam Puan @ Ng Ah Bah	320,143	0.52
26. Ariss Bin Samsudin, Datuk	303,000	0.49
27. Kour Siok Leen	246,790	0.40
28. Maybank Nominees (Tempatan) Sdn Bhd Ho Koh Leong	233,200	0.38
29. Yap Siew Chong	218,900	0.35
30. Teoh King Long	210,700	0.34

SUBSTANTIAL SHAREHOLDERS

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

No.	Shareholder	Direct Interest		Deemed Interest		Note
		Number of Shares	Percentage of Shares	Number of Shares	Percentage of Shares	
1	Kour Siok Leen	401,054	0.65	10,297,993	16.63	A
2	Kia Lim Realty Sdn Bhd	10,243,993	16.54	54,000	0.09	B
3	Kia Lim Timber Trading Sdn Bhd	11,516,734	18.59	1,928,400	3.11	C
4	Ng Hoo Tee Holdings Sdn Bhd	5,283,073	8.53	1,208,400	1.95	D
5	Goh May Lee	796,100	1.29	28,972,200	46.78	E
6	Datuk Ng Yeng Keng @ Ng Ka Hiat	1,542,255	2.49	29,143,198	47.05	F
7	Ng Chin Kang	-	-	13,445,134	21.71	G
8	Ng Yeng Keng Holdings Sdn Bhd	-	-	10,297,993	16.63	A

Notes:

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

LIST OF DIRECTORS' SHAREHOLDINGS AS AT 20 MARCH 2017

No.	Directors	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	29,143,198	47.05	*
4	MR NG CHIN KANG	-	-	13,445,134	21.71	
5	MR CHUA SYER CIN	-	-	-	-	
6	DR NG YAM PUAN @ NG AH BAH	320,499	0.52	-	-	
7	EN MOHD SALLEH BIN JANTAN	42,816	0.07	-	-	

Notes:

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

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 23 - 30 years)	23.2923 acres (68,988 sq.ft)	7,806	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 17 years)	5.8686 acres (159,375 sq.ft)	10,282	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)	1,053	31.12.2007
Lot No : 1617 Mukim Simpang Kiri 4, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	5.0812 acres (N/A)	180	31.12.2007
HS(M) 2918 MLO1699 Mukim Sri Medan, Batu Pahat, Johor Darul Takzim	Agricultural land (reserve for clay extraction)	Freehold	2.4875 acres	240	23.05.2014
HS(M) 641 MLO 1698 Mukim Sri Medan, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	2.4875 acres	230	13.03.2015
Lot No : PTD 6920 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Industrial land (with 2 open-sided factory buildings for brick making plants)	Freehold (Between 30 years)	7.0000 acres (111,705 sq.ft)	4,330	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 19 years)	8.7810 acres (224,772 sq.ft)	10,050	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 (18 years)	2,360 sq.ft	529	31.12.2007

FORM OF PROXY

CDS ACCOUNT NO.	
NO. OF SHARES HELD	

I/We____ of ______________________

____being a member/members

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

(NRIC No. ______________________) of____

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

____

as my/our proxy to vote for *me/us and on *my/our behalf at the **Twenty-Second Annual General Meeting** of the Company to be held at The Katerina Hotel, 8, Jalan Zabedah, 83000 Batu Pahat, Johor Darul Takzim on Wednesday, 24 May 2017 at 12.00 noon and, at every adjournment thereof *for/against the resolutions to be proposed thereat.

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

Resolutions	Agenda	For	Against
1.	To approve the payment of Directors' fees and benefits for the year ended 31 December 2016.		
	To re-elect the following Director retiring according to the Company's Articles of Association: -		
2.	i) Mr Chua Syer Cin		
3.	To re-appoint Messrs Ernst & Young as auditors.		
	To re-appoint the following Directors: -		
4.	i) Datuk Ng Yeng Keng @ Ng Ka Hiat		
5.	ii) Dr Ng Yam Puan @ Ng Ah Bah		
6.	iii) En Mohd Salleh Bin Jantan		
7.	To approve the authority to allot shares - Section 76		
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 continuing terms of office of En Mohd Salleh Bin Jantan as an Independent Director.		

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

As witness my hand this .... day of ....2017 ……………………..……………….............................

Signature of Member(s)

NOTES:

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

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

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

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

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

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

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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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