KIA LIM

KIA LIM BERHAD

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

2018

Annual Report

KIA LIM BERHAD (342868-P)

ANNUAL REPORT 2018

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

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No. 79, Jalan Muar,
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Johor Darul Takzim, Malaysia.
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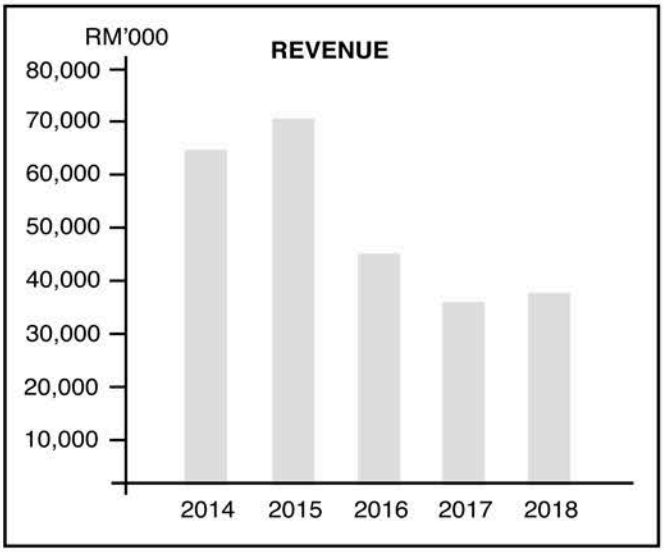
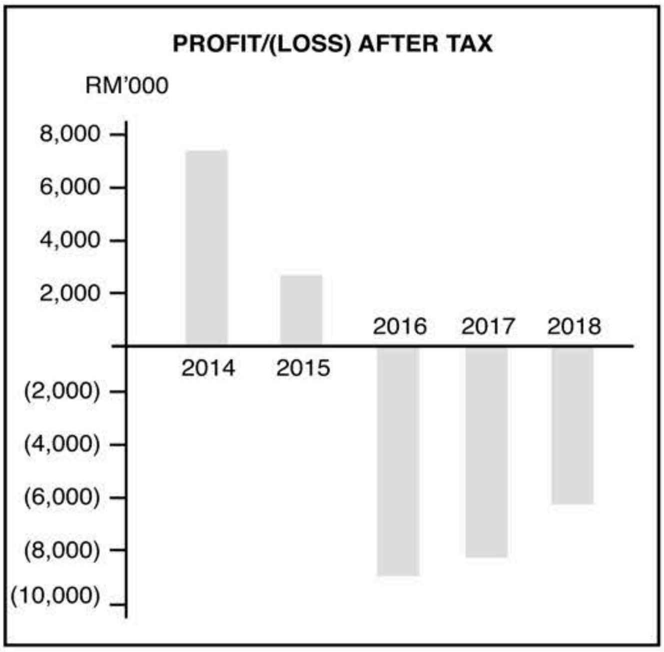
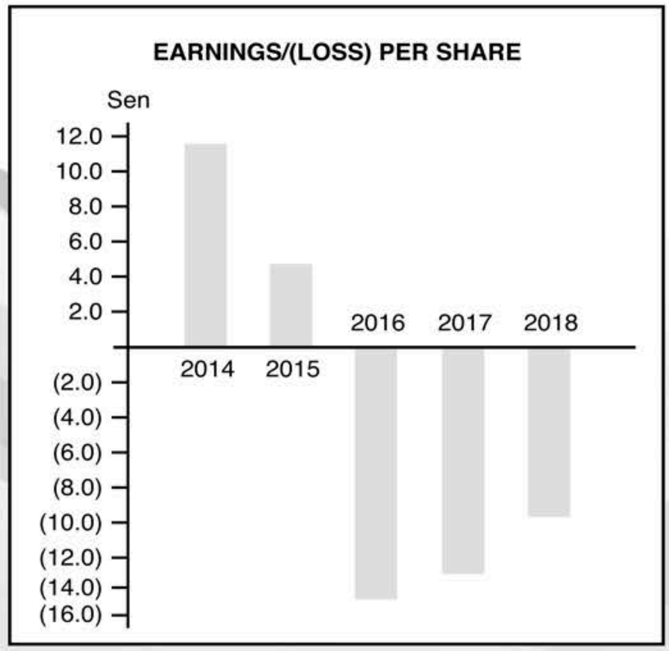
GROUP FINANCIAL HIGHLIGHTS



Financial Year Ended 31 December	Revenue RM'000	Profit/(Loss) After Tax RM'000	Earnings/ (Loss) Per Share Sen
2014	65,685	7,266	11.7
2015	70,722	2,685	4.3
2016	45,057	(8,999)	(14.5)
2017	38,699	(8,625)	(13.9)
2018	39,750	(6,121)	(9.9)





Vision

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

Mission

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Fourth 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 Tuesday, 28 May 2019 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 2018 together with the Directors' and Auditors' Report thereon. — *Refer to Note (a)*

2. To approve the proposed payment of Directors' fees and benefits for the Company and its subsidiaries of up to RM121,800 for the financial year ending 31 December 2019. — RESOLUTION 1 *Refer to Note (b)*

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

   (i) Mr Ng Chin Kang — RESOLUTION 2 *Refer to Note (c)*

   (ii) Mr Chua Syer Cin — RESOLUTION 3 *Refer to Note (c)*

4. To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration — RESOLUTION 4 *Refer to Note (d)*

SPECIAL BUSINESS

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

5. ORDINARY RESOLUTION 1
   AUTHORITY TO ALLOT SHARES – SECTIONS 75 AND 76 — RESOLUTION 5 *Refer to Note (e)*

   "**THAT** pursuant to Sections 75 and 76 of the Companies Act, 2016 and subject to the approval of relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company (excluding treasury shares) for the time being and that the Directors be and also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad AND **THAT** such authority conferred by this resolution shall commence upon passing this resolution until:

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

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

   whichever occurs first."

6. ORDINARY RESOLUTION 2
   CONTINUATION OF TERMS OF OFFICE AS INDEPENDENT DIRECTOR — RESOLUTION 6 *Refer to Note (f)*

   "**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."

7. ORDINARY RESOLUTION 3
   CONTINUATION OF TERMS OF OFFICE AS INDEPENDENT DIRECTOR — RESOLUTION 7 *Refer to Note (f)*

   "**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."

8. ORDINARY RESOLUTION 4
   CONTINUATION OF TERMS OF OFFICE AS INDEPENDENT DIRECTOR — RESOLUTION 8 *Refer to Note (f)*

   "**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."

9. SPECIAL RESOLUTION
PROPOSED ALTERATION OR AMENDMENT OF THE CONSTITUTION OF KIA LIM BERHAD — RESOLUTION 9 *Refer to Note (g)*

"**THAT** approval be and is hereby given to alter or amend the existing Constitution of the Company by replacing it entirely with a new Constitution of the Company as set out in Appendix I with immediate effect AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

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
29 April 2019

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 9D, Level 9, Menara Ansar, 65 Jalan Trus, 80000 Johor Bahru, Johor not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

EXPLANATORY NOTES:

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

(b) Directors' fees and benefits

Directors' remuneration

Section 230(1) of the Companies Act, 2016 provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at Twenty-Fourth Annual General Meeting ("24th AGM") on the Directors' remuneration tabled in Resolution 1.

Directors' fees

The Board decided that the Directors' fees for financial year ("FY") ending 31 December 2019 be maintained as the previous FY subject to the performance of the Company and the current global economy. The detailed Directors' fees are contained in page 19 of Corporate Governance Overview Statement in the Annual Report.

Benefits payable to Directors

The benefits payable to Directors comprised the allowance and other emoluments payable to the Chairman and members of the Board of the Company and its subsidiaries.

The Directors' current and proposed remuneration structure is detailed as below:

Remuneration for Directors of the Company	2018 Amount (RM)	2019 Proposed Amount (RM)
Fee for Chairman	35,000	35,000
Fee for each Independent Non-Executive Director	20,000	20,000
Fee for each Executive Director	15,000	15,000
Meeting Allowance per meeting *	800	800

* Only for Non-Executive Directors.

EXPLANATORY NOTES (CONT'D):

(b) Directors' fees and benefits (Cont'd)

Benefits payable to Directors (Cont'd)

Payment of benefits to the Directors will be made by the Company as and when incurred, after they have discharged their responsibilities and rendered their services to the Company for the FY ending 31 December 2019, based on the proposed benefits, if the proposed Resolution 1 is passed at the 24th AGM.

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

Article 80 of the AA provides that one-third (1/3) of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company. With the current Board size of Five (5), two (2) Directors are to retire in accordance with Article 80 of the AA provided that all Directors shall retire from office once at least in every three (3) yeas and shall be eligible for re-election.

For the purpose of determining the eligibility of the Directors to stand for re-election at the 24th AGM, the Nomination Committee ("NC") has considered the following:

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

In line with the Malaysian Code on Corporate Governance ("MCCG"), the Board has conducted an assessment of independence of the NEDs, and also other criteria i.e. character, integrity, competence, experience and time commitment in effectively discharging their respective roles as Directors of the Company. The Directors were assessed based on performance criteria set in the areas of Board dynamics and participation, competency and capability, independence and objectivity, probity and personal integrity, contribution and performance together with their ability to make analytical inquiries and offer advice and guidance. Each of the NEDs has also provided his/her annual declaration/confirmation of independence bi-annually of 2018.

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

(d) Re-appointment of Auditors

Pursuant to Section 273(b) of the Act, the term of office of the present Auditors, Messrs Ernst & Young, shall lapse at the conclusion of this AGM unless they are re-appointed by the shareholders to continue in office. Messrs Ernst & Young, have indicated their willingness to continue their service until the conclusion of next AGM. The re-appointment of Messrs Ernst & Young as Auditors has been considered against the relevant criteria prescribed by Paragraph 15.21 of the MMLR. This proposed Resolution 4, if passed, will also give the Directors of the Company, the authority to determine the remuneration of the Auditors.

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

The proposed Resolution 5 under item 5 of the agenda above, if passed, will empower the Directors of the Company, from the date of the 24th AGM, with the authority to allot and issue shares in the Company up to an amount not exceeding in total 10% of the total number of issued shares of the Company (excluding treasury shares) for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next AGM.

The general mandate sought to grant authority to Directors to allot and issue shares is a renewal of the mandate that was approved by the shareholders at the Twenty-Third Annual General Meeting ("23rd AGM") held on 30 May 2018. The renewal of general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/ or future investment projects, working capital and/or acquisitions which the Directors deem necessary and feasible.

Up to date of this Notice, the Company has not issued any shares pursuant to the mandate granted to the Directors at the 23rd AGM as there was no need for any fund raising activity for the purpose of investment, acquisition or working capital.

(f) Continuation of terms of office as Independent Directors

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

In line with the MCCG, the NC has assessed their independence as defined in Bursa Securities Listing Requirements which have not been compromised all these while. In fact, they 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. Hence, 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 Resolution 6, 7 and 8 put forth at the 24th AGM.

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

(g) 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. The Company is proposing a new Constitution to replace its existing Memorandum & Articles of Association (deemed as Constitution by Companies Act, 2016) in order to bring the Constitution in line with Companies Act, 2016 and Bursa Securities Malaysia Berhad Listing Requirements besides to enhance administrative efficiency. The proposed new Constitution is attached hereto and identified as Appendix I. The Appendix I on the Proposed alteration or amendment of the Constitution of the Company which is circulated together with the Notice of 24th AGM dated 29 April 2019, shall take effect once the Proposed Special Resolution has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or by proxy at the said AGM.

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDITORS

Ernst & Young (Chartered Accountants)
B-15, Medini 9
Persiaran Medini Sentral 1
Bandar Medini Iskandar
79250 Iskandar Puteri
Johor Darul Takzim

COMPANY SECRETARY

Ms Leong Siew Foong
MAICSA No. 7007572

REGISTERED OFFICE

Boardroom Corporate Services Sdn Bhd (3775-X)
(Formerly known as Boardroom Corporate Services (KL) Sdn Bhd)
Suite 9D, Level 9
Menara Ansar
65, Jalan Trus
80000 Johor Bahru
Johor Darul Takzim
Tel : 07-224 1035
Fax : 07-221 0891

SHARE REGISTRAR

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

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL BANKERS

RHB Bank Berhad
Hong Leong Bank Berhad

STOCK EXCHANGE

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

Notes:
* Resigned on 1 June 2018
** Resigned on 1 July 2018

MR LOH CHEE KAN, aged 64, male, Malaysian, was appointed as an Independent Non-Executive Director of Kia Lim Berhad ("KLB") on 5 March 1996 and redesignated as Chairman of the Company on 1 March 2011. Presently, he is the Chairman of the Nomination Committee and the Risk Management Committee. He is also a member of the Audit Committee and the Remuneration Committee of the Company.

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

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

DATUK NG YENG KENG @ NG KA HIAT, aged 73, 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 four (34) 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 uncle of Mr Ng Chin Kang, the Director and/or major shareholder of the Company. He has no conflict of interest with the Company; has no conviction for any offence within the past five (5) years other than traffic offences, if any and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

MR NG CHIN KANG, aged 48, male, Malaysian, was appointed as Executive Director of KLB on 26 November 2001. Presently, he is a member of the Risk Management Committee. He graduated with a Bachelor of Commerce with Honours degree from University of Western Australia and ASIA Graduate Diploma from Security Institute of Australia. He also holds a MBA from Sydney University and Master of Arts in Business Research from Macquarie University, Australia.

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

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

MR CHUA SYER CIN, aged 47, male, Malaysian, was appointed as an Independent Non-Executive Director of KLB on 1 November 2001. Presently, he is the Chairman of the Audit Committee and the Remuneration Committee and he is also a member of the Nomination Committee and the Risk Management Committee of the Company.

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

He is presently a member of Malaysian Institute of Accountants and CPA Australia. He is also the Board member of Poh Huat Resources Holdings Berhad as well as several private limited companies.

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

EN MOHD SALLEH BIN JANTAN, aged 76, male, Malaysian, was appointed as an Independent Non-Executive Director of KLB on 15 November 2014. He has over forty (40) years of experience in the manufacturing of clay bricks and building and civil engineering works. Presently, he is the member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

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

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

Note:

Please refer to page 79 of this Annual Report for Directors' shareholdings.

PROFILE OF KEY SENIOR MANAGEMENT

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

MR ONG YU HOCK

General Manager

Nationality : Malaysian

Age / Gender : 47 / Male

Date of appointment : 10 November 2003

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

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

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

MR NG CHENG YEW

General Manager (Operations)

Nationality: Malaysian

Age / Gender : 40 / Male

Date of appointment : 11 July 2001

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

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

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

MR NG AH CHAI

Senior Sales Manager

Nationality : Malaysian

Age / Gender : 57 / Male

Date of appointment : 18 December 1999

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

Experience :
Mr Ng joined the Group in year 1999 and is responsible for both local and overseas sales and marketing and he holds this position until present. He has vast experience, more than 26 years in building materials trading and throughout the years, he has established close relationship with many contractors, nationwide distributors and hardware dealers.

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

MADAM ER LAY HONG

Accounts and Finance Manager

Nationality: Malaysian

Age / Gender : 60 / Female

Date of appointment : 1 November 1989

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

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

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

PROFILE OF KEY SENIOR MANAGEMENT

MR TEO LAI HEYONG

Factory Manager

Nationality : Malaysian

Age / Gender : 61 / Male

Date of appointment : 1 July 1992

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

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

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

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

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

This Statement is prepared in compliance with MMLR and it is to be read together with the Corporate Governance Report 2018 of the Company (“CG Report”) which is available on the Company’s website, www.kialim.com.my as well as via an announcement on the website of the Bursa Securities.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

Part I – Board’s Responsibilities

1. Board Leadership on Objectives and Goals

1.1 Strategic Aim, Value and Standards

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

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

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

- Audit Committee
- Risk Management Committee
- Nomination Committee
- Remuneration Committee

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

1.2 The Chairman

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

1.3 Chairman and Chief Executive Officer (“CEO”)

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

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

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

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

1.4 Qualified and Competent Company Secretaries

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

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

The Company Secretary attended the 2018 Annual General Meeting ("AGM") held on 30 May 2018 and all Board and Board committees meetings during the financial year ended 31 December 2018. The Company Secretary ensures that all deliberations at the AGM and all Board and Board committee meetings are properly minuted for the Board's reference and for action plans to be communicated to the Management to work on and to report back to the Board.

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

The Company Secretary had and will continue to constantly keep herself abreast on matters concerning company law, the capital markets, corporate governance, and other pertinent matters through continuous training and industry updates.

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

1.5 Access to Information and Advice

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

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

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

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

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

2. Demarcation of Responsibilities

2.1 Board Charter

The Board has established clear functions reserved for the Board and those delegated to the Management and this is documented in the Board Charter, which is published on the Company's website. The Board Charter adopted by the Board sets out the Board's strategic intent and outlines the Board's roles and responsibilities, providing insights and guidance to the Board and the Management concerning their roles and division of responsibilities. Any amendment to the Board Charter can only be approved by the Board. The Board Charter is reviewed periodically as and when the need arises to ensure that the dynamic needs of the Group are consistently met. The Board had performed a review on 28 February 2019 of the Board Charter and updated the Board Charter to ensure its consistency with the MMLR and its relevance.

3. Good Business Conduct and Corporate Culture

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

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

In addition to the Directors' CCE, an Employees' CCE was also established by the Board on 27 November 2018. The Employees' CCE helps the Company achieve the right things in right manner at all times, in areas such as managing conflicts of interest, abuse of power, corruption, insider trading and money laundering.

All employees are required to strictly adhere to the CCE. Any non-compliance with the CCE is to be reported to the Heads of Department or Human Resources and Administration Department for further deliberation and decision.

The Directors' and Employees' CCE are published on the Company's website.

3.2 Whistleblowing Policy

The Board has developed a Whistleblowing Policy which is in line with the Board's effort to encourage employees to report genuine concerns in relation to breach of a legal obligation (including negligence, criminal activity, breach of contract and breach of law), miscarriage of justice, danger to health and safety or to the environment and the cover-up of any of these in the workplace. The Board ensures that the Whistleblowing Policy sets out avenues where legitimate concerns can be objectively investigated and addressed. Individuals should be able to raise concerns about illegal, unethical or questionable practices in confidence and without the risk of reprisal. The Whistleblowing Policy is published on the Company's website. There was no whistleblowing case reported during the financial year ended 31 December 2018.

Part II – Board Composition

4. Board's Objectivity

4.1 Composition of the Board

The Board currently has five (5) members, comprising the Chairman, who is an Independent Non-Executive Director, the CEO, one (1) other Executive Director and two (2) Independent Non-Executive Directors. With the above appointments, Kia Lim Berhad has thus complied with the practice of the MCCG which requires the Board must comprise at least half (1/2) of Independent Directors.

Current status of Kia Lim Berhad Board composition:-

Designation	No. of Director	Percentage (%)
Executive Director	2	40.00
Independent Non-Executive Director	3	60.00
Total	5	100.00

Part II – Board Composition (Cont'd)

4. Board's Objectivity (Cont'd)

4.2 Tenure of Independent Director

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

4.3 Policy of Independent Director's Tenure

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

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

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

4.4 Diverse Board and Senior Management Team

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

4.5 Gender Diversity

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

4.6 New Candidates for Board Appointment

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

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

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

Part II – Board Composition (Cont'd)

4. Board's Objectivity (Cont'd)

4.6 New Candidates for Board Appointment (Cont'd)

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

4.7 Nomination Committee

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

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

The members of the Committee are as follows:

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

The NC met once during the financial year ended 31 December 2018.

5. Overall Board Effectiveness

5.1 Annual Evaluation

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

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

There were five (5) Board Meetings held during the financial year ended 31 December 2018. A majority of the Directors attended all the Board Meetings held during their tenure. Details of attendance are as follows:

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

* Datuk Ariss Bin Samsudin was resigned as the director of the Company with effect from 1 June 2018.
** Dr Ng Yam Puan @ Ng Ah Bah was resigned as the director of the Company with effect from 1 July 2018.

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

5. Overall Board Effectiveness (Cont'd)

5.1 Annual Evaluation (Cont'd)

The following are the records of attendance for Board Committees' Meeting held during the financial year ended 31 December 2018:

Audit Committee

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

Risk Management Committee

Directors	Status	Number of Meetings Attended
Mr Loh Chee Kan	Chairman	1/1
Mr Chua Syer Cin	Member	1/1
Mr Ng Chin Kang	Member	1/1

Nomination Committee

Directors	Status	Number of Meetings Attended
Mr Loh Chee Kan	Chairman	1/1
Mr Chua Syer Cin	Member	1/1
En Mohd Salleh Bin Jantan	Member	1/1

Remuneration Committee

Directors	Status	Number of Meetings Attended
Mr Chua Syer Cin	Chairman	1/1
Mr Loh Chee Kan	Member	1/1
En Mohd Salleh Bin Jantan	Member	1/1

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

All existing Directors have attended MAP prescribed by the MMLR of Bursa Securities. The training programmes or seminars attended by all of the Directors for the financial year ended 31 December 2018 are as follows:

NAME OF DIRECTOR	TRAINING PROGRAMMES ATTENDED	DATE ATTENDED
Datuk Ng Yeng Keng @ Ng Ka Hiat	• MCCG and Bursa's Listing Requirements: Towards Meaningful Disclosure	18.01.2018
Mr Ng Chin Kang	• Advocacy Programme on CG Assessment 2017 for Top 100 PLCs – (Market Capitalisation as at 31 March 2018)	23.07.2018
Mr Loh Chee Kan	• Technical Briefing for Company Secretaries of Listed Issuers – Key Amendments to Listing Requirements arising from the Companies Act, 2016	19.10.2018
En Mohd Salleh Bin Jantan	• Technical Briefing for Company Secretaries of Listed Issuers – Key Amendments to Listing Requirements arising from the Companies Act, 2016	19.10.2018

5. Overall Board Effectiveness (Cont'd)

5.1 Annual Evaluation (Cont'd)

NAME OF DIRECTOR	TRAINING PROGRAMMES ATTENDED	DATE ATTENDED
Mr Chua Syer Cin	• Malaysian Private Entities Reporting Standards (MPERS) - Areas of Focus	12.04.2018
	• Accounting for Financial Instruments in accordance with MPERS	17.04.2018
	• GST Post Implementation Issue – Latest Developments	03.05.2018
	• Tropical Tax Issues Facing SMEs	04.10.2018

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

Part III – Remuneration

6. Level and Composition of Remuneration

6.1 Remuneration Policy

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

On 28 February 2019, the Board has adopted a Remuneration Policy for the Directors and Senior Management to support and drive business strategy and long term objectives of the Company and its subsidiaries ("the Group").

In this regard, the RC is responsible to implement the policies and procedures on the remuneration for the Executive Directors and Senior Management whilst the Board is responsible for approving the policies and procedures which govern the remuneration of the employees including Executive Directors and Senior Management of the Company to ensure the same remain competitive, appropriate and in alignment with the prevalent market practices and that the Company attracts, retains and motivates the Directors and Senior Management who are with strong credentials, high caliber and astute insights to run the business successfully.

The Remuneration Policy will be periodically reviewed and is published on the Company's website.

6.2 Remuneration Committee

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

The members of the Committee are as follows:

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

The RC met once during the financial year ended 31 December 2018.

Part III – Remuneration (Cont'd)

7. Remuneration of Directors and Senior Management

7.1 Detail of Directors' Remuneration

The remuneration payable in respect of Directors' fees and benefits for year 2018 and 2019 are categorised as follows:

Directors' Fees and Benefits of the Company	2018 Amount RM	2019 Proposed Amount RM
Fee for Chairman	35,000	35,000
Fee for each Independent Non-Executive Director	20,000	20,000
Fee for each Executive Director	15,000	15,000
Meeting Allowance per meeting *	800	800

* Only for Non-Executive Directors and a total of five (5) meetings are scheduled for year 2019.

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

The remuneration of the Directors of the Group for year 2018 is as follows:

	Fees RM	Salaries RM	Sitting Allowance RM	Benefits-in -kind RM	Others Emoluments RM	Total RM
Independent Non-Executive Director						
Mr Loh Chee Kan	35,000	-	4,000	-	-	39,000
Mr Chua Syer Cin	20,000	-	3,200	-	-	23,200
En Mohd Salleh Bin Jantan	20,000	-	4,000	-	-	24,000
Subtotal	75,000	-	11,200	-	-	86,200
Non-Independent Non-Executive Director						
Dr Ng Yam Puan @ Ng Ah Bah	10,000	-	2,400	-	-	12,400
Executive Director						
Datuk Ariss Bin Samsudin	6,750	30,998	-	4,792	2,046	44,586
Datuk Ng Yeng Keng @ Ng Ka Hiat	17,400	318,750	-	5,600	60,776	402,526
Mr Ng Chin Kang	17,400	85,197	-	4,300	11,117	118,014
Total	126,550	434,945	13,600	14,692	73,939	663,726

7.2 Remuneration of the Top Five Senior Management

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

However, the disclosure of the compensation of senior management has been made in note 24(b) of the financial statements for year ended 31 December 2018.

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

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I – Audit & Risk Management Committee

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

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

The Board aims to present a balanced and understandable assessment of the Group's position and prospect. Thus, the Board has undertaken the responsibilities to ensure that the financial statements prepared are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016. In presenting the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates.

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

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

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

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

RMC plays the role to ensure that a risk management structure is embedded throughout the Group and risk management policies consistently adopted.

The members of the Committee are as follows:

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

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

Part II – Risk Management and Internal Control Framework

9. Effective Risk Management and Internal Control Framework

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

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

Part II – Risk Management and Internal Control Framework (Cont'd)

10. Effective Governance, Risk Management and Internal Control

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

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

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

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

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

The information on the Company's internal control is presented in the Statement on Risk Management and Internal Control in pages 28 to 30 of this Annual Report.

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

Part I – Communication with Stakeholders

11. Continuous Communication between Company and Stakeholders

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

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

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

Part II – Conduct of General Meetings

12. Encourage Shareholder Participation at General Meetings

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

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

Part II – Conduct of General Meetings (Cont'd)

12. Encourage Shareholder Participation at General Meetings (Cont'd)

In line with the recent amendments to the MMLR of Bursa Securities under Paragraph 8.29A(1), the Company has implemented poll voting for all the resolutions set out in the notices of general meetings instead of by a show of hands at the 23rd AGM of the Company held on 30 May 2018. Poll voting more accurately and fairly reflects shareholders' views by ensuring that every vote is recognized, in accordance with the principle of "one share one vote". Polling process was explained during the general meetings. Poll Administrator and Independent Scrutineer were appointed to conduct the polling process and verify the results of the poll respectively. The poll results were also be announced to Bursa Securities via Bursa LINK on the same day for the benefit of all the shareholders. The Company will continue this practice in the forthcoming AGM.

OTHER INFORMATION

a) Conflict of Interest

None of the Directors and/or major shareholders of Kia Lim Berhad have any personal interest in any business arrangement involving the Company.

b) Audit and Non-Audit Fees

During the financial year ended 31 December 2018, 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	
	2018 RM	2017 RM	2018 RM	2017 RM
Statutory audit fees paid/payable to: - Ernst & Young ("EY") Malaysia	112,000	107,000	32,000	32,000
Non-audit fees paid/payable to: - Ernst & Young ("EY") Malaysia	5,000	9,000	5,000	5,000

c) Material Contracts

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

d) Contracts Relating to Loan

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

e) Related Party Transaction

A list of significant related party transaction between the Company and its subsidiaries, and between the Group and other related parties including relevant Key Management personnel for the 12-month financial period ended 31 December 2018 is set out on pages 71 to 72 of this Annual Report.

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

The Board has reviewed and approved this statement on 28 March 2019.

MEMBERS

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

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

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

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

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

- Reviewed and recommended for the Board's approval the quarterly financial results for public announcement;
- Reviewed with the external auditors their audit plan prior to the commencement of the audit activities;
- Discussed the annual audited financial statements with the external auditors and ensured that the financial reporting and disclosure requirements are complied with the relevant authorities, as well as their findings and recommendations;
- Discussed with the external auditors to ensure that internal control system is adequate and functioning and any weaknesses identified are properly remedied;
- Reviewed the independence, objectivity and effectiveness of the external auditors and the services provided, including non-audit services and corresponding fees;
- Reviewed and recommended the re-appointment of external auditors and the audit fees to the Board for its approval;
- Reviewed related party transactions entered into by the Group in its ordinary course of business;
- Discussed and reviewed the updates of new developments on accounting standards issued by the Malaysian Accounting Standards Board;
- Received and reviewed the internal audit reports;
- Reviewed the Whistleblowing Policy of the Company; and
- Reviewed the Corporate Governance Overview Statement, the Audit Committee Report and the Statement on Risk Management and Internal Control to be published in the Annual Report.

ATTENDANCE OF AUDIT COMMITTEE MEETINGS

Details of attendance at Audit Committee Meetings held in the financial year ended 31 December 2018 as follows:

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

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

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

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

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

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

INTERNAL AUDIT FUNCTIONS

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

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

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

i) Sales to Collection Process;

ii) Credit Control Management;

iii) Production Planning and Control;

iv) Production Management; and

v) Occupational, Safety and Health Management.

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

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

The cost incurred in maintaining the internal audit function for the financial year ended 31 December 2018 amounted to RM57,392.

INTRODUCTION

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

This Sustainability Statement ("the Statement") will outline our efforts at embedding sustainability throughout the Group in the environmental, social and governance issues of our operations, including our efforts at improving our practices.

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

SCOPE OF COVERAGE

The Statement was prepared in accordance with Amendments to the Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to Sustainability Statement in Annual Reports. Our reporting period is from 1 January to 31 December 2018, unless otherwise stated. The information disclosed in our 2018 Sustainability Statement covers the Company and its subsidiaries' current manufacturing of clay bricks and related products.

SUSTAINABILITY GOVERNANCE

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

SUSTAINABILITY MATTERS

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

1. Environmental Awareness

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

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

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

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

    To ensure compliance and to create an environmental friendly culture for all our employees and the surrounding community, the Group has established a Safety, Environmental and Security Committee ("SESC") to manage environmental conditions at workplace. SESC will conduct regular audits to check on the condition of drainage system for fuel oil/ diesel/ petroleum coke sludge, condition of diesel/ fuel oil tanks and functionality of air compressors. The Group's SESC also continuous reviews the system that is in place, and where necessary, new measures are introduced to minimise pollution.

SUSTAINABILITY MATTERS (CONT'D)

2. Workplace Safety and Health

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

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

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

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

3. Social Awareness

We are committed to provide continuous support to various activities carried out by local charities and organisations. The Group always encourages its Management and employees to be involved in welfare work and charity activities. Disclosures on corporate activities carried out by the Group in Year 2018 are presented under "Corporate Social Responsibility" of this Annual Report and also published on the Company's website at www.kialim.com.my.

OUR COMMITMENT

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

The Board has reviewed and approved this statement on 28 March 2019.

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 year 2018 were as follows:

- Team Building activities were held from 20 June 2018 to 23 June 2018 to foster better relationship and teamwork among employees of the Group.
- On 19 December 2018, the Group organised a blood donation campaign together with the Hospital Batu Pahat for the well being of society at large.
- During the year, the Group has given financial assistance and in-kind contribution for various charitable causes and to certain needy bodies, such as schools, orphanage house, etc.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

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

The Directors are of the view that, in preparing the financial statements of the Group and of the Company for the year ended 31 December 2018, the Company has adopted appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgments and estimates. The Directors have also considered that all applicable accounting standards have been followed during the preparation of audited financial statements.

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

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

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

INTRODUCTION

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

BOARD RESPONSIBILITY

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

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

The 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 and risk management function has been outsourced to an independent professional consulting firm, who reports directly to the Audit Committee and Risk Management Committee. The internal auditors carried out periodic internal audits 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. The Audit Committee, Risk Management 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 and the Risk Management 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 and the Audit Committee/ the Board for discussion and review on a timely basis.

(v) Procedures and control environment

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

The Directors have ensured that safety and health regulations have been considered and complied with. Quality is always given prominence in all products manufactured. The subsidiary companies have obtained ISO 9001 certificate for their operational processes. Internal procedures and standard operating procedures have been properly documented and surveillance audits are conducted yearly by assessors of the ISO certification body to ensure that the system is implemented as per ISO 9001:2015 requirements.

BOARD RESPONSIBILITY (CONT'D)

Key Elements of Internal Control (Cont'd)

(vi) Audit Committee

The Audit Committee analyses the Group's current quarter and year-to-date performance compared to previous quarter, previous corresponding quarter and year-to-date and then reports to the Board. The Report of the Audit Committee is set out on pages 23 and 24 of the Annual Report.

(vii) Internal audit function

The Board has outsourced its internal audit function to an independent professional consulting firm to assist the Group in achieving its objectives, 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 2018 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 2018 together with the Management Discussion & Analysis ("MD&A'').

The following MD&A of the financial condition and operating performance of the Group for the twelve (12) months ended 31 December 2018 should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and related notes thereto.

FINANCIAL REVIEW

Year 2018 was indeed a challenging one for the brick industry as property market continued to stay lackluster, resulting in a flattish demand for brick products. Consequently, the Group recorded a pre-tax loss for the third year in a row.

The Group registered revenue of RM39.8 million and loss before taxation of RM5.5 million as compared to RM38.7 million and RM7.9 million respectively for the preceding year. The result for the preceding year was impacted by an incident of fire at the Group's production line as well as a significant provision for impairment on property, plant and equipment. Excluding the effects from the insurance claim received of RM1.5 million and the write off of inventories and property, plant and equipment totaling RM1.2 million as well as the impairment loss of property, plant and equipment of RM1.3 million, the loss before taxation for the preceding year would be RM6.9 million. The reduction in loss before taxation for the current year was mainly attributable to the increase in revenue as a result of higher average selling prices amid a slight drop in sales volume for the Group's brick products. The improved result was also partly due to lower depreciation charges for the financial year under review.

CAPITAL RESOURCES AND LIQUIDITY

The Group's net asset value of RM59.3 million in this financial year was lower than the previous year's RM65.4 million. Correspondingly, the Group's net asset value per share dropped to RM0.96 as at 31 December 2018 from RM1.06 last year. This was primarily due to current year's business loss as reported, coupled with a reversal of deferred tax assets of RM0.6 million in the current financial year.

Amid the challenging business condition, the Group continued its policy on conserving liquidity and prudent spending on capital assets. Purchase of property, plant and equipment was significantly reduced from RM2.9 million last year to RM0.6 million this year. The higher capital expenditure incurred last year included the replacement costs for the production machineries and equipment that were damaged by the fire. The said replacement costs incurred was compensated by an insurance claim of RM1.5 million which was fully received in the last financial year.

The Group registered a net decrease of RM0.3 million in its cash and cash equivalents, resulting in an increased net overdraft position of RM3.6 million as at 31 December 2018 as compared to RM3.3 million as at 31 December 2017. While operating activities generated cash flow of RM0.6 million, net capital expenditures of RM0.2 million and reduction of borrowings of RM0.7 million resulted in the net decrease in cash and cash equivalents.

The Group's gearing ratio (calculated as net debt divided by total capital plus net debt) had increased slightly from the preceding year of 23% to current year of 26%.

The Group's revenue, profit after tax and earnings per share for the past 5 years up to 31 December 2018, are disclosed in this Annual Report under the Group Financial Highlights in page 1.

OPERATIONAL AND BUSINESS REVIEW

The principal activity of the Company is investment holding, while the principal activity of the subsidiaries is manufacturing of clay bricks and related products. The sales of the Group's products are predominantly to the Malaysia and Singapore market. There have been no changes to the nature of these activities during the year under review.

In anticipation of no significant uptick in demand for clay brick products in the near term as a result of the continued lackluster performance in the property market with oversupply in virtually all segments comprising residential, commercial, office and retail, the Group continued to restrict its spending on capital expenditure, except for routine and regular preventive maintenance works for plant and machineries in order to keep them in proper and good working conditions at all times.

As the Group is operating in a very competitive business environment, the quality of its products is of paramount importance, as deterioration of product quality would inevitably bring a severe negative impact to the Group's reputation and ultimately affect its sales. The Group has highly emphasized on this issue by implementing strict quality control systems and assurance processes to ensure that there is no deterioration in product quality in the manufacturing processes. The Group's manufacturing facilities possess ISO 9001 certification for their operational processes.

The Group continued its hiring strategy to monitor and trim down the hiring of foreign workers wherever possible, and the hiring of which is only confined to workplaces, where recruitment of local workers is a great challenge. Certain automation projects in the pipeline as proposed earlier to reduce the dependency on labour have however been deferred further as a result of the challenging business condition the Group has been operating under over the past few years.

Apart from the above, the Group has consistently encouraged staff and workers to upgrade their skills and adopt multi-tasking practises wherever possible, while certain divisions / sections are being reviewed and streamlined to improve further operational efficiency as well as to reduce labour costs.

It is always the Group's culture to prioritise the needs of its customers and maintain a close relationship with them. The markets for the Group's products are highly competitive, and hence the sales team continuously makes efforts to widen the Group's existing customer base. This is one of the strategies undertaken to increase our market share as well as to diversify the risk of over concentration on few major customers.

The Group is aware of the inherent risks in managing the operations in the current uncertain and competitive business environment. Any known risks are treated with strategies and mitigating measures to minimise the impact of uncertainties. As part of the forward plans and strategies, the Group will continue to enhance the internal control system and the ISO procedures as part of the operational processes, and ensure proper implementation to mitigate the constraints that the Group encounters.

OUTLOOK AND PROSPECT

Amid the slowing growth of the Malaysian economy, and with no significant imminent recovery in sight in the real property sector, construction activities in the sector are unlikely to pick up momentum, and the demand for clay bricks will likely continue to stay soft. With the overall over capacity in the industry, competition will remain stiff and selling prices will continue to be under pressure.

Given the aforementioned scenario, the Group will continue to focus on its strategy and effort to contain the production costs, optimise its operational efficiency and product quality in order to stay competitive in the industry, and will strive its best to achieve a satisfactory financial results for the financial year ending 31 December 2019.

DIRECTORATE

During the year, the Vice Chairman & Executive Director, Datuk Ariss Bin Samsudin and the Non Executive Director, Dr Ng Yam Puan @ Ng Ah Ba had both stepped down from the Board. On behalf of the Board, I would like to record our appreciation for their invaluable contributions rendered during their tenure on the Board.

ACKNOWLEDGEMENT

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

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

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

Loh Chee Kan
Chairman

FINANCIAL STATEMENTS

DIRECTORS' REPORT

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 2018.

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.

RESULTS

	Group RM	Company RM
(Loss)/Profit net of tax	(6,120,650)	12,615,060
Attributable to:		
Equity holders of the Company	(6,120,650)	12,615,060

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

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

DIVIDENDS

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

DIRECTORS

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

Loh Chee Kan	
Datuk Ng Yeng Keng @ Ng Ka Hiat**	
Chua Syer Cin	
Ng Chin Kang**	
Mohd Salleh Bin Jantan	
Ng Yam Puan @ Ng Ah Bah	(Resigned on 1 July 2018)
Datuk Ariss Bin Samsudin**	(Resigned on 1 June 2018)

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

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

Goh May Lee	(Appointed on 1 August 2018)
Ponnirah Binti Parion	
Datuk Ariss Bin Samsudin**	
Ng Chin Lan	(Resigned on 16 June 2018)

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 24 to the financial statements.

DIRECTORS AND OFFICERS INDEMNITY AND INSURANCE COST

During the financial year, the total maximum amount of indemnity coverage and insurance premium paid for directors and officers of the Company are RM3,000,000 and RM7,460 respectively.

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
The Company	1 January 2018	Acquired	Sold	31 December 2018
Direct interest				
Datuk Ng Yeng Keng @ Ng Ka Hiat	1,542,255	-	-	1,542,255
Mohd Salleh Bin Jantan	42,816	-	-	42,816
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

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

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

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

Datuk Ng Yeng Keng @ Ng Ka Hiat and Ng Chin Kang by virtue of their interest in the Company, are deemed interested in the shares of the subsidiary companies to the extent that the Company has an interest.

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

OTHER STATUTORY INFORMATION (CONT'D)

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

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

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

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

(f) In the opinion of the directors:

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

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

AUDITORS

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

Auditors' remuneration are disclosed in Note 7 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 April 2019.

Datuk Ng Yeng Keng @ Ng Ka Hiat

Ng Chin Kang

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

We, Datuk Ng Yeng Keng @ Ng Ka Hiat and Ng Chin Kang, being two of the directors of Kia Lim Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 42 to 77 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 April 2019.

Datuk Ng Yeng Keng @ Ng Ka Hiat	Ng Chin Kang

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Datuk Ng Yeng Keng @ Ng Ka Hiat, being the director primarily responsible for the financial management of Kia Lim Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 42 to 77 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 22 April 2019	)	Datuk Ng Yeng Keng @ Ng Ka Hiat

Before me,

Hj Zamani Bin Hj Ahmad
No. J 253
Commissioner for Oaths

Johor Bahru, Malaysia

22 April 2019

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 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 42 to 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 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

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

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

Impairment for property, plant and equipment

The Group recorded continuous losses for the past financial years and as at the end of the financial year, the carrying amount of the net assets of the Group exceeded its market capitalisation indicating that the carrying amount of the Group's property, plant and equipment specifically the Group's production facilities with the carrying amount of RM55,266,699 as at 31 December 2018 may be impaired. The Group had engaged an independent valuer to determine the fair value of the said production facilities. When estimating the fair value of an asset, the objective is to estimate the price that would be received from the sale of production facilities in an orderly transaction between market participants at the reporting date under current market conditions.

We considered this as an area of audit focus because the assessment process is based on assumptions that are judgmental. Further, the carrying amount of the production facilities represent 69% of total assets of the Group.

Our audit procedures focused on the valuation performed by the independent valuer, which included amongst others the following procedures:

(i) We considered the objectivity, independence, reputation and expertise of the independent valuer;

(ii) We obtained an understanding of the methodology adopted by the independent valuer in estimating the fair value of the production facilities and assessed whether such methodology is consistent with those used in the industry; and

(iii) As part of our evaluations of the fair values of the production facilities, we discussed the valuation with the independent valuer to obtain an understanding of the data used as input to the valuation models.

Information other than the financial statements and auditors' report thereon

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

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

Other matters

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

Ernst & Young
AF 0039
Chartered Accountants

Tan Jin Xiang
03348/01/2020 J
Chartered Accountant

Johor Bahru, Malaysia
22 April 2019

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Revenue	4	39,749,864	38,698,870	13,000,000	-
Cost of sales		(36,306,880)	(36,988,522)	-	-
Gross profit		3,442,984	1,710,348	13,000,000	-
Other items of income					
Interest income		-	-	7,718	63,228
Rental income		38,400	81,050	30,000	75,600
Other income	5	299,416	1,726,950	-	-
Other items of expense					
Administrative expenses		(4,016,887)	(4,983,310)	(414,940)	(405,915)
Impairment losses on property, plant and equipment		-	(1,334,719)	-	-
Selling and distribution expenses		(4,707,958)	(4,583,634)	-	-
Finance costs	6	(570,823)	(554,138)	(7,718)	(63,228)
Share of results of associate	15	(1,655)	(2,481)	-	-
(Loss)/Profit before tax	7	(5,516,523)	(7,939,934)	12,615,060	(330,315)
Income tax expense	10	(604,127)	(685,526)	-	-
(Loss)/Profit net of tax, representing total comprehensive (loss)/income for the year		(6,120,650)	(8,625,460)	12,615,060	(330,315)
Attributable to:					
Equity holders of the Company		(6,120,650)	(8,625,460)	12,615,060	(330,315)
Loss per share attributable to equity holders of the Company (sen):					
Basic and diluted	11	(9.9)	(13.9)		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Assets					
Non-current assets					
Property, plant and equipment	12	57,393,791	60,642,879	-	-
Investment property	13	445,716	473,378	445,716	473,378
Investment in subsidiaries	14	-	-	65,881,411	52,881,411
Investment in an associate	15	78,256	79,911	-	-
Investment in securities	16	5,037	5,037	-	-
Other receivables	19	-	-	1,962,304	2,543,909
Deferred tax assets	17	-	604,127	-	-
		57,922,800	61,805,332	68,289,431	55,898,698
Current assets					
Inventories	18	11,684,805	13,120,154	-	-
Trade and other receivables	19	10,107,261	9,513,420	15,130	15,130
Prepayments		81,806	222,037	-	-
Tax recoverable		124,720	98,024	-	-
Cash and bank balances	20	22,302	22,535	9,736	1,755
		22,020,894	22,976,170	24,866	16,885
Total assets		79,943,694	84,781,502	68,314,297	55,915,583
Equity and liabilities					
Current liabilities					
Trade and other payables	21	13,802,890	12,120,653	535,540	466,557
Loans and borrowings	22	6,652,961	6,797,495	-	285,329
		20,455,851	18,918,148	535,540	751,886
Net current assets/(liabilities)		1,565,043	4,058,022	(510,674)	(735,001)
Non-current liability					
Loans and borrowings	22	170,190	425,051	-	-
Total liabilities		20,626,041	19,343,199	535,540	751,886
Net assets		59,317,653	65,438,303	67,778,757	55,163,697
Equity attributable to equity holders of the Company					
Share capital	23	69,220,681	69,220,681	69,220,681	69,220,681
Accumulated losses		(9,903,028)	(3,782,378)	(1,441,924)	(14,056,984)
Total equity		59,317,653	65,438,303	67,778,757	55,163,697
Total equity and liabilities		79,943,694	84,781,502	68,314,297	55,915,583

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

Group	Non-distributable Share capital RM (Note 23)	Share premium RM (Note 23)	Retained earnings/ (Accumulated losses) RM	Total RM
At 1 January 2017	61,937,451	7,283,230	4,843,082	74,063,763
Total comprehensive loss for the year	-	-	(8,625,460)	(8,625,460)
Transition to no par value regime (Note a)	7,283,230	(7,283,230)	-	-
At 31 December 2017	69,220,681	-	(3,782,378)	65,438,303
Total comprehensive loss for the year	-	-	(6,120,650)	(6,120,650)
At 31 December 2018	69,220,681	-	(9,903,028)	59,317,653
Company				
At 1 January 2017	61,937,451	7,283,230	(13,726,669)	55,494,012
Total comprehensive loss for the year	-	-	(330,315)	(330,315)
Transition to no par value regime (Note a)	7,283,230	(7,283,230)	-	-
At 31 December 2017	69,220,681	-	(14,056,984)	55,163,697
Total comprehensive income for the year	-	-	12,615,060	12,615,060
At 31 December 2018	69,220,681	-	(1,441,924)	67,778,757

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

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash flows from operating activities				
(Loss)/Profit before tax	(5,516,523)	(7,939,934)	12,615,060	(330,315)
Adjustments for:				
Allowance for slow moving inventories	-	115,260	-	-
Bad debts written off	-	16,739	-	-
Depreciation of investment property	27,662	27,662	27,662	27,662
Depreciation of property, plant and equipment	5,057,247	6,070,916	-	-
Dividend income	-	-	(13,000,000)	-
Gain on disposal of property, plant and equipment	(191,183)	(69,525)	-	-
Interest expense	570,823	554,138	7,718	63,228
Interest income	-	-	(7,718)	(63,228)
Inventories written off	-	325,529	-	-
Impairment loss on other receivables	-	18,649	-	-
Impairment loss on property, plant and equipment	-	1,334,719	-	-
Property, plant and equipment written off	-	916,932	-	-
Share of loss of an associate	1,655	2,481	-	-
Slow moving inventories written back	(59,316)	(43,275)	-	-
Unrealised foreign exchange loss	31,580	28,856	-	-
Total adjustments	5,438,468	9,299,081	(12,972,338)	27,662
Operating cash flows before changes in working capital	(78,055)	1,359,147	(357,278)	(302,653)
Changes in working capital				
Inventories	106,870	3,415,215	-	-
Receivables	(596,559)	668,578	-	-
Prepayment	140,231	(88,361)	-	-
Payables	1,653,375	(1,059,094)	68,983	59,683
Total changes in working capital	1,303,917	2,936,338	68,983	59,683
Cash generated from/(used in) operations	1,225,862	4,295,485	(288,295)	(242,970)
Dividend received	-	-	13,000,000	-
Interest paid	(570,823)	(554,138)	(7,718)	(63,228)
Interest received	-	-	7,718	63,228
Income tax paid	(57,905)	(66,815)	-	-
Income tax refunded	31,209	-	-	-
Net cash generated from/(used in) operating activities	628,343	3,674,532	12,711,705	(242,970)
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	328,177	491,221	-	-
Purchase of property, plant and equipment	(557,358)	(2,875,386)	-	-
Repayment from subsidiaries	-	-	581,605	3,761,736
Subscription of redeemable convertible preference shares issued by a subsidiary	-	-	-	(2,706,000)
Subscription of ordinary shares issued by a subsidiary	-	-	(13,000,000)	-
Net cash (used in)/generated from investing activities	(229,181)	(2,384,165)	(12,418,395)	1,055,736
Cash flows from financing activities				
Drawdown of bankers' acceptances	8,750,000	9,735,000	-	-
Repayment of bankers' acceptances	(8,745,000)	(11,136,000)		
Repayment of obligations under finance lease	(382,269)	(456,262)	-	-
Repayment of term loans	(285,329)	(820,848)	(285,329)	(820,848)
Net cash used in financing activities	(662,598)	(2,678,110)	(285,329)	(820,848)

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Net (decrease)/increase in cash and cash equivalents	(263,436)	(1,387,743)	7,981	(8,082)
Cash and cash equivalents at 1 January	(3,303,362)	(1,915,619)	1,755	9,837
Cash and cash equivalents at 31 December (Note 20)	(3,566,798)	(3,303,362)	9,736	1,755

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 9D, Level 9, Menara Ansar, 65, Jalan Trus, 80000 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

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

2.2 Basis of consolidation

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

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

2.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group and the Company has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2018:

Standards effective for annual periods beginning on or after 1 January 2018

The following Standards and Interpretations are effective for annual periods beginning on or after 1 January 2018:

- MFRS 9 *Financial Instruments*
- MFRS 15 *Revenue from Contracts with Customers*
- Amendments to MFRS 128 *Measuring an Associate or Joint Venture at Fair Value*
- Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 140 *Transfers of Investment Property*
- IC Int. 22 *Foreign Currency Transactions and Advance Considerations*

The adoption of these standards did not have any material effect on the financial performance or position of the Group and of the Company.

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

2.4 Standards and interpretations issued but not yet effective

The standards 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, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 9 *Prepayment Features with Negative Compensation* (Amendments to MFRS 9)	1 January 2019
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
MFRS 119 *Plan Amendment, Curtailment or Settlement* (Amendments to MFRS 119)	1 January 2019
MFRS 128 *Long-term Interests in Associates and Joint Ventures* (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
Amendments to references to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 Business Combinations - Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108: *Definition of Material*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The directors expect that the adoption of the above Standards, Amendments, Annual Improvements and IC Interpretations will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of MFRS 16 are described below:

MFRS 16 *Leases*

MFRS 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. MFRS 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

On the adoption of MFRS 16, the Group and of the Company expect to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if MFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group and of the Company plan to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply MFRS 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group and of the Company are in the midst of assessing the impact of application based on currently available information, and this is not expected to have a significant impact on the overall results and financial position of the Company.

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

2.5 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.

2.6 Foreign currency

The financial statements are presented in Ringgit Malaysia, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the functional currency of the Company and its subsidiaries and are recorded on initial recognition in the functional currency 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 end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

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

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and 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.

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

2.7 Property, plant and equipment (Cont'd)

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 included in plant and equipment are not depreciated as these assets are not yet available for use.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

2.8 Investment properties

Investment properties are properties that are held either to earn rental income or for capital appreciation or both, rather than for use in the production or supply goods or services, or for administrative purposes, or in the ordinary course of business.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any 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 gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

2.9 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 indication exists, or when an annual impairment testing 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 or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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 unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses relating to goodwill cannot be reversed in future periods.

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

2.10 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and of the Company has applied the practical expedient, the Group and of the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do no contain a significant financing component or for which the Group and of the Company has applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group and of the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 Company commits to purchase or sell the asset.

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group and of the Company does not have any financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) or financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

Financial assets at amortised cost (debt instruments)

The Group and of the Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group and of the Company's financial assets at amortised cost comprises solely of its trade and other receivables balances.

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

2.10 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

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 recognised in the statement of profit or loss.

This category includes unquoted and quoted equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on quoted equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

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 Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group and of the Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and of the Company 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 and of the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement.

In that case, the Group and of the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company 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 Company could be required to repay.

Impairment of financial assets

The Group and of the Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group and of the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

2.10 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

The Group and of the Company consider a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group and of the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group and of the Company become a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

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

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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.

This category generally applies to interest-bearing loans and borrowings.

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 comprehensive income.

2.11 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it 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.

In the Company's separate balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

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

2.12 Associate

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

The Company account for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

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

Under the equity method, the investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

2.13 Cash and bank balances

Cash and bank balances comprise cash at banks and on hand.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

2.14 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.

2.15 Provisions

General

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

Provisions are reviewed at the end of each reporting period 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 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 expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.17 Employee benefits

a) 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. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

b) Post-employment benefits

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

2.18 Lease

a) As lessee

Finance leases which transfer to the Group and the Company 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.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of 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 in which the Group does not transfer 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 2.19.

2.19 Revenue

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

a) Sale of bricks

The Company supplies brick and roofing tiles for consumers.

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied.

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

2.19 Revenue (Cont'd)

a) Sale of bricks (Cont'd)

The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, net of the discounts.

The Company recognises the expected discounts payable to customer where consideration have been received from customers. Separately, the Company recognises a related asset for the right to recover the returned goods, based on the former carrying amount of the good less expected costs to recover the goods, and adjusts them against cost of sales correspondingly.

At the end of each reporting date, the Company updates its assessment of the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained. The corresponding amounts are adjusted against revenue in the period in which the transaction price changes. The Company also updates its measurement of the asset for the right to recover returned goods for changes in its expectations about returned 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.

2.20 Taxes

a) Current income tax

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

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

b) Deferred tax

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

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

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

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

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

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

- 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.

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

2.20 Taxes (Cont'd)

b) Deferred tax (Cont'd)

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

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

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

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

c) Goods and Services Tax ("GST")

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

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

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

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

d) Sales and Services Tax ("SST")

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

- Where the amount of SST 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 SST included.

The amount of SST payable to the taxation authority is included as part of payables in the statement of financial position.

2.21 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of 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.

2.22 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.

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

2.22 Fair value measurement (Cont'd)

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

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

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

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

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

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

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

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

For assets and liabilities that are recognised in the financial statements at fair value 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated 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 end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

3.1 Critical Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, there are no judgements which has a significant effect on the amounts recognised in the consolidated financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment on property, plant and equipment

An entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. Hence, the Group performed an impairment test to determine the recoverable amount for the CGU where these property, plant and equipment allocated. The recoverable amount of the CGU was estimated based on a valuation undertaken by an independent valuer . Based on the results of the impairment test, no impairment was required for current financial year.

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

3.2 Key sources of estimation uncertainty (Cont'd)

(b) Deferred tax assets

Deferred tax assets are recognised for unabsorbed capital allowances, unutilised reinvestment allowances and other deductible temporary differences to the extent that it is probable that taxable profits will be available against which the losses and capital 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. Further details are disclosed in Note 17.

4. REVENUE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Sales of bricks	39,749,864	38,698,870	-	-
Dividend income	-	-	13,000,000	-
	39,749,864	38,698,870	13,000,000	-

Revenue of the Group and Company is recognised at a point in time.

5. OTHER INCOME

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Gain on disposal of property, plant and equipment	191,183	69,525	-	-
Insurance received	25,695	1,483,633	-	-
Miscellaneous income	6,696	20,988	-	-
Sundry income	-	75,192	-	-
Vehicle rental income	75,842	77,612	-	-
	299,416	1,726,950	-	-

6. FINANCE COSTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest expense on:				
- Bankers' acceptances and bank overdrafts	505,791	408,251	-	-
- Obligations under finance lease	35,914	62,523	-	-
- Other loans	21,400	20,136	-	-
- Term loans	7,718	63,228	7,718	63,228
	570,823	554,138	7,718	63,228

7. (LOSS)/PROFIT BEFORE TAX

The following items have been included in arriving at (loss)/profit before tax from continuing operations:

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Employee benefits expense (Note 8)	8,210,198	7,994,416	134,850	154,200
Non-executive directors' remuneration (Note 9)	98,600	109,200	98,600	109,200
Auditors' remuneration				
- Statutory audit	112,000	107,000	32,000	32,000
- Other audit services	5,000	9,000	5,000	5,000
Allowance for slow moving inventories	-	115,260	-	-
Bad debts written off (Note 19)	-	16,739	-	-
Depreciation of investment property (Note 13)	27,662	27,662	27,662	27,662
Depreciation of property, plant and equipment (Note 12)	5,057,247	6,070,916	-	-
Impairment loss of property, plant and equipment (Note 12)	-	1,334,719	-	-
Impairment loss of other receivables (Note 19)	-	18,649	-	-
Inventories written off	-	325,529	-	-
Property, plant and equipment written off	-	916,932	-	-
Realised foreign exchange gain	(18,358)	(49,844)	-	-
Rental of premises	139,392	174,852	-	-
Slow moving inventories written back	(59,316)	(43,275)	-	-
Unrealised foreign exchange loss	31,580	28,856	-	-

8. EMPLOYEE BENEFITS EXPENSE

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Employee benefits expenses (including directors):				
Wages and salaries	7,414,502	7,205,041	134,850	154,200
Defined contribution plan	703,817	705,613	-	-
Social security contributions	91,879	83,762	-	-
	8,210,198	7,994,416	134,850	154,200

9. DIRECTORS' REMUNERATION

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

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Executive:				
- Fees	42,250	51,000	36,250	45,000
- Other emoluments	563,897	565,377	-	-
- Benefits in kind	21,400	23,275	-	-
	627,547	639,652	36,250	45,000
Non-executive:				
- Fees	85,000	75,000	85,000	75,000
- Other emoluments	13,600	34,200	13,600	34,200
	98,600	109,200	98,600	109,200
Total directors' remuneration	726,147	748,852	134,850	154,200

9. DIRECTORS' REMUNERATION (CONT'D)

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	
	2018	2017
Executive directors:		
RM100,001 - RM150,000	2	2
RM400,001 - RM450,000	1	1
Non-executive directors:		
<RM50,000	4	4

10. INCOME TAX

Major components of income tax

The major components of income tax for the years ended 31 December 2018 and 2017 are:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Statement of comprehensive income:				
Malaysian income tax:				
- Adjustments in respect of previous years	-	19,201	-	-
Deferred tax (Note 17):				
- Origination and reversal of temporary differences	604,127	733,185	-	-
- Adjustments in respect of previous year	-	(66,860)	-	-
	604,127	666,325	-	-
Income tax expense recognised in profit or loss	604,127	685,526	-	-

Reconciliation between tax expense and accounting (loss)/profit

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 2018 and 2017 are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
(Loss)/Profit before tax	(5,516,523)	(7,939,934)	12,615,060	(330,315)
Taxation at Malaysian statutory tax rate of 24% (2017 : 24%)	(1,323,966)	(1,905,584)	3,027,614	(79,276)
Income not subject to tax	(70,953)	-	(3,120,000)	-
Expenses not deductible for tax purposes	348,576	323,507	92,386	79,276
Deferred tax assets not recognised on unutilised business losses, capital allowances and reinvestment allowances	1,650,073	2,314,667	-	-
Share of loss of an associate	397	595	-	-
Underprovision of income tax expense in prior years	-	19,201	-	-
Overprovision of deferred tax in prior year	-	(66,860)	-	-
Income tax recognised in profit or loss	604,127	685,526	-	-

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

	Group	
	2018 RM	2017 RM
Unutilised tax losses	13,711,000	12,600,000
Unabsorbed capital allowances	31,105,000	30,226,000
Unutilised reinvestment allowances	15,987,000	10,695,000

11. LOSS PER SHARE

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

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

	2018 RM	2017 RM
Loss attributable to ordinary equity holders of the Company	(6,120,650)	(8,625,460)
Weighted average number of ordinary shares in issue	61,937,451	61,937,451

	2018 Sen	2017 Sen
Basic and diluted loss per share	(9.9)	(13.9)

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings RM	Plant and machinery RM	Motor vehicles RM	Other assets RM	Total RM
Cost					
At 1 January 2017	44,124,847	142,021,524	11,283,475	4,215,971	201,645,817
Additions	458,559	2,411,984	-	4,843	2,875,386
Disposals	-	(2,996,043)	(369,688)	(4,943)	(3,370,674)
Written off	(275,865)	(1,217,137)	(5,868)	(288,011)	(1,786,881)
At 31 December 2017	44,307,541	140,220,328	10,907,919	3,927,860	199,363,648
Additions	44,400	429,909	72,280	10,769	557,358
Disposals	(70,354)	(4,395,380)	(343,502)	-	(4,809,236)
Written off	-	-	-	(799)	(799)
Transfer from inventories	-	1,387,795	-	-	1,387,795
At 31 December 2018	44,281,587	137,642,652	10,636,697	3,937,830	196,498,766
Accumulated depreciation and impairment loss					
At 1 January 2017	6,461,374	116,835,536	9,501,392	2,335,759	135,134,061
Depreciation charge for the year (Note 7)	652,683	4,615,672	741,724	60,837	6,070,916
Impairment loss (Note 7)	-	1,334,719	-	-	1,334,719
Disposals	-	(2,574,436)	(369,689)	(4,853)	(2,948,978)
Written off	(57,666)	(805,266)	(5,868)	(1,149)	(869,949)
At 31 December 2017	7,056,391	119,406,225	9,867,559	2,390,594	138,720,769
Depreciation charge for the year (Note 7)	658,065	3,873,024	472,179	53,979	5,057,247
Disposals	(49,248)	(4,286,917)	(336,077)	-	(4,672,242)
Written off	-	-	-	(799)	(799)
At 31 December 2018	7,665,208	118,992,332	10,003,661	2,443,774	139,104,975

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

Group	Freehold land and buildings RM	Plant and machinery RM	Motor vehicles RM	Other assets RM	Total RM
Net carrying amount					
At 31 December 2018	36,616,379	18,650,320	633,036	1,494,056	57,393,791
At 31 December 2017	37,251,150	20,814,103	1,040,360	1,537,266	60,642,879

Company	Other asset 2018 RM	2017 RM
Cost		
At 1 January/31 December	10,287	10,287
Accumulated depreciation		
At 1 January/31 December	10,287	10,287
Net carrying amount		
At 31 December	-	-

(a) Assets held under finance leases

Net carrying amounts of property, plant and equipment held under finance lease are as follows:

	Group 2018 RM	2017 RM
Motor vehicles	351,606	792,939

Leased assets are pledged as security for the related finance lease liabilities.

(b) Assets pledged as security

Net carrying amounts of property, plant and equipment pledged to secure the Company's bank borrowings as disclosed in Note 22 are as follows:

	Group 2018 RM	2017 RM
Plant and machinery	20,425,806	22,598,790
Land and building	36,616,379	37,251,150
	57,042,185	59,849,940

(c) Plant and machinery of the Group include capital work-in-progress which comprise machinery under construction amounting to RM234,302 (2017: RM900,151).

13. INVESTMENT PROPERTY

	Group and Company 2018 RM	2017 RM
Balance sheet:		
Cost		
At 1 January/31 December	750,000	750,000
Accumulated depreciation		
At 1 January	276,622	248,960
Depreciation charge for the year (Note 7)	27,662	27,662
At 31 December	304,284	276,622
Net carrying amount		
At 31 December	445,716	473,378
Fair value of investment property	1,125,000	1,125,000
Income statement:		
Rental income from investment properties - Minimum lease payments	38,400	81,050
Direct operating expenses (including repairs and maintenance) arising from: - Rental generating properties	43,579	43,668

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

14. INVESTMENT IN SUBSIDIARIES

	Company 2018 RM	2017 RM
Unquoted redeemable convertible preference shares, at cost	51,680,000	51,680,000
Unquoted shares at cost	47,616,709	34,616,709
	99,296,709	86,296,709
Impairment losses	(33,415,298)	(33,415,298)
	65,881,411	52,881,411

Details of the subsidiaries are as follows:

Name	Principal place of Business	Principal Activities	Proportion (%) of ownership interest 2018	2017
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.

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

Subscription of ordinary shares and RCPS in subsidiaries

In 2014, the Company subscribed for 42,680,000 and 6,294,000 Redeemable Convertible Preference Shares ("RCPS") in SKL and KRBB respectively, at an issue price of RM1.00 per RCPS. During the previous financial year, the Company subscribed for 2,706,000 RCPS in KRBB at an issue price of RM1.00 per RCPS. During the financial year, the Company subscribed for 13,000,000 ordinary shares in KRBB at an issue price of RM1.00 per ordinary share.

15. INVESTMENT IN AN ASSOCIATE

	Group 2018 RM	Group 2017 RM
Unquoted shares at cost	54,000	54,000
Share of post-acquisition reserves	24,256	25,911
	78,256	79,911

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 2018	2017
Sersen Tiles Sdn Bhd	Malaysia	Property owner	27	27

The results of associate is based on the audited financial statements for the financial year ended 31 August 2018.

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

	2018 RM	2017 RM
Current assets	2,138	2,472
Non-current assets	315,752	319,532
Current liabilities	(45,472)	(43,457)
Equity attributable to shareholders	272,418	278,547
Equity attributable to the Group	73,552	75,207
Goodwill on acquisition	4,704	4,704
	78,256	79,911
Net Loss for the year	(6,129)	(9,188)
Group's share of loss for the year	(1,655)	(2,481)

16. INVESTMENT IN SECURITIES

	Group 2018 RM	Group 2017 RM
At fair value through profit or loss		
- Equity security (quoted)	5,036	5,036
- Equity security (unquoted)	1	1
	5,037	5,037

17. DEFERRED TAX ASSETS

	Group 2018 RM	Group 2017 RM
At 1 January	604,127	1,270,452
Recognised in profit or loss (Note 10)	(604,127)	(666,325)
At 31 December	-	604,127

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

	As at 1 January	Recognised in profit or loss	As at 31 December
2018			
Accelerated depreciation for tax purposes	(4,173,661)	(400,339)	(4,574,000)
Unabsorbed capital allowances	294,000	-	294,000
Unutilised reinvestment allowances	4,280,000	-	4,280,000
Others	203,788	(203,788)	-
	604,127	(604,127)	-
2017			
Accelerated depreciation for tax purposes	(6,847,161)	2,673,500	(4,173,661)
Unabsorbed capital allowances	3,427,346	(3,133,346)	294,000
Unutilised reinvestment allowances	4,280,000	-	4,280,000
Others	410,267	(206,479)	203,788
	1,270,452	(666,325)	604,127

18. INVENTORIES

	Group 2018 RM	Group 2017 RM
Statement of financial position:		
At cost		
- Raw materials	1,996,381	2,195,131
- Consumables	7,619,636	8,916,076
- Work-in-progress	497,382	327,205
- Finished products	1,451,550	1,560,343
	11,564,949	12,998,755
At net realisable value		
- Finished products	119,856	121,399
Total inventories	11,684,805	13,120,154
Statement of comprehensive income:		
Cost of inventories recognised as an expense in cost of sales	36,306,880	36,988,522

19. TRADE AND OTHER RECEIVABLES

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Current				
Trade receivables				
Third parties	10,103,197	9,560,494	-	-
Less: Allowance for expected loss	(187,093)	(187,093)	-	-
	9,916,104	9,373,401	-	-
Other receivables				
Related parties	-	2,099	-	-
Deposits	102,877	78,215	15,130	15,130
Sundry receivables	106,929	78,354	-	-
	209,806	158,668	15,130	15,130
Less: Allowance for expected loss	(18,649)	(18,649)	-	-
	191,157	140,019	15,130	15,130
Total trade and other receivables (current)	10,107,261	9,513,420	15,130	15,130
Non-current				
Other receivables				
Amount due from subsidiaries				
- Non-interest bearing	-	-	1,962,304	2,112,792
- Interest bearing	-	-	-	431,117
	-	-	1,962,304	2,543,909
Total trade and other receivables (current and non-current)	10,107,261	9,513,420	1,977,434	2,559,039
Add: Cash and bank balances (Note 20)	22,302	22,535	9,736	1,755
Total financial assets carried at amortised cost	10,129,563	9,535,955	1,987,170	2,560,794

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2017: 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 2018 RM	Group 2017 RM
Neither past due nor impaired	6,700,054	6,185,714
1 to 30 days past due not impaired	2,361,102	2,458,772
31 to 60 days past due not impaired	559,112	406,887
More than 91 days past due not impaired	295,836	322,028
	3,216,050	3,187,687
Impaired	187,093	187,093
	10,103,197	9,560,494

19. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (Cont'd)

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 RM3,216,050 (2017: RM3,187,687) 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	
	2018 RM	2017 RM
Individually impaired		
Trade receivables - nominal amounts	187,093	187,093
Less: Allowance for impairment	(187,093)	(187,093)
	-	-

Movement in allowance accounts:

	Group	
	2018 RM	2017 RM
At 1 January	187,093	187,093
Charge for the year (Note 7)	-	16,739
Written off against allowance for impairment	-	(16,739)
At 31 December	187,093	187,093

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

(b) Other receivables - current

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

(c) Other receivables - non-current

These amounts due from subsidiaries are not expected to be repaid within the next 12 months. The interest bearing portion at the end of the previous financial year bore interest at 8.6% per annum.

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 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash and bank balances	22,302	22,535	9,736	1,755
Bank overdrafts (Note 22)	(3,589,100)	(3,325,897)	-	-
Cash and cash equivalents	(3,566,798)	(3,303,362)	9,736	1,755

21. TRADE AND OTHER PAYABLES

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Trade payables				
Third parties	8,745,235	6,998,231	-	-
Related parties	397,422	401,134	-	-
	9,142,657	7,399,365	-	-
Other payables				
Third parties	1,575,277	1,474,845	535,540	446,757
Related parties	1,863,562	1,869,736	-	-
Accruals	1,221,394	1,376,707	-	19,800
	4,660,233	4,721,288	535,540	466,557
Total trade and other payables	13,802,890	12,120,653	535,540	466,557
Add: Loan and borrowings (Note 22)	6,823,151	7,222,546	-	285,329
Total financial liabilities at amortised cost	20,626,041	19,343,199	535,540	751,886

(a) Trade payables

Trade payables of the Group are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 90 days (2017: 30 days to 90 days).

(b) Other payables

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

22. LOANS AND BORROWINGS

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Current:				
Secured:				
Bank overdrafts (Note 20)	3,589,100	3,325,897	-	-
Bankers' acceptances	2,809,000	2,804,000	-	-
Obligations under finance lease (Note 25)	254,861	382,269	-	-
Term loans	-	285,329	-	285,329
	6,652,961	6,797,495	-	285,329
Non-current:				
Secured:				
Obligations under finance lease (Note 25)	170,190	425,051	-	-
Total loans and borrowings	6,823,151	7,222,546	-	285,329
Maturity of borrowings				
On demand or within one year	6,652,961	6,797,495	-	285,329
More than 1 year and less than 2 years	70,027	254,861	-	-
More than 2 years and less than 5 years	92,263	134,235	-	-
5 years or more	7,900	35,955	-	-
	6,823,151	7,222,546	-	285,329

The loans and borrowings bear interest at the following rates:

	2018 %	2017 %
Bank overdrafts	8.85 - 9.35	8.60 - 9.10
Bankers' acceptances	5.68 - 6.48	5.54 - 6.17
Obligations under finance lease	2.65 - 3.75	2.35 - 3.75
Term loans	8.85	8.60

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

Movements in the borrowings were as follows:

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
As 1 January	7,222,546	8,883,239	285,329	1,106,177
Drawdown:				
- Bankers' acceptance	8,750,000	9,735,000	-	-
Repayments:				
- Finance lease	(382,269)	(456,262)	-	-
- Bankers' acceptance	(8,745,000)	(11,136,000)	-	-
- Term loan	(285,329)	(820,848)	(285,329)	(820,848)
Changes in bank overdraft balance	263,203	1,017,417	-	-
At 31 December	6,823,151	7,222,546	-	285,329

23. SHARE CAPITAL

(a) Ordinary shares capital

	Number of ordinary shares 2018	Number of ordinary shares 2017	Amount 2018 RM	Amount 2017 RM
Issued and fully paid:				
At 1 January	61,937,451	61,937,451	69,220,681	61,937,451
Transition to no par value regime	-	-	-	7,283,230
At 31 December	61,937,451	61,937,451	69,220,681	69,220,681

(b) Share premium

The movement in the share premium account is as follows:

	Group and Company 2018 RM	Group and Company 2017 RM
At 1 January	-	7,283,230
Transition to no par value regime	-	(7,283,230)
At 31 December	-	-

Implementation of Companies Act 2016

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

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

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

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

a) Sale and purchase of goods and services

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

	Group 2018 RM	Group 2017 RM
Rental payable to:		
Sri Senanggar Batu Bata Sdn Bhd (note i)	44,550	44,550
Kia Lim Timber Trading Sdn Bhd (note ii)	139,392	157,452
Transport charges receivable from:		
Original Clay Industries Sdn Bhd (note iii)	12,067	-

	Company 2018 RM	Company 2017 RM
Interest recouped from subsidiaries:		
Syarikat Kia Lim Kilang Batu Bata Sdn Bhd	7,718	63,228

24. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

a) Sale and purchase of goods and services (Cont'd)

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

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

Notes:

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

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

(iii) A director of the Compnay, namely Datuk Ng Yeng Keng @ Ng Ka Hiat is the substantial shareholder of that company. A former director of the subsidiary, namely Ng Chin Lan, is the director of that company.

b) Compensation of key management personnel

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries and other emoluments	1,022,588	1,015,644	36,250	45,000
Bonus	60,514	81,194	-	-
Defined contribution plan	155,410	152,699	-	-
Benefits-in-kind	52,417	55,475	-	-
	1,290,929	1,305,012	36,250	45,000
Included in compensation of key management personnel are directors' remuneration	627,547	639,652	36,250	45,000

25. COMMITMENTS

a) Capital commitments

	Company	
	2018 RM	2017 RM
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	-	44,500
Approved but not contracted for:		
Property, plant and equipment	3,482,865	3,482,865

25. COMMITMENTS (CONT'D)

b) Operating lease arrangements - as lessee

The Group has entered into commercial leases on its machineries. These non-cancellable leases have remaining lease terms of between one and three years.

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group 2018 RM	Group 2017 RM
Not later than 1 year	48,000	48,000
Later than 1 year but not later than 5 years	16,000	64,000
	64,000	112,000

c) Finance lease commitments

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

	Company 2018 RM	Company 2017 RM
Future minimum lease payments:		
Not later than 1 year	271,254	418,182
Later than 1 year and not later than 2 years	76,695	271,254
Later than 2 years and not later than 5 years	100,548	148,095
Later than 5 years	8,024	37,172
Total future minimum lease payments	456,521	874,703
Less: Future finance charges	(31,470)	(67,383)
Present value of finance lease liabilities	425,051	807,320
Analysis of present value of finance lease liabilities:		
Not later than 1 year	254,861	382,269
Later than 1 year and not later than 2 years	70,027	254,861
Later than 2 years and not later than 5 years	92,263	134,235
Later than 5 years	7,900	35,955
	425,051	807,320
Less: Amount due within 12 months (Note 22)	(254,861)	(382,269)
Amount due after 12 months (Note 22)	170,190	425,051

26. FAIR VALUE OF ASSETS AND LIABILITIES

a) Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's and Company's assets:

Group and Company	Quoted price in active markets (Level 1) RM	Significant observable inputs (Level 2) RM	Significant Unobservable inputs (Level 3) RM	RM
At 31 December 2018				
Assets measured at fair value				
Investment securities				
- Quoted investment	5,036	-	-	5,036
- Unquoted investment*	-	-	1	1
	5,036	-	1	5,037
Assets for which fair values are disclosed				
Investment properties	-	-	1,125,000	1,125,000
At 31 December 2017				
Assets measured at fair value				
Investment securities				
- Quoted investment	5,036	-	-	5,036
- Unquoted investment*	-	-	1	1
	5,036	-	1	5,037
Assets for which fair values are disclosed				
Investment properties	-	-	1,125,000	1,125,000

* In previous years, the Group measured its investment in unquoted equity securities at cost. The Group has elected to apply the exemption in MFRS 1 and has not restated comparative information in the year of initial application.

There were no transfers during 2018.

b) Information about significant unobservable inputs used in Level 3 fair value measurements

For unquoted equity securities, a significant increase/(decrease) in the expected dividend yield would result in a significantly higher/(lower) fair value measurement. A significant increase/(decrease) in discount for lack of marketability would result in a significantly lower/(higher) fair value measurement.

For commercial investment properties, a significant increase/(decrease) in comparable prices would result in a significantly higher/(lower) fair value measurement.

c) Fair value of financial instruments by classes that are carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of these financial assets and liabilities are reasonable approximation 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.

	Note
Trade and other receivables (current)	19
Trade and other payables (current)	21
Loans and borrowings (current and non-current)	22

The fair values of 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.

27. 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, and interest rate risk.

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

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

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

a) Credit risk

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

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

Exposure to credit risk

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

Credit risk concentration profile

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

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

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

Financial guarantees

	Company	
	2018 RM	2017 RM
Unsecured:		
Corporate guarantees to banks for credit facilities granted to subsidiaries	6,398,100	6,129,897

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 98% (2017: 94%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

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

b) Liquidity risk (Cont'd)

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 2018				
Financial liabilities				
Group				
Trade and other payables	13,802,890	-	-	13,802,890
Loans and borrowings	6,669,354	177,242	8,024	6,854,620
	20,472,244	177,242	8,024	20,657,510
31 December 2018				
Financial liabilities				
Company				
Trade and other payables	535,540	-	-	535,540
31 December 2017				
Financial liabilities				
Group				
Trade and other payables	12,120,653	-	-	12,120,653
Loans and borrowings	6,833,408	419,349	37,172	7,289,929
	18,954,061	419,349	37,172	19,410,582
31 December 2017				
Financial liabilities				
Company				
Trade and other payables	466,557	-	-	466,557
Loans and borrowings	285,329	-	-	285,329
	751,886	-	-	751,886

c) Interest rate risk

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

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

Sensitivity analysis for interest rate risk

During the financial year, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's net loss net of tax would have been approximately RM33,000 lower/higher (2017: RM29,000 lower/higher), arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observable market environment.

28. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017.

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.

	Note	2018 RM	2017 RM
Group			
Loans and borrowings	22	6,823,151	7,222,546
Trade and other payables	21	13,802,890	12,120,653
Less: Cash and bank balances	20	(22,302)	(22,535)
Net debt		20,603,739	19,320,664
Equity attributable to the equity holders of the Group, representing total capital		59,317,653	65,438,303
Capital and net debt		79,921,392	84,758,967
Gearing ratio		26%	23%

29. SEGMENT INFORMATION

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

30. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 22 April 2019.

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

Voting rights : One vote for one ordinary share

ANALYSIS OF SHAREHOLDINGS

Number of Holders	Holdings	Total Holdings	Percentage of Holdings
7	Less than 100	294	0.00
626	100 - 1,000	596,027	0.96
703	1,001 - 10,000	3,227,649	5.21
335	10,001 to 100,000	11,355,378	18.33
59	100,001 to less than 5% of issued shares	29,869,915	48.23
3	5% and above of issued shares	16,888,188	27.27
1,733		61,937,451	100.00

THIRTY LARGEST SHAREHOLDERS

Name of Shareholders	Number of Shares	Percentage of Shares
1. Kia Lim Realty Sdn Bhd	7,312,393	11.81
2. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kia Lim Timber Trading Sdn Bhd	6,440,270	10.40
3. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Hoo Tee Holdings Sdn Bhd	3,135,525	5.06
4. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kia Lim Realty Sdn Bhd	2,931,600	4.73
5. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kia Lim Timber Trading Sdn Bhd	2,764,800	4.46
6. Kia Lim Timber Trading Sdn Bhd	2,284,064	3.69
7. Ng Hoo Tee Holdings Sdn Bhd	2,147,548	3.47
8. Sutera Istimewa Sdn Bhd	1,885,000	3.04
9. Ng Yeng Keng @ Ng Ka Hiat	1,542,255	2.49
10. Ban Dung Palm Oil Industries Sdn Bhd	1,117,200	1.80
11. Bijak Tulus Sdn Bhd	1,006,700	1.63
12. Maybank Nominees (Tempatan) Sdn Bhd Chua Eng Ho Wa'a @ Chua Eng Wah	897,100	1.45
13. Tan See Chip	799,935	1.29
14. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh May Lee	717,000	1.16
15. Ng Yan Kian	706,196	1.14
16. Tan Teck Peng	702,000	1.13
17. Mersing Village Sdn Bhd	666,000	1.08
18. Syarikat Jaya Diri Kemajuan Sdn Bhd	629,900	1.02
19. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tee Kim Hew	572,000	0.92
20. Tay Chye Hock	425,000	0.69
21. Cimsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Geok Wah	400,000	0.65
22. CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Eng Sos @ Bah Chik	391,590	0.63
23. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Lim Soon	388,000	0.63
24. Guan Brothers Realty Sdn Bhd	330,888	0.53
25. Ng Yam Puan @ Ng Ah Bah	320,143	0.52
26. Lim Kau	303,300	0.49
27. Ariss Bin Samsudin, Datuk	303,000	0.49
28. Ng Khean Chuan	302,000	0.49
29. Kour Siok Leen	246,790	0.40
30. Nam Heng Oil Mill Company Sdn. Berhad	238,888	0.39

SUBSTANTIAL SHAREHOLDERS

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

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

Notes:

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

LIST OF DIRECTORS' SHAREHOLDINGS AS AT 1 APRIL 2019

No.	Directors	Direct Interest		Deemed Interest		Note
		Number of Shares	Percentage of Shares	Number of Shares	Percentage of Shares	
1	Mr Loh Chee Kan	-	-	-	-	
2	Datuk Ng Yeng Keng @ Ng Ka Hiat	1,542,255	2.49	29,143,198	47.05	*
3	Mr Ng Chin Kang	-	-	13,445,134	21.71	*
4	Mr Chua Syer Cin	-	-	-	-	
5	En Mohd Salleh Bin Jantan	42,816	0.07	-	-	

Notes:

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

Location of Properties	Description	Tenure / Age of Buildings	Approximately Land Area / (Built-up Area)	Net Book Value RM'000	Date of Acquisition/ Valuation
5 plots of land comprising Lot Nos : PT 5032, 5033 5034, 5035 and 5036 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Industrial land (with factory for brick making plant, office, store and workshop)	Freehold (Between 25 - 32 years)	23.2923 acres (68,988 sq.ft)	7,751	31.12.2007
2 plots of land Lot Nos : 25 and 26 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Industrial land (with 1 open-sided factory buidings for paver plants)	Freehold (Between 19 years)	5.8686 acres (159,375 sq.ft)	10,233	31.12.2007
2 plots of land comprising Lot Nos : PTD 6922 and 1186 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Extraction of clay	Freehold	24.3376 acres (N/A)	1,220	31.12.2007
4 plots of land comprising Lot Nos : 1187, 27, 24 and 20 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	18.3562 acres (N/A)	1,043	31.12.2007
Lot No : 1617 Mukim Simpang Kiri 4, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	5.0812 acres (N/A)	180	31.12.2007
HS(M) 2918 MLO1699 Mukim Sri Medan, Batu Pahat, Johor Darul Takzim	Agricultural land (reserve for clay extraction)	Freehold	2.4875 acres	240	23.05.2014
HS(M) 641 MLO 1698 Mukim Sri Medan, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	2.4875 acres	230	13.03.2015
Lot No : PTD 6920 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Industrial land (with 2 open-sided factory buildings for brick making plants)	Freehold (Between 32 years)	7.0000 acres (111,705 sq.ft)	4,280	31.12.2007
Lot Nos : PTD 6988 and PTD 6989 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Industrial land (with open-sided factory buildings for roofing tiles plants, office building cum store and laboratory)	Freehold (Between 21 years)	8.7810 acres (224,772 sq.ft)	9,802	31.12.2007
Lot No : PTD 6921 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Extraction of clay	Freehold	20.5597 acres (N/A)	1,030	31.12.2007
3 plots of land comprising Lot Nos : PTD 8029, 6642, and 809 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	22.9330 acres (N/A)	1,050	31.12.2007
EMR 3460 Lot 6641 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	1.6311 acres (N/A)	90	31.12.2007
EMR 3134 Lot 6625 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim.	Agricultural land (reserve for clay extraction)	Freehold	4.0747 acres (N/A)	120	31.12.2007
Suite No 1604 Tower A Menara Atlas Plaza Pantai Kuala Lumpur.	Office building	Freehold (23 years)	2,360 sq.ft	446	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-Fourth Annual General Meeting** of the Company to be held at The Katerina Hotel, 8, Jalan Zabedah, 83000 Batu Pahat, Johor Darul Takzim on Tuesday, 28 May 2019 at 12.00 noon and, at every adjournment thereof *for/against the resolutions to be proposed thereat.

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

Resolutions	Agenda	For	Against
1.	To approve the payment of Directors' fees and benefits for the Company and its subsidiaries of up to RM121,800 for the financial year ending 31 December 2019.		
	To re-elect the following Directors retiring according to the Company's Articles of Association: -		
2.	i. Mr Ng Chin Kang		
3.	ii. Mr Chua Syer Cin		
4.	To re-appoint Messrs Ernst & Young as auditors		
5.	To approve the authority to allot shares - Sections 75 and 76		
6.	To approve the continuing terms of office of Mr Loh Chee Kan as an Independent Director.		
7.	To approve the continuing terms of office of Mr Chua Syer Cin as an Independent Director.		
8.	To approve the continuing terms of office of En Mohd Salleh Bin Jantan as an Independent Director.		
9.	Proposed Alteration or Amendment of the Constitution of the Company		

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 ....2019 ……………………..……………….............................
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 9D, Level 9, Menara Ansar, 65 Jalan Trus, 80000 Johor Bahru, Johor 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 9D, Level 9,
Menara Ansar,
65, Jalan Trus, 80000 Johor Bahru,
Johor Darul Ta'zim.

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