▲ UHP DELIVERY SYSTEMS
▲ GENERAL CONTRACTING
▲ PROCESS ENGINEERING
▲ INDUSTRIAL GASES

KELINGTON GROUP BERHAD

[COMPANY NO. 199901026486 (501386-P)]

ANNUAL REPORT 2019

- Turnkey Engineering
- Services
- System Design
- Construction
- Maintenance
- Servicing

20TH

ANNUAL GENERAL MEETING

Function Room 1,
Setia City Convention Centre

10 July 2020

Friday, 10.00 a.m

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www.kelington-group.com

This Annual Report can be downloaded at
http://www.kelington-group.com/report.php

ABOUT US

Originally founded in 1999, Kelington Group Berhad ("KGB" or the "Company") commenced operations as one of the leading providers of ultra high purity gas and chemical delivery solutions for the high technology industry.

Over the years, the Group has increased its engineering capabilities and expanded its service offering to cater to a diverse range of clients.

The Group is positioned as a one-stop facility solution provider of turnkey engineering services from the initial system design up to maintenance and servicing after completion.

In addition to that, the Group is involved in the Industrial Gases business, mainly providing on-site gas supply as well as manufacturing of liquid carbon dioxide.

To-date, the Group has accumulated a vast track record of completed projects for a myriad of international clients in Malaysia, China, Taiwan, Singapore, Philippines and Indonesia.

The Group aims to be a forward-looking organisation that continuously invests in new technology to deliver world class quality services that meet its customers' needs safely and cost effectively.

Below is a quick glance into KGB's milestones and the industries it has served since inception.

COMPANY HISTORY TIMELINE

1999
- Incorporation of Kelington Technologies Sdn Bhd

2000
- Secured our FIRST semiconductor project in Malaysia

2002
- Set up office in Shanghai, China

2003
- Secured our FIRST **TFT-LCD** project in Taiwan

2004
- Secured our FIRST **semiconductor** project in China

2006
- Set up office in Singapore

2007
- Secured FIRST **solar energy** project in China

2008
- Secured FIRST **renewable energy** project in Singapore

2009
- Listed on the ACE Market of Bursa Malaysia Securities Berhad

2010
- Secured project from the largest **wafer fabrication foundry** in China

2011
- Secured our FIRST **glass manufacturing plant** project in Vietnam
- Secured our FIRST **bioscience** project in Singapore

2012
- Transferred to Main Market of Bursa Malaysia Securities Berhad
- Expanded business offerings by acquiring Puritec Technologies (S) Pte. Ltd. in Singapore
- Incorporated a healthcare and renewable energy subsidiaries

2013
- Secured a 2+1 year contract from one of the world's largest chip makers
- Secured our FIRST **healthcare** project in Shanghai, China
- Secured our FIRST **oil & gas** related project in Malaysia Secured our FIRST **aerospace** related project in Singapore
- Secured our FIRST palm **oil refinery** project in Malaysia

2014
- Secured our FIRST **chemical processing** project in Malaysia
- Secured our FIRST **pharmaceutical** project in Malaysia
- Secured our FIRST **research and development complex** project in Singapore
- Secured our FIRST **military** project in Taiwan

2015
- Set up subsidiary in Indonesia
- Set up subsidiary in Philippines
- Secured large value project for a wafer fabrication facility in Singapore

2016
- Incorporated subsidiary to commence new business activity involving the supply of industrial gases

2017
- Secured our FIRST 10-year industrial gas supply contract in Malaysia
- Signed a 15-year agreement with PETRONAS to purchase Carbon Dioxide (CO_2) waste gas for our manufacturing of liquid CO_2 gas business

2018
- Achieved record high in terms of net profit and new order secured

2019
- Secured large value contract to provide turnkey construction and engineering services in Singapore for one of the world's largest gas companies.
- Commencement of Operation of the new Carbon Dioxide Recovery Plant
- Commencement of Operation of the new Dry Ice Plant
- Commencement of Operation of the new UHP fabrication facility in China

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ir. Gan Hung Keng
Executive Chairman/
Chief Executive Officer ("CEO")

Ong Weng Leong
Executive Director/
Chief Operating Officer ("COO")

Chan Thian Kiat
Tan Chuan Yong
Senior Independent Non-Executive Director

Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman
Soo Yuit Weng
Ng Lee Kuan
Independent Non-Executive Director

Soh Tong Hwa
Cham Teck Kuang
Hu Keqin
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Chan Thian Kiat
Chairman
Senior Independent Non-Executive Director

Tan Chuan Yong
Member
Senior Independent Non-Executive Director

Soo Yuit Weng
Member
Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE

Ng Lee Kuan
Chairman
Independent Non-Executive Director

Soh Tong Hwa
Member
Non-Independent Non-Executive Director

Cham Teck Kuang
Member
Non-Independent Non-Executive Director

Hu Keqin
Member
Non-Independent Non-Executive Director

REMUNERATION COMMITTEE

Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman
Chairman
Independent Non-Executive Director

Tan Chuan Yong
Member
Senior Independent Non-Executive Director

Soo Yuit Weng
Member
Independent Non-Executive Director

NOMINATION COMMITTEE

Soo Yuit Weng
Chairman
Independent Non-Executive Director

Tan Chuan Yong
Member
Senior Independent Non-Executive Director

Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman
Member
Independent Non-Executive Director

EMPLOYEE SHARE SCHEME ("ESS") COMMITTEE

Ir. Gan Hung Keng
Chairman/CEO

Ong Weng Leong
Member
Executive Director/COO

Tan Chuan Yong
Member
Senior Independent Non-Executive Director

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTORS

Tan Chuan Yong
tcy@kllaw.com.my

Chan Thian Kiat
steventkchan@yahoo.com

COMPANY SECRETARIES

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SSM PC No. 202008001079
MAICSA 7017753

Teo Mee Hui
SSM PC No. 202008001081
MAICSA 7050642

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Tel : +603-2382 4288
Fax : +603-2382 4170

MANAGEMENT OFFICE

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Selangor Darul Ehsan, Malaysia
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Fax : +603-7845 7097
Email : enquiry@kelington-group.com

INVESTOR RELATIONS

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B-6-27, Block B
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Damansara Avenue
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Tel: +603 6262 5777
Email: meilynn@capitalfront.biz

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
(199601006647 (378993-D))
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13 46200 Petaling Jaya, Selangor
Tel : +603-7890 4700 [Helpdesk]
Fax: +603-7890 4670
Website: www.boardroomlimited.com
Email: BSR.Helpdesk@boardroomlimited.com

AUDITORS

Messrs. Crowe Malaysia PLT
(LLP0018817-LCA & AF1018)
Chartered Accountants
Level 16, Tower C
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia
Tel : +603-2788 9999
Fax : +603-2788 9998

PRINCIPAL BANKER

HSBC Bank Malaysia Berhad (127776-V)
No.2 Leboh Ampang
50100 Kuala Lumpur,
Malaysia
Tel : +603-2075 3000

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

Ordinary Shares
Stock Name : KGB
Stock Code : 0151

CORPORATE STRUCTURE

Kelington Group Berhad & Branch in Taiwan

- 100% **Kelington Technologies Sdn. Bhd.** (Incorporated in Malaysia)
  - 100% **Kelington Technologies (Sarawak) Sdn Bhd** (Incorporated in Malaysia)
- 100% **Kelington Energy Sdn. Bhd.** (Incorporated in Malaysia)
- 100% **Puritec Technologies (M) Sdn. Bhd.** (Incorporated in Malaysia)
- 100% **Kelington Engineering (S) Pte. Ltd.** (Incorporated in Singapore)
  - 100% **Puritec Technologies (S) Pte. Ltd.** (Incorporated in Singapore)
  - 80% **PT Mitracon Graha Solusindo** (In the process of members' voluntary winding up)
  - 90% **Kelington Solomon Philippines, Inc.** (Incorporated in Philippines)
- 100% **Kelington Engineering (Shanghai) Co., Ltd** (Incorporated in the People's Republic of China)
  - 100% **Kelington Trading (Shanghai) Co., Ltd** (Incorporated in the People's Republic of China)
  - 100% **KE System Integration (ChuZhou) Co., Ltd** (Incorporated in the People's Republic of China)
- 82% **Cryotech Logistics Sdn Bhd** (Incorporated in Malaysia)
- 97% **Ace Gases Sdn Bhd** (Incorporated in Malaysia)
  - 80% **Ace Gases Marketing Sdn Bhd** (Incorporated in Malaysia)
  - 100% **Ace Gases Marketing (S) Pte Ltd** (Incorporated in Singapore)
- 55% **Kelington Analytical Services Sdn. Bhd.** (Incorporated in Malaysia)
- 100% **Hiti Engineering (M) Sdn. Bhd.** (Incorporated in Malaysia)
- 90% **Kelington Nawik Sdn. Bhd.** (Incorporated in Malaysia)
  - 100% **Kelington Nawik (PNG) Limited** (Incorporated in Papua New Guinea, Dormant)

OUR STRATEGIC INTENTS

OUR Vision

To be a leading and well-diversified high-technology Company in Asia Pacific region.

Our vision serves as a strategic intent and guides every aspect of our business describing the desired long-term future state of the Company.

OUR Mission

Everything we do is inspired by our enduring mission. We strive to build KGB as a profitable organisation that is continuously investing in new technology, delivering world class and quality services to meet our customers' requirement, safely and cost effectively.

OUR Core Values

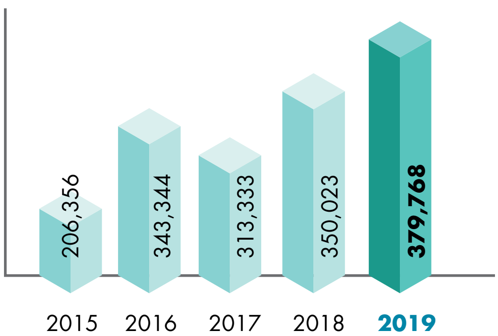
In our drive towards our vision, we uphold the following four core values:

- Building Partnership
- Continuous Improvement
- Encourage Innovation
- Work Safely

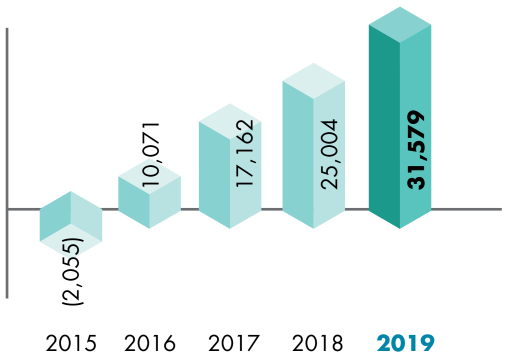
FINANCIAL HIGHLIGHTS

	Financial Year Ended 31 December				
	2015	2016	2017	2018	2019
Revenue (RM'000)	206,356	343,344	313,333	350,023	379,768
Profit Before Taxation (RM'000)	(2,055)	10,071	17,162	25,004	31,579
Profit After Taxation (RM'000)	(2,521)	8,827	11,541	18,315	23,920
Shareholders' Funds (RM'000)	59,399	66,993	78,475	116,215	155,534
Total Assets (RM'000)	174,534	199,945	229,874	243,476	303,055
Number of Ordinary Shares ('000)	220,080	222,375	229,834	267,453	311,459
Net Assets Per Share (RM)	0.27	0.30	0.34	0.43	0.50
Basic Earning Per Share (Cent)	-1.2	4.0	5.2	7.6	8.2

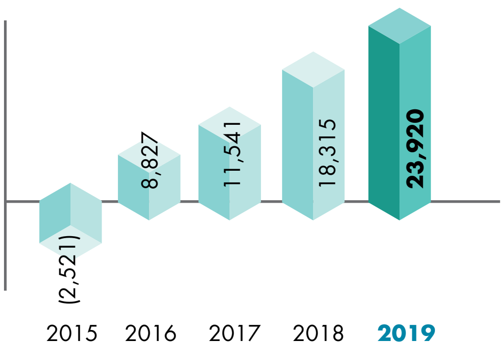
REVENUE (RM'000)



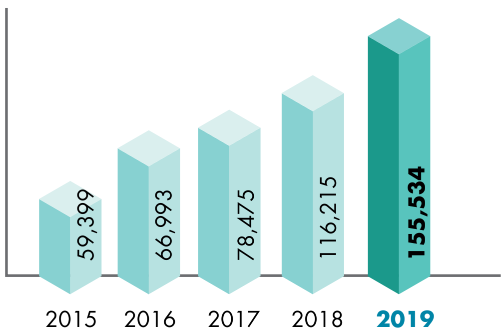
PROFIT BEFORE TAXATION (RM'000)



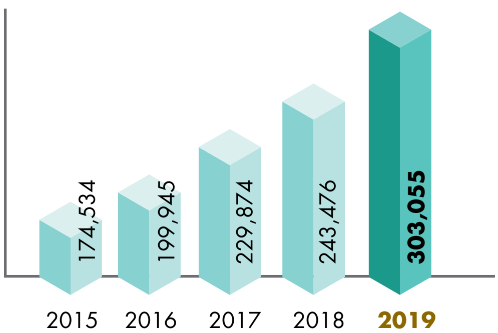
PROFIT AFTER TAXATION (RM'000)



SHAREHOLDERS' FUNDS (RM'000)



TOTAL ASSET (RM'000)



MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of KGB for the financial year ended 31 December 2019 ("FY2019").

Group's Business and Operations

KGB was established in 1999 and subsequently listed on Bursa Malaysia Securities Berhad ("Bursa Securities") in 2009. The Group provides integrated engineering services for a wide range of sectors. Our offerings include end-to-end turnkey services from the initial design works, to fabrication, and maintenance works after the solutions have been handed over to the customer.

In addition to that, the Group is involved in the Industrial Gases business, mainly providing on-site gas supply as well as manufacturing of liquid carbon dioxide.

We have a total workforce of around 400 across regional offices in Malaysia, Singapore, China and Taiwan.

Our business activities are categorized into 4 main segments which are: -

ULTRA HIGH PURITY DELIVERY SYSTEMS ("UHP")

We engineer solutions that ensure safe handling of the delivery and distribution of ultra-high purity gases and chemicals all the way from source to equipment to waste disposal.

PROCESS ENGINEERING

We engineer and construct mechanical and electrical systems that support industrial processes across many sectors. We offer custom integrated process skid fabrications all the way up to large scale constructions.

GENERAL CONTRACTING

We provide general contracting works encompassing civil and mechanical and engineering services to construct specialized facilities such as clean rooms and Research & Development ("R&D") centers.

INDUSTRIAL GASES

We supply a wide range of industrial and specialty gases in various forms; from portable high-pressure gas storage tanks to on-site gas generators.

We manufacture and distribute liquid carbon dioxide to various users.

RISE ABOVE THE STORM

FY2019 was a trying year for global markets as companies worldwide grappled with the challenges arising from the on-going US-China trade war and geopolitical issues.

Domestically, Malaysia's Gross Domestic Product ("GDP") expanded at a lower rate of 4.3% in 2019 against 4.7% in 2018, the lowest pace recorded since the global financial crisis in 2009.

Globally, the semiconductor industries were not spared, as sales and expansion activities slowed down, largely affected by the trade war between the largest chip producer, US, and the largest consumer, China. Due to that, competition escalated rapidly as industry peers raced to get a bigger slice of the pie.

In spite of this, the Group continued to deliver good growth and achieved yet another record high revenue of RM379.8 million and all-time high net profit of RM23.9 million in FY2019. Our performance for the fiscal year speaks chiefly on our resilience and commitment in delivering sustainable growth.

The Group's orderbook replenishment remained healthy in FY2019, as we clinched a total of RM386 million worth of new projects last year. Majority of the new projects were from the UHP and Process Engineering divisions.

Amongst the new projects, the largest win was the RM93 million UHP project for an electronics special gases plant in Singapore. The project was awarded to us by a reputable multinational company, who is a repeat customer of the Group. We are encouraged by these contract wins as it signifies the trust and confidence of our customers towards our engineering solutions, especially during such challenging periods.

Highest ever revenue

RM379.8 million

in FY2019

All-time high net profit

RM23.9 million

Another key development was the opening of our new fabrication facility in Suzhou-Chuzhou Modern Industrial Park, China in September 2019. This marks our very first major investment in the China market since our entry in 2002. China has been one of our key international markets and we believe this strategic investment will allow us to further expand our pool of customers, as well as bolstering our UHP services and market share there. The 37,458 square-foot facility will be mainly involved in Engineering, Procurement, Construction and Commissioning ("EPCC") of process systems for the electronics industry and fabrication of own-brand Ultra High Purity ("UHP") gas and chemical delivery equipment.

INDUSTRIAL GAS BUSINESS, OUR FUTURE GROWTH DRIVER

The year also saw KGB expand its presence in the Industrial Gases business with the completion and commencement of its liquid carbon dioxide ("CO2") manufacturing plant located in Kerteh, Terengganu since October 2019. The manufacturing plant, which has a capacity of 50,000 tonnes per year, will purify and liquefy the CO2 waste gas of Petronas Gas Processing Plant ("GPP") and produce food grade liquid CO2.

To ensure uninterrupted supply of raw material, KGB had locked in a 15-year supply agreement with Petroliam Nasional Bhd to acquire the CO2 waste gas.

The liquid CO2 produced is of food grade quality and this is a significant competitive advantage to us. The initial response and take up rate have been encouraging. Currently, the plant is operating at 45% utilisation. We expect production to ramp up progressively over the years as our sales orders grow.

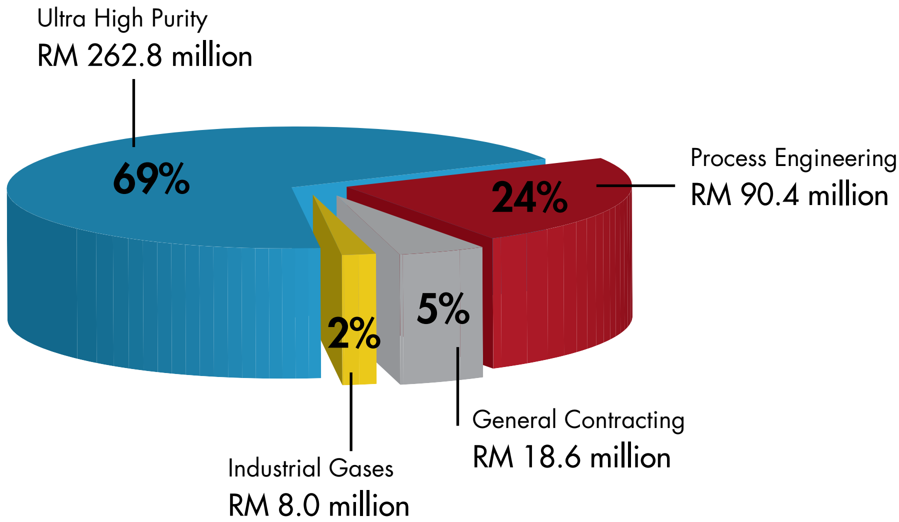
Leveraging on the newly setup liquid CO2 business, the Group also expanded downstream into the manufacturing of dry ice, catering to the food and beverage, as well as the aviation industries. The dry ice business is still in its initial phase and expects to make positive contribution in FY2020.

Our decision to venture into the Industrial Gases business is a strategic move to build our recurring income stream, as well as to enhance our long-term earnings visibility and expand our high-margin business portfolio. Furthermore, it complements our Group's existing project-based business model of providing engineering services.

FINANCIAL HIGHLIGHTS

Revenue segmentation

Revenue in FY2019



For the year under review, KGB delivered a strong set of financial results. In FY2019, the Group's revenue grew 9% year-on-year ("YoY") to RM379.8 million, breaking last year's record revenue of RM350.0 million.

The better performance in revenue stemmed mainly from the UHP segment which saw a RM36.4 million or 16% growth in revenue contribution to RM262.8 million from RM226.4 million a year ago, driven by higher projects completion in Singapore. The UHP remained the largest revenue contributor to the Group, representing 69% of FY2019 total revenue.

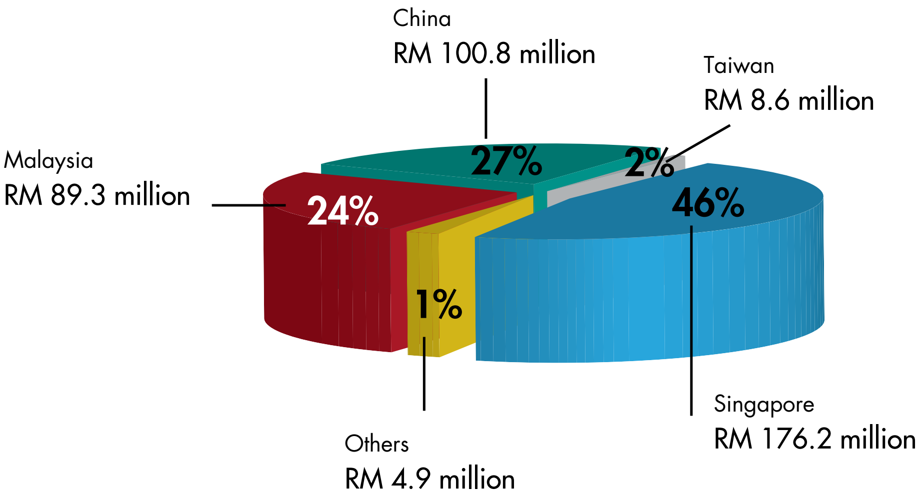
Similarly, the Process Engineering division recorded better performance with higher revenue contribution of RM90.4 million, an increase of 20% YoY against RM75.6 million in the previous year's corresponding period ("FY2018"), largely attributable to projects originating from Singapore and Malaysia. The Process Engineering division accounted for 24% of the Group's total revenue in FY2019, the second largest revenue contributor.

Revenue from Industrial Gases improved to RM8.0 million in FY2019 from RM3.6 million a year ago, as it recognised maiden revenue from the new liquid CO_2 plant, which commenced in October 2019. The liquid CO_2 was mainly supplied to the food, fabrication and aviation industries in Malaysia and beyond.

Meanwhile, revenue from General Contracting division stood at RM18.6 million versus RM44.4 million in FY2018, on the back of lower civil project orders. This is in line with the Group's focus to optimise and ensure its workforce and resources are strategically deployed to projects that offer higher profit margins such like those under the UHP and Process Engineering divisions.

Revenue breakdown by geographical location

Revenue in FY2019



In terms of geographical segments, a major portion of KGB revenue was derived from the Singapore, China and Malaysia operations, which collectively represented 97% of total revenue in FY2019.

The Singapore operations posted the highest growth in revenue, an increase of 58% YoY or RM64.7 million to RM176.2 million over RM111.5 million in FY2018, making it the largest market for KGB at 46% of the Group's revenue. Revenue from China was the second largest at 27% followed by Malaysia (24%), Taiwan (2%) and Others (1%).

The stronger revenue resulted in a 9% increase in gross profit from RM58.5 million to RM63.6 million. Other income was higher at RM5.3 million mainly due to bad debts recovered.

Net profit came in at historical high of RM23.9 million, 31% growth from RM18.3 million in FY2018. This was achieved on the back of better project mix as well as higher efficiencies and cost improvements throughout the value chain.

LIQUIDITY AND CAPITAL RESOURCES

KGB financial position remained robust with a RM46.4 million net cash position as at 31 December 2019. The Group's total gross cash in hand grew to RM85.1 million, exceeding the total debt of RM38.7 million. Net cash per share stood at 15 sen.

During the year under review, the Group's total debt grew to RM38.7 million against RM17.1 million same period last year. The rise in our debt level was mainly attributed to the drawdown of term loan for the new liquid carbon dioxide plant operating under the industrial gas division. The majority of the Group's debt are used for project financing purposes and capital expenditure for new industrial gas business division.

The Group incurred capital expenditure ("CAPEX") amounting to RM33.5 million in FY2019. Majority of the CAPEX was utilised for the establishment of the liquid CO2 plant, as well as to purchase supporting assets such as transportation vehicles and storage tanks.

Meanwhile, continuous quarterly profit and the exercise of convertible warrants boosted shareholders' equity (excluding non-controlling interests) to RM155.3 million from RM116.1 million in the previous year. Gearing ratio remained healthy at 0.25 times.

Our balance sheet has solid financial capability and flexibility to fund future investments, should opportunities arise.

In FY2019, KGB registered healthy net cash flow from operating activities ("NOCF"), which grew 2.4-fold from RM8.4 million in FY2018 to RM20.0 million in FY2019.

RETURNS TO SHAREHOLDERS

In keeping with our commitment to deliver shareholder value, the Board has declared and paid the first interim dividend of 1 sen per ordinary share in respect of the for the financial year ended ("FYE") 31 December 2019 amounting to a payout of RM3.1 million on 16 October 2019.

In addition to that, the Board has declared a second interim dividend of 1 sen per share, to be paid on 3 August 2020. This would bring the total FY2019 dividend payout to 2 sen per share with a payout ratio of 25%. KGB upholds our dividend policy to our dividend policy to distribute at least 25% of the Group's net profit.

2020 OUTLOOK AND PROSPECTS

The global economy is expected to remain challenging on the back of uncertainties surrounding the Covid-19 outbreak in early 2020 as well as rising threats of trade barriers. Against this backdrop, we are mindful of the potential slowdown in global economic activities, especially in the semiconductor industry in China.

Nevertheless, we believe KGB, over the years, has laid a strong foundation and built a resilient business model that is able to withstand the sustained external headwinds.

Moving into the new fiscal year, our focus remain on accelerating growth in our new businesses under the Industrial Gases division while fortifying our market position for the engineering services business.

We started the year strong and clinched new projects worth RM149 million in the first four months of 2020. Out of which, RM64 million was from a single project order under the UHP segment awarded by the largest semiconductor foundry company in China. This further strengthens our confidence in growing our business there amidst the tough operating environment. We expect capital spending in the semiconductor industry to continue in 2020 albeit on a slower pace. Leveraging on our strong network of clientele and technical know-how, we will intensify our bidding activities in the electronic and non-electronic sectors.

Meanwhile, we see tremendous potential in the industrial gases business for us to fill the supply and demand gap in markets locally and overseas where supply is inadequate or does not meet the high-quality standards required by the Food & Beverage ("F&B") industry. With the readiness of our liquid CO2, we have been intensifying our marketing and sales efforts to reach out to more potential customers in Malaysia and beyond.

We have received buying interest from customers in the neighbouring countries for our products, and are currently working on our delivery line. We will be investing in more storage and logistic assets for us to export our products out of Malaysia.

We believe the industrial gas business will improve our earning visibility and drive our long-term recurring revenue stream, while eventually diversify our concentration from the cyclical semiconductor industry. We aim to grow our recurring income stream to 30% of total revenue in the next 5 years. Typically, this business also offers higher profit margins compared to our engineering business, hence this shall augur well for the Group in terms of profitability level. Our fundamentals and future growth prospects remain intact based upon our financial and operational strengths.

With an outstanding orderbook of RM321 million and the strategic expansion plans in the pipeline, we are optimistic that the group will be able to weather through the economic storm resulted by the covid-19 pandemic and emerges stronger in the future.

RISKS FACTORS

While the Group continues to chart our growth journey, we are aware of the inherent risks that may have material impact on our operations, performance, financial condition, and liquidity. KGB has put in place strategies to address and/or mitigate these risks.

LACK OF LONG-TERM CONTRACTUAL AGREEMENTS

Our engineering services business is short term in nature and by project basis, with each typically carrying a project tenure of 6 to 12 months. Hence, there is no assurance that we are able to continually secure contracts one after the other. With that in mind, we place great emphasis in developing long-term business relationships with our customers to ensure business continuity and growth.

We recognise the risks and took a strategic decision to expand our business model to include businesses that generate recurring revenue, such as the on-site gas supply and manufacturing of liquid CO2 business. The contract period from these new businesses are longer in nature, with locked-in supply contracts spanning 5 to 10 years, which will then provide better earnings visibility for the Group over the mid to long-term.

DEPENDENCE ON THE AVAILABILITY OF TECHNICAL PROFESSIONALS

Our people are our biggest assets and key growth driver. As a service provider, we are highly dependant on our human capital, and it is the determining factor to ensure the Group's continued success. We are committed to ensure the wellbeing of our workforce is taken care of, beyond remuneration packages.

The Group is focused on implementing a comprehensive human resource strategy, including career planning and development, diversity, mobility, learning, recruitment and well-being. We rollout development programmes every year, to groom and upskill our workforce, increase employee engagement and assist our employees in achieving their full potential.

CHANGES IN POLITICAL, ECONOMIC OR SOCIAL CONDITIONS

We have operations across four countries: Malaysia, Singapore, China and Taiwan. Thus, it is inevitable that our financial condition and operations would be affected by any shift in the political, economic or social conditions of the countries we transact business in. This includes changes in political leadership, economic conditions, interest rates, introduction of new regulations, currency exchange rules, etc.

In an effort to be better prepared ourselves for any potential changes, we closely monitor any new developments on prospective regulations as well as changes in policies. The Group also keeps an active engagement with the respective local authorities and relevant business associations to ensure we are abreast on the latest development in the industry.

Management Discussion and Analysis (cont'd)

CYCLICAL NATURE OF THE INDUSTRY

The Group's UHP division is exposed to the cyclical nature of the semiconductor and electronics industry. In the event of a downturn in the industry, the Group's business and financial performance may experience lower revenue contribution and lesser work orders from the UHP business.

To future-proof ourselves, we diversified our business to include other businesses, namely the Process Engineering, General Contracting, and Industrial Gases division. This has allowed us to mitigate the risk of being over-reliant on the semiconductor and electronics industry.

COMPETITIVE INDUSTRY ENVIRONMENT

The Group is operating in a highly competitive operating landscape with competitions from the domestic and international markets. Inevitably, we are exposed to profitability pressures, should our competitors engage with aggressive pricing in order for them to increase their market share. We face competitions from larger industry players from around the world who have greater resources and wider access to capital.

To stay ahead of the competition, the Group remained steadfast on advancing our technical capabilities, continuous R&D efforts, improving our operating efficiencies, as well as maximising our resources. Furthermore, we believe our strong track record in handling projects from global multinational companies will enhance our competitive edge.

APPRECIATION

On behalf of KGB Group's Board of Directors, I would like to take the opportunity to express my appreciation to our shareholders, clients and business partners for their continued confidence and support to the Group.

My deepest gratitude goes to the management team and all employees of KGB Group. Much has been accomplished over the course of FY2019 with several noteworthy achievements and milestones achieved through the effort of the team. It is an honour and privilege for me to work alongside a highly committed team.

I would also like to thank my fellow Board members for their commitment and robust input and counsel during the year. 2019 was a momentous year for KGB as we expanded into new business territory. We are now focused on moving forward to execute the plans we have in place for our next stage of growth. I look forward to steering the Group's future direction towards creating long term value to our stakeholders and shareholders.

Thank you.
IR. GAN HUNG KENG
Chairman and CEO of KGB

DIRECTOR'S PROFILE

IR. GAN HUNG KENG

age 56, Malaysian, Male
Chairman/CEO
Length of Service: 20 years & 2 months

Ir. Gan Hung Keng is the Company founder, Executive Director and Chairman of the Company since 14 February 2000 and was appointed as the Managing Director on 22 November 2004 and assumed the role of CEO with effect from 1 September 2009. As a CEO, he is responsible for the overall strategic direction and management functions of the Group and in particular, the Group's new ventures. He is also the Chairman of the ESS Committee. He graduated with a Bachelor of Chemical & Process Engineering degree from Universiti Kebangsaan Malaysia, Malaysia. He is also a Professional Engineer on the Board of Engineers, Malaysia.

He has held various managerial roles beginning with a water treatment company in Singapore in 1988 as an Engineer responsible for engineering projects execution of pure water and waste water treatment. He then went on to lead various engineering projects as a Project Engineer until 1994 where he joined Malaysian Oxygen Berhad ("MOX") as a Project Manager for their Ultra Clean Division.

He served in MOX for four (4) years before moving to Eastern Oxygen Berhad as the Project Manager for the Ultra Clean System. In 1999, he held the position of Manager (Process) in M+W Zander Pte Ltd (Singapore) for a year before taking up his current position.

Through the various positions held, he has acquired expertise in the detailed designing of all gas delivery system (inert and hazardous gases) for Semiconductor Wafer Fabrication and Flat Panel Display plants, engineering and construction management of large scale and fast track project for gas and chemical related projects, and general management of a business unit and a company.
Ir. Gan is a corporate representative of Palace Star Sdn. Bhd. ("Palace Star"), a major shareholder of the Company.

He is also a Director of a few subsidiaries of the Company.

He does not hold any other directorship in public companies and listed issuers.

Director's Profile (cont'd)

ONG WENG LEONG

age 52, Malaysian, Male
Executive Director/COO
Length of Service : 15 years & 5 months

Mr Ong Weng Leong has been a Director of the Company since 22 November 2004. He was appointed as the General Manager on 1 August 2005 and assumed the role of COO with effect from 1 September 2009. As a COO, he is responsible for the management of the day-to-day functions and operations of the Group in Taiwan and China. He is also a member of the ESS Committee.

He graduated in 1992 with a Bachelor of Chemical Engineering degree from Universiti Teknologi Malaysia, Malaysia. He also received a Master in Business Administration from the University of Bath, United Kingdom in 2002. He is also a fellow member of Malaysian Institute of Management and was elected as a General Council member of the Institution since 2015.

He began taking up managerial roles in 1996 while at MOX as the Production Manager after which he became the Operations Manager from 1998 to 2000, responsible for managing plant operations located in the central and east coast region. Later in 2000, he was promoted to National Engineering Manager at MOX which he carried out for 3 years until 2004 where he was promoted to the National Sales Manager (Electronics) at MOX. Soon after that, he joined the Company in 2004 as the General Manager.

Throughout his years' experience at MOX and KGB in management roles, he has acquired expertise in detailed designing of all gas system ranging from gas production plants to the supply stations of customers and engineering construction management of industrial gas related projects.

Mr Ong is a corporate representative of Palace Star, a major shareholder of the Company. He is also a Director of a few subsidiaries of the Company.

He is also a Director of Institute Pengurusan Malaysia ("IPM") and MIM Education Sdn. Bhd., a subsidiary of IPM.

CHAN THIAN KIAT

age 64, Malaysian, Male
Senior Independent Non-Executive Director
Length of Service: 10 years & 7 months

Mr Chan Thian Kiat was appointed as an Independent Non-Executive Director of the Company on 11 September 2009 and identified as a Senior Independent Non-Executive Director on 29 April 2013. He is the Chairman of the Audit Committee. He graduated with a Bachelor of Commerce degree from the University of Melbourne, Australia. He is also a fellow member of CPA Australia and an Associate of the Institute of Chartered Secretaries and Administrators (ACIS).

He has held various positions at Bank of America Malaysia Berhad during his 17-year tenure before joining BA Associates Sdn. Bhd. ("BA Associates") as a Principal and KGB as a Director. He left Bank of America Malaysia Berhad as the Principal, Head of Corporate Finance which he held from 1997 to 2001. At BA Associates, he provides corporate finance consultancy services, assist clients in debt and equity capital raising and mergers and acquisitions.

Mr Chan is also a Director of DKSH Holdings (Malaysia) Berhad.

TAN CHUAN YONG

age 64, Malaysian, Male
Senior Independent Non-Executive Director
Length of Service: 10 years & 7 months

Mr Tan Chuan Yong was appointed as an Independent Non-Executive Director of the Company on 11 September 2009 and identified as a Senior Independent Non-Executive Director on 29 April 2013. He is a member of the Audit Committee, Remuneration Committee, Nomination Committee and ESS Committee. He holds a Barrister-at-Law from the Honourable Society of Lincoln's Inn. He was admitted to the English Bar in 1982 and the Malaysian Bar in 1983.

He is currently an Advocate & Solicitor and practising as a Partner in Messrs Tan Chuan Yong & S.M. Chan, Advocates & Solicitors. He has been a member of the Malaysian Bar since 1983. He is also a Notary Public.

Mr Tan is also a Director of a few private limited companies.

Director's Profile (cont'd)

VICE ADMIRAL (RETIRED) DATUK HAJI JAMIL BIN HAJI OSMAN

Age 62, Malaysian, Male
Independent Non-Executive Director
Length of Service : 7 years & 10 months

Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman was appointed to the Board as an Independent Non-Executive Director on 25 June 2012. He is the Chairman of the Remuneration Committee and a member of the Nomination Committee.

He is a highly decorated navy officer who opted for an early retirement from the Royal Malaysian Navy ("RMN") in March 2012. Prior to his retirement, he was the RMN Fleet Commander in charge of the marine operations and responsible for the sovereignty of Malaysia Maritime Area. Before that, he has been assigned to several leadership positions namely, Chief of Staff at the Malaysian Armed Forces Joint Force Headquarters, and a Commander Officer responsible for peace keeping operations under the United Nations banner, and special missions in aid of disasters struck areas in the region.

He also attended various professional and career courses locally and abroad. Among them were Executive MBA, Ohio University and University Technology Mara in 1998 and Masters in Defense and Strategic Studies at Deakin University Australia in December 2002.

He is a Domestic Operations General Manager of Weststar Aviation Services Sdn. Bhd. and he does not hold any other directorships of public companies and listed issuers.

SOO YUIT WENG

Age 52, Malaysian, Male
Independent Non-Executive Director
Length of Service : 7 years & 3 months

Mr Soo Yuit Weng was appointed as an Independent Non-Executive Director on 1 February 2013. He is the Chairman of the Nomination Committee. He is also a member of the Audit Committee and Remuneration Committee.

He holds a Bachelor of Economics from Monash University, Australia majoring in Accounting. He is a member of Malaysian Institute of Accountants (MIA) and a fellow of Chartered Tax Institute of Malaysia (CTIM). Mr Soo is also a licensed Auditor and Tax Agent in Malaysia.

He is a Chartered Accountant and is currently practicing under his own firm namely Y W Soo & Co. Prior to that, Mr Soo was attached to various professional firms and has in-depth experience in the field of audit and taxation.

He is currently a Perak Branch Committee Member of CTIM, and also the panel member for Advocates & Solicitors Disciplinary Board of the Malaysian Bar.

He is also a Director of Soo Seng Sooi Holding Berhad and also a Director of a few private limited companies.

NG LEE KUAN

Age 54, Malaysian, Female
Independent Non-Executive Director
Length of Service : 6 months

Ms Ng Lee Kuan was appointed as an Independent Non-Executive Director of the Company on 1 November 2019. She is the Chairman of Risk Management Committee which was set up on 26 February 2020.

She graduated in 1990 with a Bachelor of Management degree (First Class) from Universiti Sains Malaysia, Malaysia. She also obtained her professional qualification from the Chartered Institute of Management Accountants (CIMA) in 1994.

She has held various managerial roles in Linde Malaysia ("Linde") (formerly known as MOX) and has accumulated more than 25 years of experience in the industrial gas business.

She was promoted to the Planning Manager role in 1996, subsequently assumed the Management & Financial Accounting Manager role in 1999 and then Process System & Planning Manager role for South & South East Asia in 2002. She was appointed as Head of Marketing of Linde in 2009 and has held this position until 2017. As a key member in the leadership team, she led the country strategic planning process, drove strategic investments, pursued new business development opportunities and spearheaded best commercial practices.

Ms Ng is also a Director of a private limited company and she does not hold any other directorships of public companies and listed issuers.

SOH TONG HWA

Age 67, Malaysian, Male
Non Independent Non-Executive Director
Length of Service : 6 months

Mr Soh Tong Hwa was appointed as a Non-Independent Non-Executive Director of the Company on 1 November 2019. He is also a member of the Risk Management Committee.

Mr Soh was appointed as director of Ace Gases Sdn. Bhd. since year 2018. Mr Soh's strength lies in his in-depth technical knowledge of gas plant operation and managing of the bulk and on-site plant business.

He held various managerial roles beginning with MOX in year 1979. He served in MOX for 24 years before moving to Air Liquide Indonesia as Managing Director in year 2007. He then set up a new subsidiary for Air Liquide in Malaysia in 2009 and took the position as Managing Director of Air Liquide Malaysia till year 2016.

Mr Soh is also a director of a few subsidiaries of the Company and he does not hold any other directorships of public companies and listed issuers.

Director's Profile (cont'd)

CHAM TECK KUANG

Age 63, Singaporean, Male
Non Independent Non-Executive Director
Length of Service : 6 months

Mr Cham Teck Kuang was appointed to the Board as a Non Independent Non-Executive Director on 1 November 2019. He is also a member of the Risk Management Committee which was set up on 26 February 2020.

Mr Cham Teck Kuang graduated with a B.Sc (Hons) Mechanical Engineering from University of Portsmouth, Britain. He started his career in building services and thereafter spent the next 22 years in the semiconductor field particularly in wafer fabs in a leading industrial gas manufacturer in Singapore. He rose from the rank of a Project Engineer, Project Manager, Senior Manager, Departmental Head, General Manager and the last position held being the Director of Project Engineering and Services and Director of E&I, South and South East Asia. Mr Cham is instrumental for the completion of many of the wafer fab gas system projects in Singapore and the region. His strength lies in his in-depth technical knowledge of wafer fabs' gas and chemical system engineering work including equipment manufacturing, project execution and system commissioning. He also has strong leadership strengths in managing companies.

He joined Kelington Engineering (S) Pte Ltd in 2012 and is currently the Executive Director of Kelington Engineering (S) Pte Ltd and a few subsidiaries of the Company.

Mr Cham does not hold any other directorship in public as well as listed companies.

HU KEQIN

Age 59, Singaporean, Male
Non Independent Non-Executive Director
Length of Service : 6 months

Mr Hu Keqin was appointed to the Board as a Non Independent Non-Executive Director on 1 November 2019. He is also a member of Risk Management Committee which was set up on 26 February 2020.

Since 2013, Mr Hu was appointed as Project Director of Kelington Engineering (S) Pte Ltd, a wholly owned subsidiary of the Company.

Mr Hu has more than 22 years of experience in managing and overseeing projects with respect to cost, quality and schedule and ensure all projects achieve objectives. His expertise lies in proposal and budget development, design and component; specification, procurement of materials, contractor selection and project management.

After graduated from Chongqing University, he joined Chongqing University as a Lecturer, Department of Mechanical Engineering and then in year 1989, he was appointed as a research engineer of the University.

Prior to joining Kelington, he commenced his career in Singapore Oxygen Air Liquide, Singapore in year 1994 and later joined UCT Engineering Pte Ltd, Singapore for 8 years since 2001. In year 2009, he held the position of General Manager in OBrien Tubular Technologies (Shanghai) Co., Ltd for 4 years before taking up his current position.

Mr Hu does not hold any other directorship in public as well as listed companies.

Notes to the Board of Directors' Profile:

Family Relationship
None of the Directors have any family relationship with any other Directors and/or major shareholders of the Company.

Conviction of Offences
None of the Directors have been convicted for any offences (other than traffic offences) within the past 5 years. There were no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Conflict of Interest
None of the Directors have any conflict of interest with the Company.

Attendance at Board Meetings
The details of attendance of the Directors at the Board Meetings are set out on page 45 of this Annual Report.

Shareholdings
The details of Directors' shareholdings are set out in the Analysis of Shareholding(s) on page 182 of this Annual Report.

KEY SENIOR MANAGEMENT'S PROFILE

JONG YU HUAT

Age 49, Malaysian, Male

Mr Jong Yu Huat was appointed as the Chief Financial Officer of the Group since 2010. He has been with the Company since June 2003. He obtained his professional qualification from the Chartered Institute of Management Accountants (CIMA) since 1999. He is a Chartered Accountant and a member of the Malaysian Institute of Accountants (MIA) since 2008. He has more than 20 years of experience in accounting, auditing, taxation, corporate finance and general management. His main roles include leading the accounts and finance department; implementing system control, financial budgeting and administrative matters.

LIM SENG CHUAN

Age 52, Singaporean, Male

Since 1 September 2009, **Mr Lim Seng Chuan** is the Senior Vice President, Singapore for our Company. He graduated with a Master of Science from Tokyo Institute of Technology (TIT) in Japan in 1999. Prior to joining KGB, he was attached to Singapore Oxygen Air Liquide Pte Ltd ("SOXAL").

Throughout his ten (10) years in SOXAL, he has held various positions such as QA/QC Manager, Project Manager, Business Development Manager in UHP related technologies for Semiconductor, photovoltaic, pharmaceutical and LCD industries. He is currently responsible for the daily management of our Group's Singapore operations as well as neighbouring regions such as Philippines and Indonesia.

In the course of carrying out engineering and costing for UHP gas systems, where he utilises his expertise in detailed engineering of all UHP specialty gas delivery and bulk gas distribution systems for the Semiconductor industry, he is also responsible in project management which includes project execution and management.

WAN SIEW CHUAN

Age 47, Malaysian, Male

Mr Wan Siew Chuan is the Senior Vice President, China for KGB since 10 September 2009. He joined our Company on 1 February 2005 as Engineering Manager. He graduated with a First Class Bachelor of Mechanical Engineering degree from University of Malaya, Malaysia in 1998.

Prior to joining us, he held various positions at MOX from 1998 to 2004. These positions include Production Engineer, Ultra Clean Technology ("UCT") Project Engineer and UCT Manager where he managed UHP gas systems related projects such as installation and fabrication, etc. In his current position, he is responsible for the daily management of our Group's operations in the PRC besides carrying out engineering, costing of UHP gas systems and project management where he utilises his expertise in detailed engineering of UHP specialty gas delivery systems for the Semiconductor industry, detailed engineering of UHP bulk gas distribution systems, including project execution and management.

ONG SENG HENG

Age 41, Malaysian, Male

Mr Ong Seng Heng is the Vice President, Malaysia for KGB. He graduated with a Bachelor of Chemical Engineering degree from University of Malaya, Malaysia in March 2002. He joined our Company since 1 April 2002 and has since been provided various responsibilities beginning with Project Engineer in charge of UHP gas systems on design and project execution works. He was then promoted to Senior Engineer in 2006; Manager of Technology Development in 2008; Group Manager of Technology Development in 2011; Assistant General Manager in 2012 and subsequently to his current position in 2014. He is currently responsible for engineering, operation and marketing of UHP gas and chemical systems and project management in Malaysia. His expertise lies in detailed design of UHP gas systems, engineering, project and construction management of Semiconductor gas and chemical related projects, quality management of UHP protocol for Semiconductor related projects and Process Plant Construction projects. He is also a registered Professional Engineer of Board of Engineers, Malaysia and member of The Institution of Engineers Malaysia.

SOO WEI KEONG

Age 44, Malaysian, Male

Mr Soo Wei Keong is the Senior Vice President, KGB Taiwan Branch. He graduated with a Bachelor of Chemical Engineering degree from Universiti Sains Malaysia, Malaysia in 2000. He joined our Company since 2 April 2001 and has since been provided various responsibilities beginning with QA Engineer in charge with QA and QC on UHP gas systems. He was then promoted to Senior Engineer in 2003, Project & Design Manager in 2004 and subsequently to his current position in 2005. He is currently responsible for engineering, costing of UHP gas systems and project management in Taiwan. His expertise lies in detailed design of UHP gas systems, engineering, project and construction management of Semiconductor gas and chemical related projects, quality management of UHP protocol for Semiconductor related projects and welding joint inspection.

CHONG ANN TSUN

Age 43, Malaysian, Male

Mr Chong Ann Tsun is the General Manager of Ace Gases Marketing Sdn. Bhd. since 2018. He Graduated with a Bachelor of Mechanical Engineering from Leicester University United Kingdom in 1999. He has experience working in various industrial gases companies in both technical application roles, sales and marketing. He was working as a Business Director and Regional Business Development Director for Air Liquide before joining Ace Gases.

ALAN LIM CHUI BOON

Age 38, Malaysian, Male

Mr Alan Lim Chui Boon is the Operations Manager of Ace Gases Marketing Sdn. Bhd. since 2018. He graduated with First Class Hons of Bachelor Degree in Chemical Engineering from Universiti Teknologi Malaysia in 2005. Prior to joining the Company, he commenced his career in MOX Gases Sdn. Bhd. and later joined Air Liquide Malaysia Sdn. Bhd. for 9 years since 2008. He held various positions such as Project Engineer, Commissioning Manager, Project Manager, Facility Manager and Industrial Operations Manager which he is a Technical Expert in ASU Technologies and specialised in industrial gas plants operations, strategy management, plant optimisation and efficiency evaluation. In his current position, he is responsible for industrial gas system design, project implementation, operations management and technical support.

Notes to the Key Senior Management's Profile:

Directorships

None of the key senior management hold any other directorship(s) in public companies and listed issuers.

Family Relationship

None of the key senior management has any family relationship with any other Directors and/or major shareholders of the Company.

Conviction of Offences

None of the key senior management has been convicted for any offences (other than traffic offences) within the past 5 years. There were no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Conflict of Interest

None of the key senior management has any conflict of interest with the Company.

CORPORATE HIGHLIGHTS

CELEBRATE OF 20 YEARS OF ENGINEERING EXCELLENCE

We thank the people who are involved in the success and to celebrate the milestone


CELEBRATING 20 YEARS
20
ANNIVERSARY
1999 2019

Corporate Highlights (cont'd)

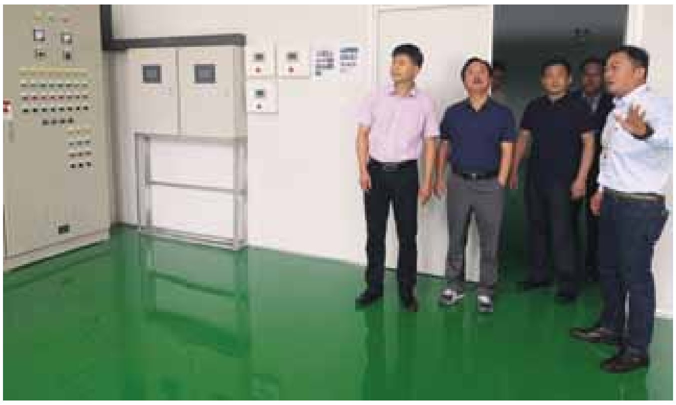
KELINGTON MALAYSIA ANNUAL DINNER

Attended by more than 140 employees from Kelington Malaysia

During the year, 3 employees from Kelington Malaysia with 10 years of service were awarded with a gold pendant

OPENING CEREMONY

UHP fabrication facility in Suzhou-Chuzhou Modern Industrial Park, China. The 37,458 sf facility will be mainly involved in EPCC of process systems and fabrication of own-brand UHP gas and chemical delivery equipment.



KE SYSTEM INTEGRATION CHUZOU, CHINA

Corporate Highlights (cont'd)

COMMENCEMENT OF OPERATION OF THE NEW CARBON DIOXIDE RECOVERY PLANT (THE LCO2 PLANT)

LCO2 Plant Visited by Auditors, Representatives of Bankers and Investors

19th ANNUAL GENERAL MEETING

SUSTAINABILITY STATEMENT

This Sustainability Statement covers our Group's business operations for the financial year ended 31 December 2019 and has been prepared in accordance with the guidelines set out in the Main Market Listing Requirements ("MMLR") and the Sustainability Reporting Guide issued by Bursa Securities. This Statement focus on our main business, Ultra High Purity which are our largest and most established business sector.

GOVERNANCE STRUCTURE

At KGB, we have in place our long term growth strategy that drives us forward through the unpredictable environment in which we operate, whilst creating sustainable value for our stakeholders. These strategies ensure business growth, increase efficiency, reinforce financial strength, uphold corporate governance and ensure employee safety. The Board shall ultimately responsible for embedding sustainability into the organisation and its business strategy.

To ensure that sustainability is embedded across the organisation and adequate resources, systems, and processes are in place for managing sustainability matters, the Board delegates the management of sustainability matters to the Executive Management Committee ("EMC"). The Group COO is taken the roles as Chief Sustainability Officer in ensuring all material sustainability matters are being considered and managed throughout the operations.

Board of Directors	EMC	Group COO	Business Functions
• Ensure business strategy considers sustainability • Approve sustainability strategy	• Develop sustainability strategy and recommend revision to the Board • Evaluate overall sustainability risks and opportunities • Oversee Implementation of sustainability strategy	• Oversee departments in ensuring robustness of system of sustainability Management • Provide leadership over implementation of sustainability strategy	• Support strategy implementation • Ensures processes and controls are in place within its departments • Reports on performance of processes and controls • Report Management Targets

STAKEHOLDER ENGAGEMENT

The Group recognises that the business operations are intertwined with various stakeholders and their valuable contribution has a significant impact on the Group's market value. A robust stakeholder engagement approach helps the Group to communicate openly which makes it easier to build trust between the Group and its stakeholders.

This dialogue with relevant stakeholders is a critical process to promote learning, share ideas and improve the Group's understanding of the business environment.

Key Stakeholders	Engagement Approach	Sustainability Concerns
Customers	• Customer satisfaction surveys • Personalised services • Strategic alliance and regular meetings	• Quality assurance and reliable products and services • Competitive pricing and on-time delivery • Safe working environment
Contractors, Industry Partners, and Suppliers	• Formal & Informal dialogue sessions • Site Inspections • Supplier selection via pre-qualification and tendering process	• Fair Tender Practices • Competitive Prices • Business continuity • Quality materials and services • Timeliness of payments
Directors	• Quarterly and ad-hoc Board and Board Committee Meeting	• Appropriate internal control and risk management system • Financial risk and company compliance to laws and regulations • Continuous business and operational improvement • Financial results • Sustainable business strategy
Senior Management	• Executive Management Committee Meeting • Monthly Management Meetings • Ad-hoc meetings	• Ensure customer requirements are met • ISO / OHSAS Compliance • Talent Retention Programme and Succession Planning • Proper handling of hazardous gas and chemicals • Minimise Material Waste
Employees	• Annual Staff Meeting • Annual Dinner and Festive Celebrations • Annual Performance Evaluation • Open Communication • Informal communication • Safety Briefing & Toolbox Meeting • Training Workshops and Seminars	• Safe and humane working environment • Provide learning and development opportunities along career path • Competitive compensation and benefit packages for employee

Key Stakeholders	Engagement Approach	Sustainability Concerns
Shareholders / Investors	• Annual General Meeting • Quarterly analysts' briefings • Corporate Website • Press Releases	• Continuous business growth • Timely and transparent disclosure
Law enforcers and regulators	• Bursa Announcements • SSM submissions • Ad-hoc report submissions as requested by the regulators	• Adherence to relevant laws and regulations • Corporate governance and compliances
Financial Institutions	Ad-hoc discussion	Business continuity opportunities
Local Communities		Contributions towards local communities in economic, environmental and social development.

SUSTAINABILITY TOPICS

To identify sustainability matters relevant to KGB, we have considered KGB's key results areas along the value chain activities, business risks and opportunities, industry trends, as well as environmental and social impact associated with the project site's activities, fair business practices, etc.

In addition, we have also considered sector-specific information from internationally credible guidelines GRI Standards. These sustainability matters have been further categorised into four dimensions that reflect our approach to sustainability as well as our commitment to create value for both the business and our stakeholders :

MATERIALITY ASSESSMENT

Guided by Bursa Securities's Sustainability Reporting Guide, the EMC assessed the significance of each sustainability matter to KGB by using a rating approach. The materiality matrix below identifies KGB's sustainability matters and the results of our materiality study. This guides us to report in line with the interests and needs of our stakeholders.

From the matrix above, we aspire to demonstrate our commitment to sustainability in the following areas:

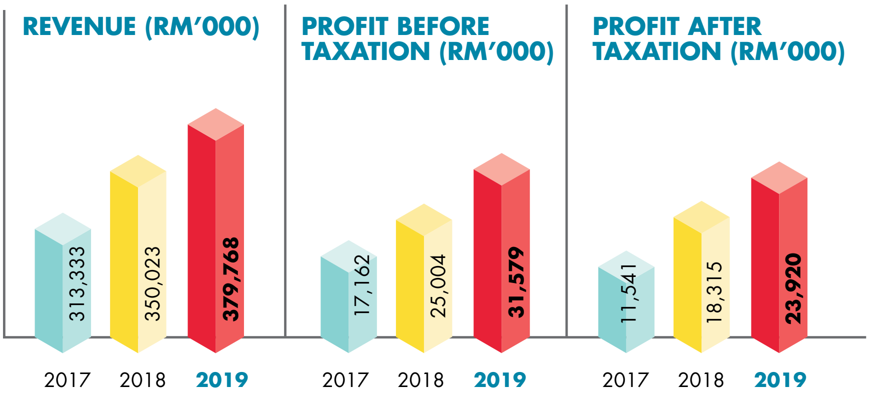
(A) Managing our Business
(B) Our People
(C) Focus Our Customer
(D) Environmental Care & Protection

MATERIAL SUSTAINABILITY TOPICS

(A) MANAGING OUR BUSINESS

A1. Growing the Business

Target : On-going growth of Revenue and Profit Performance :



For more information on the Group's growth, please refer to the Management Discussion and Analysis and Financial Statements in this Annual Report.

We believe the collective effort of our employees working together as a team across our subsidiaries delivered strong performance for the Group since the inception of KGB. We will continuously invest in our employees' welfare and nurture them into competent and highly skilled individuals who can support our business growth.

KGB New UHP fabrication facility
An opening ceremony was formally held at Suzhou-Chuzhou Modern Industrial Park

A2. Corporate Governance and Compliance

We are guided by the Malaysian Code on Corporate Governance 2017 ("MCCG") in ensuring the principles and best practices of good corporate governance is applied throughout our Group. Details of our corporate governance framework and practices are elaborated in the Corporate Governance Overview Statement of the Annual Report 2019 and the Corporate Governance Report 2019.

We have established effective standard operating policies and procedures, defined levels of authority and guidelines in our business operations to ensure compliance with internal controls, laws and regulations. These policies, procedures and guidelines are subjected to regular reviews and improvements; and have been communicated to all employees.

A3. Anti-corruption and Anti-Bribery

We believe that all business dealings should be transparently performed and accurately reflected in accordance with the Group's Code of Ethics and Conducts. We uphold all laws relevant to countering bribery and corruption. We remain bound by the laws of Malaysia, including the Malaysian Anti- Corruption Commission Act 2018 ("MACC Act"), in respect of our conduct both at home and abroad.

Subsequent to the issuance of the Guidelines on Adequate Procedures pursuant to section 17A(5) of the MACC Act from the Prime Minister's Department, GRC Consulting Services Sdn Bhd was appointed as consultants to assist us in establishing Adequate Procedures for Anti-Bribery Management and enhancing existing controls through improved systems, policies and procedures.

In 2019, no employee have been disciplined or dismissed due to non-compliance with our Code of Ethics and Conducts and no fines, penalties or settlements were imposed or made during the year.

A4. Internal Process Efficiency

As part of our strategic management process, the EMC review the efficiency operations of all activities along the value chain, identify key result areas, develop relevant key performance indicators, communicate and monitor business function's progress and performance in achieving the Company's strategic and operational goals.

Since February 2020, the Risk Management Committee was established. We believe a dedicated company-wide risk oversight by the board committee could go a long way in heightening scrutiny on risk management matters and thus enabling a more effective anticipation of, and reaction to, events and trends that could lead to disruptive changes in the business model. It also provides an opportunity to coordinate and monitor all key risk discussions in a transparent manner at a central point.

(B) OUR PEOPLE

B1. Talent Development and Succession Planning

In line with our long term sustainability strategy, KGB is now focus on attracting and retaining talent and then helping them to develop their skills to drive our Group's success. We aim to establish a strong pool of talent and lines of successors for the Group by year 2023.

B2. Learning and continuous improvement

In a world of continual information flow, global competition and technological change, KGB commits to build a workplace culture of continuous improvement and being productive.

B3. Occupational Health and Safety ("OHS")

We have been practicing strict compliance to all safety, health and environmental requirements in relation to the Occupational Safety and Health Act. We believe properly-trained worker can perform his or her job more efficiently, spot hazards and not take shortcuts, leading to fewer workplace injuries.

KGB had established the Safety & Health Committee at the organizational as well as at each project site. The committees are tasked to organise and carry out various safety awareness, improvements and legally required training and activities such as basic firefighting, first aid competency course, safe chemical handling, chemical spill, emergency response, quarterly safety inspections and committee meetings, and annual location for fire drills.

On-Job training & daily tool box meetings are part of the awareness programme that we carried to ensure our workers aware of the OHS hazards/risk before they start work.

We encourage safety in the workplace. Our safety awards programme increases employee safety performance, reduce accidents and promote safework practices.

B4. Employee Welfare

We understand that our employees need meaningful career development and skills improvement as well as competitive compensation and benefits to support their families and cope with rising cost of living. To do so, our Human Resource team regularly reviews compensation and benefits packages, monitors facilities and privileges, ensures equal opportunities in the workplace, develops skills and retains the best talents.

Alongside this, we are establishing a Training team to tailors a range of learning courses to cater for the needs of our employees from various functions and ensure they possess the appropriate skills and competencies.

B5. Local Hire and Internships

We are committed to providing employment and career development opportunities to the local community where we operate.

(C) FOCUS OUR CUSTOMER

C1. Customer Satisfaction

We do our best to retain our value customers. We are proud of our team in Malaysia, Singapore and China who work consistently to realise our mission: To deliver quality services to meet our Customers' requirements safely and cost effectively.

Best Safe Working Contractor of the Month

Best Project Management Award

(D) ENVIRONMENTAL CARE & PROTECTION

D1. Energy, Water & Waste Management

We remain committed to preserving the environment by implementing environmental friendly practices in our operations. We continuously worked towards reducing electricity and water consumption throughout the Group. In addition, the EMC is working out a new policy and procedures to manage usage of materials and reduce material waste.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

The Board of Directors ("Board") of KGB remains committed in maintaining the highest standards of corporate governance within the Company and adhering to the principles and best practices of corporate governance, through observing and practising the core values of the MCCG issued by the Securities Commission and the Corporate Governance Guide issued by Bursa Securities. The commitment from the top paves the way for Management and all employees to ensure the Company's businesses and affairs are effectively managed in the best interest of all stakeholders.

The Board is pleased to present an overview on the application of the three (3) key principles as set out in the MCCG and the extent to which the Company and the subsidiaries ("Group" or "KGB Group") have complied with the principles and practices of the MCCG during the financial year under review.

This statement is prepared in compliance with the MMLR of Bursa Securities and it is to be read together with the Corporate Governance Report 2019 of the Company which is available on the Company's corporate website at http://www.kelington-group.com/report.php.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

Part I – Board Responsibilities

1. Board's Leadership on Objectives and Goals

1.1 Strategic Aims, Values and Standards

The Board is responsible for the overall performance of the Group and focuses mainly on the strategic management, performance monitoring and measurement, risk management and internal controls, standards of conduct, shareholder communication and critical business decisions. The matters reserved for the collective decision of the Board are listed in the Board Charter which is available on the corporate website.

The Board implements a strategy planning process to oversee the matters delegated to Management and ensure the goals and targets are in line with the Company's strategic plan and long-term objectives.

The following are the Board's principal roles and responsibilities in discharging its leadership function and fiduciary duties towards meeting the goals and objectives of the Group:

- Reviewing and adopting a strategic plan;
- Overseeing and monitoring the conduct of business;
- Reviewing the adequacy and integrity of the management information and internal control systems and identifying principal risks and ensuring the implementation of appropriate
- internal controls and mitigation measures;
- Succession planning; and
- Ensuring effective communication with stakeholders.

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

Part I – Board Responsibilities (Cont'd)

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

1.1 Strategic Aims, Values and Standards (Cont'd)

Looking ahead to 2020, the priorities of the Board will be in the following areas:-

(1) Implementation of the policies and procedures on anti-corruption as guided by the "Guidelines on Adequate Procedures" issued by the Prime Minister's Department to promote better governance culture and ethical behavior within the Group and to prevent the occurrence of corrupt practices in accordance with the new Section 17A of the Malaysian Anti-Corruption Commission Act 2018 on corporate liability for corruption which come into force on 1 June 2020 and to include the corruption risks in the annual risk assessment of the Group; and

(2) Leverage on technology to broaden its channel of dissemination of information and to enhance the quality of engagement with the shareholders.

The Board delegates and confers some of the Board's authorities and discretion on the Executive Directors as well as on properly constituted Committees comprising Non-Executive Directors which operate within clearly defined Terms of Reference.

The Board Committees consist of Audit Committee, Risk Management Committee, Nomination Committee and Remuneration Committee. The power delegated to the Board Committees are set out in the Terms of Reference of each of the committees as set out in the Board Charter.

1.2 Chairman

The Chairman, who is the founder of the Company, leads the Board with a keen focus on governance and compliance and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. Together with the other Non-Executive and Independent Directors, he leads the discussion on the strategies and policies recommended by Management. He chairs the meetings of the Board and the shareholders.

1.3 Separation of the Positions of the Chairman and CEO

The roles of the Chairman and CEO have not been separated and both functions continue to be held by Ir. Gan Hung Keng.

Nonetheless, the Board has established the roles and responsibilities of the Chairman which are distinct and separate from the duties and responsibilities of the CEO as set out in the Board Charter.

Half of the Board comprises Independent Directors. All decisions of the Board are made unanimously or by consensus. The Board is satisfied and assured that no individual or group of Directors has unfettered powers of decision that could create a potential conflict of interest.

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

Part I – Board Responsibilities (Cont'd)

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

1.4 Qualified and Competent Secretaries

In performing their duties, the Board is supported by two (2) suitably qualified Company Secretaries. The Company Secretaries have been providing guidance to the Board, particularly on corporate governance issues and compliance with relevant policies and procedures, rules and regulatory requirements and ensure good information flow within the Board, Board Committees and Management. The Company Secretaries attend all meetings of the Board and Board Committees and guide the Directors on the requirements encapsulated in the Company's Constitution and legislative promulgations such as the Companies Act 2016, MMLR, etc. The Company Secretaries shall continue to guide the Directors on the requirement to be observed arising from new regulation and guidelines issued by authorities.

1.5 Access to Information and Advice

All Directors have access to the services of the Company Secretaries as well as all information within the Group for Board's affairs and businesses. In addition, the Board may seek independent professional advice at the Company's expenses to enable it to discharge its duties in relation to the matters being deliberated, where necessary.

Board Meetings for the ensuing year are scheduled in advance prior to the end of the current financial year. This enables Management to plan ahead the yearly business and corporate affairs and ensure timely preparation of information for dissemination to the Board. The Board has a defined schedule of matters reserved for the Board's decision and that the Board papers for meetings will be circulated to the Board at least seven (7) days before the meeting. This is to ensure all Directors have sufficient time to obtain further explanation, where necessary, in order to be fully informed of the matters to be discussed during the meeting.

The Company Secretaries are entrusted to record the Board's deliberations, in terms of issues discussed, ensure that the deliberations at Board and Board Committee meetings are well documented. The minutes of the previous Board and Board Committee meetings are distributed to the Directors/ Committee prior to the meeting for their perusal before confirmation at the following Board and Board Committees meeting. The Directors may comment or request clarification before the minutes are tabled for confirmation as a correct record of the proceedings of the meeting. Management provides Directors with complete and timely information prior to meetings and on an on-going basis to enable them make informed decisions.

2. Demarcation of Responsibilities

2.1 Board Charter

The Company has in place a Board Charter, which serves to ensure that all Board members are aware of their roles and responsibilities. It sets out the strategic intents and specific responsibilities to be discharged by the Board members collectively and individually. It also regulates on how the Board conducts business in accordance with sound corporate governance principles.

The Board shall periodically review and update its charter to ensure it remains consistent with the Company's objectives and their responsibilities and the prevailing regulatory requirements.

The last review of the Board Charter was conducted on 20 May 2020 and a copy of which is available on the Company's website.

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

Part I – Board Responsibilities (Cont'd)

3. Promoting Good Business Conduct and Corporate Structure

3.1 Code of Ethics and Conduct

The Board is committed in maintaining a corporate culture which engenders ethical conduct. The ethical standards is formalised through the Company's Code of Ethics and Conduct, which requires all Directors and Employees to observe high ethical business standards, honesty and integrity and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders.

The Code of Ethics and Conducts is incorporated into the Board Charter, which is available on the Company's website.

3.2 Anti-Bribery and Anti-Corruption ("ABAC") Policy and Whistleblowing Policy and Guidelines

On 20 May 2020, the Company has adopted the ABAC Policy that sets out the Company's principles and stance and adequate procedures against bribery activities in the conduct of its business. The ABAC Policy provide guidance to the employees and business partners towards eliminating acts of bribery and corruption in the conduct of the Company's business and affairs.

The ABAC Policy clearly states that the Company has zero-tolerance towards fraud, particularly in bribery and corruption, whether passive or active.

The ABAC Policy is incorporated into the Board Charter, which is available on the Company's website.

In addition, the Board has adopted a whistleblowing policy and guidelines ("Policy") for the Group as a measure to promote the highest standard of corporate governance and to protect the values of transparency, integrity, impartiality and accountability in where the Company conducts its business and affairs. The Policy facilitates the disclosure of improper conduct (wrongdoings or criminal offences) within the Group and provides guidance on how disclosures shall be made. The Company provides assurance of protection for genuine whistleblowers.

On 20 May 2020, the Board has reviewed and revised the Policy and a copy of the same is incorporated into the Board Charter which is available on the Company's websites.

Part II – Board Composition

4. Strengthen Board's Objectivity

4.1 Board Composition

The Board has ten (10) members, comprising one (1) Executive Chairman, one (1) Executive Director, five (5) Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Directors.

The present composition of the Board is in compliance with Paragraph 15.02 of the MMLR and the MCCG as half of its members are Independent Directors.

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

Part II – Board Composition (cont'd)

4. Strengthen Board's Objectivity (Cont'd)

4.2 Tenure of Independent Director

The Nomination Committee carries out the evaluation of independence on each Independent Director annually.

The Nomination Committee has undertaken a review and assessment of the level of independence of the Independent Directors during the financial year 2019 and is satisfied that they are able to discharge their responsibilities in an independent manner. The Independent Directors have also declared their independence to the Board and Management of the Group at a Board Meeting during the year.

The Board, through the Nomination Committee, had assessed Mr Chan Thian Kiat and Mr Tan Chuan Yong, the two (2) Independent Directors who have served the Company for a cumulative term of more than nine (9) years but not more than twelve (12) years and concluded that they have fulfilled the criteria under the definition of Independent Director as stated in the MMLR, and thus, they would be able to function as good check and balance and bring an element of objectivity to the Board.

Accordingly, the Board agreed to retain Mr Chan Thian Kiat and Mr Tan Chuan Yong as Independent Directors of the Company notwithstanding their service tenure of more than nine (9) years and will seek shareholders' approval at the forthcoming 20th Annual General Meeting ("AGM") to support the Board's decision to retain them as Independent Directors of the Company.

4.3 Policy of Independent Director's Tenure

The Board has adopted a nine-year policy for Independent Non-Executive Directors. An Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. Otherwise, the Board will justify and seek shareholders' approval at the AGM in the event it retains the director as an Independent Director. If the Board continues to retain the Independent Director after 12th years, the Board would seek shareholders' approval through a two tier voting process.

4.4 Diverse Board and Senior Management Team

The Board acknowledges the importance of diverse Board and Senior Management. The Group strictly adhered to the practice of non-discrimination of any form, whether based on race, age, religion and gender throughout the organisation, which including the selection of Board members. The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company.

The Board has established a Diversity Policy where the Board will endeavor increase female representation on the Board and Senior Management if there are appropriate candidates available when vacancies arise.

During the financial year 2019, a female director, namely, Ms Ng Lee Kuan was appointed to the Board as an Independent Non-Executive Director.

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

Part II – Board Composition (cont'd)

4. Strengthen Board's Objectivity (Cont'd)

4.5 Nomination Committee

The Nomination Committee comprises all Independent Non-Executive Directors, as follows:-

- Mr Soo Yuit Weng (Independent Non-Executive Director) – Chairman
- Mr Tan Chuan Yong (Senior Independent Non-Executive Director) - Member
- Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman (Independent Non-Executive Director) – Member

The Nomination Committee is responsible for assessing the adequacy and appropriateness of the board composition, identifying and recommending suitable candidates for Board membership and also for assessing the performance of the Directors on an ongoing basis. The Board will have the ultimate responsibility and final decision on the appointment. This process shall ensure that the Board membership accurately reflects the long-term strategic direction and needs of the Company and determine skills matrix to support strategic direction and needs of the Company.

The Terms of Reference of the Nomination Committee is set out in the Board Charter and is available on the corporate website.

A summary of key activities undertaken by the Nomination Committee, in discharging its functions and duties during the financial year under review is set out below:-

- Reviewed and evaluated the qualification and experience of Ms Ng Lee Kuan, Mr Soh Tong Hwa, Mr Cham Teck Kuang and Mr Hu Keqin against the Board's requirements, including its board diversity policy and recommended to the Board for appointment;
- Reviewed and assessed annual assessment of the performance and effectiveness of the Board as a whole, Board Committees and contribution of each individual Director;
- Reviewed and assessed the independence of the Independent Directors;
- Reviewed and recommended to the Board, the re-election and re-appointment of the Directors who will be retiring at the AGM of the Company;
- Considered the continuation of office of the Independent Non-Executive Directors who have served for a cumulative term of more than nine (9) years at the AGM of the Company.
- Reviewed and assessed the term of office and performance of the Audit Committee and each of its members;
- Reviewed and assessed the performance of the Chief Financial Officer; and
- Assessed the training needs of the Directors.

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

Part II – Board Composition (cont'd)

4. Strengthen Board's Objectivity (cont'd)

4.6 Identification of New Candidates for Appointment of Directors

The Board has entrusted the Nomination Committee with the responsibility to consider, review and recommend the appointment of potential candidates to the Board proposed by Management or any Director, shareholder taking into consideration the candidates' skills, knowledge, expertise and experience, time commitment, character, professionalism and integrity based on the 'Fit and Proper' Standards/Criteria for Directors and Senior Management staff as prescribed in the Board Charter.

During the financial year 2019, Ms Ng Lee Kuan, Mr Soh Tong Hwa, Mr Cham Teck Kuang and Mr Hu Keqin were appointed to the Board on 1 November 2019 as recommended by Management. The Nomination Committee evaluated and assessed the candidates' qualification and experience against the Board's requirement including the board diversity and recommended their appointment to the Board.

An Independent source was not utilised in the nomination of the new Directors as they have a breadth of experience and specialist knowledge that would provide the Board with valuable insights or perhaps key contacts in the industries and the countries in operation, and the Nomination Committee believes that the appointment of Ms Ng Lee Kuan, Mr Soh Tong Hwa, Mr Cham Teck Kuang and Mr Hu Keqin to the Board would strengthen the composition and mix of skills of the Board.

The Board is aware of the guidance to utilise independent sources for future appointment of Director, and to disclose how a Board member is sourced in the Annual Report.

5. Overall Board Effectiveness

5.1 Annual Evaluation

The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis. The Board evaluation comprises a Board Assessment, an Individual Assessment and an Assessment of Independence of Independent Directors.

The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities.

The results of the assessment would form the basis of the Nomination Committee's recommendation to the Board for the re-election of Directors at the next AGM.

Based on the annual assessment conducted, the Nomination Committee was satisfied with the existing Board composition and was of the view that all Directors and Board Committees of the Company had discharged their responsibilities in a commendable manner and has performed competently and effectively.

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

Part II – Board Composition (cont'd)

5. Overall Board Effectiveness (cont'd)

5.2 Re-election of Retiring Directors

In accordance with the Company's Constitution, one third of the Directors (with the exception of the Alternate Director) are subject to retirement by rotation annually and all Directors shall retire from office once at least every three years.

The Directors to retire each year are the Directors who have been longest in office since their last appointment on re-election. The Directors appointed during the financial year are subject to retirement at the next AGM held following their appointments in accordance with the Company's Constitution. All retiring Directors are eligible for re-election.

Pursuant to Clause 97 of the Constitution of the Company, Mr Ong Weng Leong and Mr Chan Thian Kiat are subject to retirement by rotation at the forthcoming 20th AGM and they have expressed their willingness to seek for re-election at the 20th AGM.

Pursuant to Clause 104 of the Constitution of the Company, the following Directors who were appointed on 1 November 2019 are subject to retirement at the forthcoming 20th AGM and they have expressed their willingness to seek for re-election at the 20th AGM:-

- Ms Ng Lee Kuan;
- Mr Soh Tong Hwa;
- Mr Cham Teck Kuang; and
- Mr Hu Keqin.

5.3 Board Commitment

The Directors allocate sufficient time to discharge their responsibilities effectively and attend Board Meeting and Board Committee Meetings to deliberate on matters under their purview. Board Meeting and Audit Committee meeting are held at quarterly intervals with additional meetings convened when necessary. During the financial year, the Board has deliberated on business strategies and issues concerning the Group including business plan, annual budget, financial results, etc.

The attendance record of the Directors at Board of Directors and Board Committee meetings during the financial year under review is set out as follows:-

Meeting Attendance	Board	Audit Committee	Nomination Committee	Remuneration Committee	General Meeting
Ir. Gan Hung Keng	5/5	–	–	–	1/1
Ong Weng Leong	5/5	–	–	–	1/1
Chan Thian Kiat	5/5	5/5	–	–	1/1
Tan Chuan Yong	4/5	4/5	1/1	1/1	1/1
Vice Admiral (Retired) Datuk Haji Jamil Bin Haji Osman	4/5	–	1/1	1/1	0/1
Soo Yuit Weng	5/5	5/5	1/1	1/1	1/1
*Ng Lee Kuan	1/1	–	–	–	–
*Cham Teck Kuang	1/1	–	–	–	–
*Hu Keqin	1/1	–	–	–	–
*Soh Tong Hwa	1/1	–	–	–	–

* Appointed as Directors of the Company on 1 November 2019.

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

Part II – Board Composition (cont'd)

5. Overall Board Effectiveness (Cont'd)

5.3 Board Commitment (Cont'd)

To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively, the Directors must not hold more than five (5) directorships in public listed companies and shall notify the Chairman before accepting any new directorships.

During the financial year 2019, all the Directors have attended trainings, seminars, conferences and exhibitions which they considered vital in keeping abreast with the changes in laws and regulation, business environment, and corporate government development, as detailed hereunder:-

Name of Director	Course Attended	Date
Ir. Gan Hung Keng	Session on Corporate Governance & Anti-Corruption	31 October 2019
Ong Weng Leong	Session on Corporate Governance & Anti-Corruption	31 October 2019
Chan Thian Kiat	KPMG the Audit Committee Institute Breakfast Round Table 2019	3 April 2019
	Cybersecurity in the Boardroom	27 June 2019
	KPMG ACI Breakfast Round Table 2019	6 August 2019
	The Convergence of Digitalisation and Sustainability	23 August 2019
	Anti-Bribery Law in Malaysia and its Enforcement	28 August 2019
Tan Chuan Yong	Session on Corporate Governance & Anti-Corruption	31 October 2019
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	Session on Corporate Governance & Anti-Corruption	31 October 2019
Soo Yuit Weng	Implications on the Introduction of Digital Tax in Malaysia	16 September 2019
	Withholding taxes - Law and implication on Cross Border Transactions	17 October 2019
	2020 Budget Seminar	25 November 2019
*Ng Lee Kuan	Mandatory Accreditation Programme	28 February 2019 – 1 March 2019
*Soh Tong Hwa	–	–
*Hu Keqin	–	–
*Cham Teck Kuang	–	–

* Appointed as Directors of the Company on 1 November 2019.

Mr Soh Tong Hwa, Mr Hu Keqin and Mr Cham Teck Kuang have completed the Mandatory Accreditation Programme as prescribed by Bursa Securities in October 2018.

The Company will continue to identify suitable training for the Directors to equip and update themselves with the necessary knowledge in discharging their duties and responsibilities as Directors.

The Directors are encouraged to attend briefing, conferences, forums, seminars and training to keep abreast with the latest developments in the industry and to enhance their skills and knowledge.

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

Part III - Remuneration

6. Level and Composition of Remuneration

6.1 Remuneration Committee

The Remuneration Committee is responsible for recommending the remuneration packages of Executive Directors to the Board for approval. Individual Directors shall abstain from decisions in respect of their individual remuneration.

The Remuneration Committee reviews annually the Directors' Remuneration (including Non-Executive Directors) for recommendation and approval by the Board. The Directors' remuneration payable to the Non-Executive Directors will be tabled at the AGM for the approval of shareholders.

The Remuneration Committee comprises all Independent Non-Executive Directors, as follows:-

- Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman (Independent Non-Executive Director) - Chairman
- Mr Tan Chuan Yong (Senior Independent Non-Executive Director) – Member
- Mr Soo Yuit Weng (Independent Non-Executive Director) – Member

The Terms of Reference of the Remuneration Committee is set out in the Board Charter and is available on the corporate website.

6.1 Remuneration Policy

The Remuneration Committee and the Board ensure that the Company's remuneration policy remains supportive of the Company's corporate objectives and is aligned with the interest of shareholders, and further that the remuneration packages of Directors and key Senior Management Officers are sufficiently attractive to attract and to retain persons of high calibre. The remuneration policy is available on the corporate website.

7. Remuneration of Directors and Senior Management

7.1 Detailed Disclosure of Directors' Remuneration

The remuneration of Non-Executive Directors is in the form of Directors' Fees which reflects the diverse experience, skill sets and the level of responsibilities of the Non-Executive Directors. In addition, the Non-Executive Directors are also paid meeting allowance based on their attendance.

The remuneration of the Executive Directors is structured to link to their contributions for the year, and which are dependent on the performance of the Group, achievement of the goals and/or quantified organisational targets as well as strategic initiatives set at the beginning of each year.

The Executive Directors are not entitled to the Director's fee and any meeting allowance for Board or Board Committee Meetings they attended. The remuneration package of the Executive Directors consists of monthly salary, bonus and benefits-in-kind such as company car and the benefit of Directors and Officers Liability Insurance in respect of any liabilities arising from acts committed in their capacity as Directors and Officers of the Company. The Directors and principal officers are required to contribute jointly towards the premium of the said policy.

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

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

7.1 Detailed Disclosure of Directors' Remuneration (Cont'd)

Details of the Directors' remuneration (including benefits-in-kind) of each Director during the financial year 2019 are as follows:

COMPANY LEVEL	Fee (RM)	Salary (RM)	Defined Contribution Plan (RM)	Bonus (RM)	Benefits in- kind (RM)	Share-based payment (RM)	Allowance (RM)	Total (RM)
Executive Directors								
Ir. Gan Hung Keng	–	581,723	69,696	649,954	15,000	84,010	12,000	1,412,383
Ong Weng Leong	–	551,723	66,096	616,382	15,000	84,010	12,000	1,345,211
Total	–	1,133,446	135,792	1,266,336	30,000	168,020	24,000	2,757,594
Non-Executive Directors								
Chan Thian Kiat	46,200	–	–	–	–	3,413	1,600	51,213
Tan Chuan Yong	46,200	–	–	–	–	3,413	1,200	50,813
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	42,000	–	–	–	–	2,888	800	45,688
Soo Yuit Weng	46,200	–	–	–	–	2,888	1,800	50,888
*Ng Lee Kuan	7,333	–	–	–	–	–	–	7,333
*Cham Teck Kuang	–	–	–	–	–	–	–	–
*Hu Keqin	–	–	–	–	–	–	–	–
*Soh Tong Hwa	–	–	–	–	–	–	–	–
Total	187,933	–	–	–	–	12,602	5,400	205,935
Total Directors' Remuneration	187,933	1,133,446	135,792	1,266,336	30,000	180,622	29,400	2,963,529

** Appointed as Directors of the Company on 1 November 2019.*

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

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

7.1 Detailed Disclosure of Directors' Remuneration (Cont'd)

GROUP LEVEL	Fee (RM)	Salary (RM)	Defined Contribution Plan (RM)	Bonus (RM)	Benefits in- kind (RM)	Share-based payment (RM)	Allowance (RM)	Total (RM)
Executive Directors								
Ir. Gan Hung Keng	–	581,723	69,696	649,954	15,000	84,010	12,000	1,412,383
Ong Weng Leong	–	551,723	66,096	616,382	15,000	84,010	12,000	1,345,211
Total	–	1,133,446	135,792	1,266,336	30,000	168,020	24,000	2,757,594
Non-Executive Directors								
Chan Thian Kiat	46,200	–	–	–	–	3,413	1,600	51,213
Tan Chuan Yong	46,200	–	–	–	–	3,413	1,200	50,813
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	42,000	–	–	–	–	2,888	800	45,688
Soo Yuit Weng	46,200	–	–	–	–	2,888	1,800	50,888
*Ng Lee Kuan	7,333	–	–	–	–	–	–	7,333
*Cham Teck Kuang	^60,761	–	2,582	37,976	–	–	–	101,319
*Hu Keqin	–	75,163	6,714	45,571	–	–	–	127,448
*Soh Tong Hwa	–	65,016	7,800	22,249	3,542	–	–	98,607
Total	248,694	140,179	17,096	105,796	3,542	12,602	5,400	533,309
Total Directors' Remuneration	248,694	1,273,625	152,888	1,372,132	33,542	180,622	29,400	3,290,903

** Appointed as Directors of the Company on 1 November 2019.*
^ Fee paid by a subsidiary company to Cham Teck Kuang as a Non-Executive Director of the subsidiary company.

7.2 Remuneration of Top Five (5) Senior Management

The Board acknowledges the need for transparency in the disclosure of its key Senior Management remuneration, the Board is of the opinion that the disclosure of remuneration details may be detrimental to its business interests, given the competitive landscape for key personnel with the requisite knowledge, technical expertise and working experience in the Company's business activities, where intense headhunting is a common industry challenge. Accordingly, such disclosure of specific remuneration information may give rise to recruitment and talent retention issues.

In addition, the Board is of the view that the interest of the shareholders will not be prejudiced as a result of such non-disclosure of the top five Senior Management personnel who are not Directors.

PRINCIPLE A : EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I – Audit Committee

8. Audit Committee

The Audit Committee is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions as well as conflict of interest situation. The Audit Committee also undertakes to provide oversight on the risk management framework of the Group.

The Audit Committee is chaired by a Senior Independent Non-Executive Director, who is distinct from the Chairman of the Board and all members of the Audit Committee are financially literate. The composition of the Audit Committee, including its roles and responsibilities as well as a summary of its activities carried out during the financial year 2019, are set out in the Audit Committee Report on pages 57 to 59 of this Annual Report.

The Audit Committee has adopted a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee and the said policy has been incorporated in the Terms of Reference of the Audit Committee.

The Audit Committee maintains a transparent and professional relationship with the External Auditors of the Company. The External Auditors fill an essential role by enhancing the reliability of the Company's Annual Audited Financial Statements and giving assurance to stakeholders of the reliability of the Annual Audited Financial Statements. The External Auditors have an obligation to bring any significant defects in the Company's system of control and compliance to the attention of Management; and if necessary, to the Audit Committee and the Board.

The Audit Committee is empowered by the Board to review any matters concerning the appointment and re-appointment, resignations or dismissals of External Auditors and review and evaluate factors relating to the independence of the External Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the Audit Committee prior to submission to the Board for approval. Feedback based on the assessment areas is obtained from the Audit Committee, the Chief Financial Officer, the Internal Auditor and Senior Management.

The Audit Committee undertakes an annual assessment of the suitability and independence of the External Auditors in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants ("MIA"). Under this policy, only non-audit services which are able to provide clear efficiencies and value-added benefits to the Group and do not impede the External Auditors' audit works will be accepted by the Audit Committee.

On the other hand, the Audit Committee also seeks written assurance from the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the MIA. The External Auditors provide such declaration in their annual audit plan presented to the Audit Committee prior to the commencement of audit for a particular financial year.

In this regard, the Audit Committee had on 20 May 2020, assessed the independence of Messrs. Crowe Malaysia PLT ("Crowe") as External Auditors of the Company and reviewed the level of non-audit services rendered by Crowe to the Company for the financial year 2019. The Audit Committee was satisfied with Crowe's technical competency and audit independence and took note that the quantum of non-audit fee charged thereto was not material as compared to the total audit fees paid to Crowe. Details of statutory audit, audit-related and non-audit fees paid/payable in the for the financial year 2019 to the External Auditors are set out in the Additional Compliance Information of this Annual Report. Having satisfied itself with their performance and fulfilment of criteria as set out in the Non-Audit Services Policy as well as received the assurance from Crowe as stated above, the Audit Committee will recommend their reappointment to the Board, upon which the shareholders' approval will be sought at the 20th AGM.

PRINCIPLE A : EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Part II – Risk Management and Internal Control Framework

9. Risk Management and Internal Control Framework

The Board oversees, reviews and monitors the operation, adequacy and effectiveness of the Group's system of internal controls. The Board defines the level of risk appetite, approving and overseeing the operation of the Group's Risk Management Framework, assessing its effectiveness and reviewing any major/ significant risk facing the Group.

The Audit Committee oversees the risk management framework of the Group, reviews the risk assessment and management policies formulated by Management regularly together with the Internal Auditors and makes relevant recommendations to Management to update the Group Risk Profile. The Audit Committee also discusses with the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation, and makes relevant recommendations to the Board to manage residual risks.

The Board has been integrating the risk issues into their decision-making process whilst maintaining the flexibility to lead the business of the Group through the ever-changing internal and external environments.

The Company continues to maintain and review its internal control procedures to ensure the protection of its assets and its shareholders' investment.

In February 2020, the Company has established a Risk Management Committee comprising wholly Non-Executive Directors and is chaired by an Independent Director to assist the Board to identify, assess, manage, monitor and report underlying risks within the Group. The Risk Management Committee shall oversee the risk management framework of the Group, reviews the risk assessment and management policies formulated by Management regularly and makes relevant recommendations to Management to update the Group Risk Profiles.

Details of the main features of the Company's risk management and internal controls framework are further elaborated in the Audit Committee Report and the Statement on Internal Control and Risk Management on pages 54 to 59 of this Annual Report.

10. Governance, Risk Management and Internal Control Framework

The Board has outsourced the internal audit function to an independent assurance provider, namely Axcelasia Columbus Sdn. Bhd. to provide an independent appraisal over the system of internal control of the Group to the Audit Committee.

To ensure that the responsibilities of internal auditors are fully discharged, the Company has formally adopted an Internal Audit Function Evaluation checklist to evaluate the performance of the Internal Auditors, including the review of the scopes, functions and competency to carry out the work.

The Statement on Risk Management and Internal Control as included on pages 54 to 56 of this Annual Report provides the overview of the internal control framework adopted by the Company during the financial year ended 31 December 2019.

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

Part I – Communication with Stakeholders

11. Continuous Communication Between company and Stakeholders

The Group recognises the importance of prompt and timely dissemination of information to the shareholders and the investors, in order for these stakeholders to be able to make informed investment decisions. Towards this, the Company's website at www.kelington-group.com incorporates a corporate section which provides all relevant information on the Company and is accessible by the public. This corporate section enhances the investor relations function by including all announcements made, annual reports as well as the corporate and governance structure of the Company.

The Company has put in place a Corporate Disclosure Policy with the objective to ensure communications to the public are timely, factual, accurate, complete, broadly disseminated and where necessary, filed with regulators in accordance with applicable laws and a disclosure committee comprises of Executive Directors and Chief Financial Officer.

The Board and Management have at all time ensured timely dissemination on the Company's performance and other matters affecting shareholders' interests to the shareholders and the investors through appropriate announcement (where necessary), quarterly announcements, relevant circulars, press releases and distribution of annual reports.

Part II – Conduct of General Meetings

12. Shareholder Participation at General Meetings

The AGM is the principal forum for shareholder dialogue, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification.

In line with good corporate governance practice, the notice of the AGM is issued at least 28 days before the AGM.

All the Directors shall endeavour to present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company the AGM. During the AGM, the Board encourages shareholders' participation in deliberating resolutions being proposed or on the Group's operation in general. The Directors, Chief Financial Officer and External Auditors will be in attendance to respond to the shareholders' queries.

All Directors of the Company attended the 19th AGM held on 13 June 2019 (save for Vice Admiral (Retired) Datuk Haji Jamil Bin Haji Osman who was unable to attend the meeting due to personal commitment. The Directors, Chief Financial Officer and External Auditors were in attendance to answer questions raised by the shareholders.

The Board will continue to operationalise and enhance the corporate governance practices and instil a risk and governance awareness culture and mindset throughout the organisation in the best interest of all stakeholders.

Pursuant to Paragraph 2.19 of the MMLR and Clause 88 of the Company's Constitution, the Notice of AGM, Proxy Form and Share Buy-Back Statement can be downloaded from the Company's website at http://www.kelington-group.com/report.php.

This Corporate Governance Overview Statement together with the Corporate Governance Report was approved by the Board on 20 May 2020.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are required to prepare the financial statements for each financial year which have been made out in accordance with applicable Malaysian Financial Reporting Standards (MFRSs), the International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act 2016 so as to give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors of the Company have:

- adopted suitable accounting policies and then applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible to ensure that the Group and the Company maintain proper accounting which disclose with reasonable accuracy on the disclosure of the financial position of the Group and of the Company, and which enable them to ensure that the financial statements comply with the provisions of the Companies Act 2016.

The Directors are also responsible for taking reasonable steps to ensure that appropriate systems are in place to safeguard the assets of the Group and of the Company and hence, to prevent and detect fraud and other irregularities.

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

INTRODUCTION

The Board of KGB is pleased to present its Statement on Risk Management and Internal Control for the FYE 31 December 2019, which has been prepared pursuant to paragraph 15.26 (b) of MMLR, Practices 9.1 and 9.2 of the MCCG and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"), in this Annual Report. This statement outlines the nature and state of the risk management and internal controls of the Group during the financial year.

BOARD RESPONSIBILITY

The Board acknowledges its responsibility and re-affirms its commitment for the Group's systems of risk management and internal control and for reviewing its adequacy and effectiveness to ensure that the Group's assets and shareholders' interests are safeguarded.

The Board received assurance from the Group CEO and Chief Financial Officer that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

Due to inherent limitations in the risk management and internal control system, such a system put into effect by Management is designed to manage rather than eliminate risks that may impede the achievement of the Group's business strategies and objectives. Therefore, such a system can only provide reasonable but not absolute assurance against any possibility of material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

The Board acknowledges that the Group's business activities involve some degree of risk and thus, key management staff and head of departments are delegated with the responsibility to manage identified risks within defined parameters and standards.

The Group's established risk management practice is guided by ISO 31000: Risk Management – Principles and Guidelines. The key elements of this risk management process are as follows:

- Identify key risks associated with the Group's external and internal risks;
- Identify the existing controls that manage the identified risks;
- Confirm ownership and timelines for managing and monitoring the identified risks;
- Rate the identified risks in terms of likelihood of occurrence and the resulting impact on the organisation. The rating takes into account the effectiveness of existing controls put in place to manage the risks;
- Decide on the risk treatment and develop risk response to manage residual risks (if any); and
- Regular monitoring and updating of the Group's existing key risk profile.

The above risk management process is carried out biennially and has been in place for the year under review and up to the date of the approval of this Statement. However, due to the implementation of the Movement Control Order from 18 March 2020 to curb the spread of the Coronavirus Disease infection in Malaysia where all business premises, including the Company except for those providing essential services were required to be closed, the updated Key Risk Profile will only be presented to the Audit Committee at the meeting scheduled in August 2020.

INTERNAL AUDIT FUNCTION

The Group's Internal Audit Function assists the Board and the Audit Committee by providing an independent assessment of the adequacy and effectiveness of the Group's internal control system. Further details of the Internal Audit Function are set out in the Audit Committee Report on page 59 of this Annual Report.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of the Group's System of internal control are:

a) Management Structure

The Group maintains a formal organisation structure with clear lines of accountability and responsibility. The daily running of the businesses is entrusted to the Executive Directors and the Management teams. The heads of each operating subsidiary and department of the Group are empowered with the responsibility of managing their respective operations.

b) Strategic Business Plan and Annual Budget

The Board constructively challenges and contributes to the development of the Group's strategic directions and annually reviews the Group's strategic business plan. The Board probes Management to ensure Management has taken into consideration the varying opportunities and risks whilst developing the strategic business plan.

The Group's annual strategic business plan and budget are reviewed, deliberated and approved by the Board. The expectations of the Board are clearly discussed with, and understood by the Management. The Board is also responsible for monitoring the implementation of the strategic business plan and for assessing the actual performance of the Group against the annual strategic business plan and budget as well as to provide guidance to Management.

c) Reporting and Review

Periodic operational and financial reports are prepared and presented to the Board for discussion and review based on the established reporting hierarchy within the Group. Ad-hoc and scheduled meetings are held at operational and management levels to identify operational issues, discuss and review the business plans, budgets, financial and operational performances of the Group, and etc.

d) ISO Quality Management System

Both KGB and Kelington Technologies Sdn. Bhd. ("KTSB") have been certified with ISO 9001:2015 Quality Management System since March 2018. Yearly surveillance audits and periodic re-assessments are carried out to ensure its adherence and application of the ISO quality policies and procedures.

e) Quality, Health, Safety and Environment ("QHSE")

Both the Company and its subsidiary company, KTSB achieved the OHSAS 18001:2007 certification by Intertek since July 2014.

A clear, formalised and documented Global QHSE manual is in place to outline employees' roles and responsibilities towards the prevention of accidents, the elimination of hazards and in ensuring a safe working environment.

f) Internal Policies and Procedures

Policy and procedures, handbook, guidelines and authority limits have been established to guide personnel on day-to-day operational activities.

g) External Audit

The External Auditors will perform a review on the statement on internal control and risk management for its inclusion into the Annual Report of the Company.

h) Related Party Transactions

Related party transactions (if any) are disclosed, reviewed, and monitored by the Audit Committee and presented to the Board on a periodical basis.

CONCLUSION

Based on the various procedures and controls put in place by the Group, the work performed and the reports submitted by the Internal and External auditors, the Board has reviewed and is satisfied that the risk management and internal control system put in place for the year under review and up to the date of approval of this statement are appropriate. The Board acknowledges that the system of risk management and internal control does not eliminate the possibility of collusion or deliberate circumvention of procedures by employees, human errors and/or other unforeseen circumstances that result in poor judgement.

The Board recognises the necessity to continuously improve the Group's system of internal control and risk management practices to safeguard shareholders' investments and the Group's assets. Therefore, the Board will continuously evolve the Group's system of internal control to meet the changing and challenging business environment and put in place appropriate action plans to further enhance the system of internal control if necessary.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

In accordance with Paragraph 15.23 of MMLR, the External Auditors have performed a review on the statement on internal control and risk management to the scope set out in the Audit and Assurance Practice Guide 3 (AAPG 3): Guidance for Auditors on Engagements to Report on Risk Management and Internal Control for its inclusion into the Annual Report of the Company for the FYE 31 December 2019, and reported to the Board that nothing has come to their attention that cause them to believe that the statement is inconsistent with their understanding of the state of internal control of the Group.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors dated on 20 May 2020.

AUDIT COMMITTEE **REPORT**

The Board presents the Audit Committee ("AC") Report to provide insights on the discharge of the AC's functions for the Group in the year 2019.

COMPOSITION AND ATTENDANCE

The AC comprises three (3) members, all of whom are Independent Non-Executive Directors who satisfies the test of independence under the MMLR of Bursa Securities. This meets the requirements of Paragraph 15.09(1)(b) of the MMLR.

The AC members and details of attendance of each member at the AC meetings held during the FYE 31 December 2019 are as follows:

Audit Committee	**Meeting Attendance**
Chan Thian Kiat *(Senior Independent Non-Executive Director)* *Chairman*	5/5
Tan Chuan Yong *(Senior Independent Non-Executive Director)* *Member*	4/5
Soo Yuit Weng *(Independent Non-Executive Director)* *Member*	5/5

The AC Chairman, Chan Thian Kiat, is a fellow member of CPA Australia and. Accordingly, KGB complies with Paragraph 15.09(1)(c)(ii)(bb) of the MMLR.

The Nomination Committee reviews the terms of office of the AC members and assesses the performance of the AC and its members annually and is satisfied that the AC and its members have discharged their functions, duties and responsibilities in accordance with the Terms of Reference of the AC which are available on KGB's website, thereby supporting the Board in ensuring the Group upholds appropriate Corporate Governance standards.

MEETINGS AND SUMMARY OF WORKS OF THE AUDIT COMMITTEE

The AC held five (5) meetings in the year 2019 and the Executive Directors were invited to all AC meetings to facilitate direct communication and to provide clarification on audit issues and the operations of the Group. The Internal Auditors were present at two (2) out of five (5) AC meetings to table the respective IA reports. Management were invited to brief the AC on specific issues arising from the relevant audit reports.

The AC met with the External Auditors two (2) times in the year 2019 without the presence of the Executive Directors and Management. At the said meetings, the AC enquired about Management's cooperation with the External Auditors, sharing of information and proficiency and adequacy of resources in financial reporting functions. During the AC meetings, the External Auditors were invited to raise any matter they considered important for the AC's attention.

The AC Chairman obtained confirmation from the External Auditors that Management had given its full support and unrestricted access to information as required by the External Auditors to perform their duties.

Deliberations during the AC meetings, including the issues tabled and rationale adopted for decisions, were recorded. Minutes of the AC meetings were tabled for confirmation at the following AC meeting. In the year 2019, the AC Chairman presented the recommendations of the Committee to the Board for approval of the quarterly results and year-end financial statements. The AC Chairman also conveyed to the Board matters of significant concern as and when raised by the External Auditors or the Internal Auditors.

The works carried out by the AC during the financial year 2019 are summarised as follows:-

Ensuring Financial Statements Comply with Applicable Financial Reporting Standards:

(a) Reviewed the financial positions, unaudited quarterly interim financial reports and announcements for the respective financial quarters prior to submission to the Board for consideration and approval. The review is to ensure that the Company's unaudited quarterly financial reporting and disclosures present a true and fair view of the Group's financial position and performance and are in compliance with the Malaysian Financial Reporting Standard 134 – Interim Financial Reporting Standards in Malaysia and International Accounting Standards 34 – Interim Financial Reporting as well as applicable disclosure provisions of the MMLR;

(b) Reviewed the audited financial statements and the External Auditors' findings and recommendations for the financial year ended 31 December 2018. In the review of the annual audited financial statements, the AC had discussed with Management and the External Auditors the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements as well as issues and reservations arising from the statutory audit; and

(c) Reviewed any changes in the implementation of major accounting policies and practices to the Group.

Reviewing the Audit Findings of the External Auditors and Assessing their Performance, Suitability and Independence of External Auditors:

(a) Reviewed the audit plan of the External Auditors in terms of their scope of audit, methodology and timetable, audit materiality, areas of focus prior to the commencement of their annual audit;

(b) Reviewed and discussed with the External Auditors' audit report and areas of concern highlighted in the management letter, including Management's responses to the concerns raised by the External Auditors, and evaluation of the system of internal controls;

(c) Met up with the External Auditors without the presence of executive board members and management personnel to further discuss matters arising from audit; and

(d) Reviewed and assessed the performance of the External Auditors and considered the re-appointment of External Auditors and their audit fees, after taking into consideration of the independence and objectivity of the External Auditors and the cost effectiveness of their audit, before recommending to the Board for approval.

Overseeing the Governance Practices in the Group:

(a) Reviewed the AC Report and Statement of Risk Management and Internal Control before recommending to the Board for approval, for inclusion in the Annual Report;

(b) Reviewed the related party transactions to ensure that they were not detrimental to the interests of the minority shareholders;

(c) Reviewed the adequacy and effectiveness of the Group's risk management and internal control system based on the risk assessment report and IA reports and reported to the Board;

(d) Reviewed and verified the allocation of shares under the Employee Share Scheme;

(e) Reviewed the revised Terms of Reference of the AC to be in line with the MMLR and the MCCG; and

(f) Assessed the assistance given by the employees of the Group to the External Auditors and the Internal Auditors.

Reviewing the Audit Findings of the Internal Auditors and Assisting the Board in Reviewing the Effectiveness and Adequacy of Systems of Internal Control in the Key Operation Processes:

(a) Reviewed and discussed the Internal Audit ("IA") reports which outlined the recommendations towards correcting areas of weaknesses and ensured that management action plans were established for the implementation of the Internal Auditors' recommendations. The responsible member of Management was invited to attend the AC meeting to provide clarification in specific issues raised in the IA reports. Summary of IA reports presented to the AC provided status updates for management action plans to address the findings reported in the previous audit cycles; and

(b) Reviewed the adequacy of the scope, functions and competency of the IA function, and the results of the IA process to ensure the appropriate actions are taken of the recommendations of the IA function.

IA FUNCTION

The Group's IA function is outsourced to Axcelasia Columbus Sdn. Bhd. The IA function is independent of the activities and reports directly to the AC and assists the AC in the discharge of its duties and functions. Its role is to independently assessing the adequacy and effectiveness of the system of internal control as established by KGB Management and make recommendations for improvement. The engagement Executive Director is Mr Mah Siew Hoong who has diverse professional experience in internal audits, risk management and corporate governance advisory. He is a Chartered Member of the Institute of Internal Auditors Malaysia, a member of the Malaysian Institute of Accountants and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom. Mr Mah is a Certified Internal Auditors (USA) and has a Certification in Risk Management Assurance (USA).

The number of staff deployed for the IA reviews ranges from 5 to 6 staff per visit including the engagement Executive Director. The staff involved in the IA reviews possesses professional qualification and/or a university degree. Most of them are members of the Institute of Internal Auditors Malaysia. The IA staff on the engagement are free from any relationships or conflicts of interest, which could impair their objectivity and independence. The IA were conducted using a risk based approach as and was guided by the International Professional Practice Framework ("IPPF").

The IA activities have been carried out according to the IA plan that was approved by the AC and is independent and not related to the External Auditors. The Board had via the AC evaluated their effectiveness by reviewing the results of its works in AC meetings.

During the FYE 31 December 2019, the outsourced IA function undertook review on the following business processes:-

Entity	**Business Processes Reviewed**
Kelington Engineering (S) Pte Ltd	Project Management & Tender Management
Kelington Technologies Sdn Bhd	Project Management & Tender Management

Findings from the IA reviews conducted were discussed with Senior Management and subsequently presented, together with Management's response and proposed action plans, to the AC for their review and approval. The outsourced IA function also carries out follow up reviews and reports to the AC on the status of implementation of action plans committed by Management pursuant to the recommendations highlighted in the IA reports.

Notwithstanding the above, although some internal control deficiencies were identified during the IA reviews, none of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this annual report.

The total cost incurred by the IA function is at RM49,572 for the FYE 31 December 2019.

The AC Report is made in accordance with the resolution of the Board of Directors' Meeting held on 20 May 2020.

ADDITIONAL COMPLIANCE **INFORMATION**

1. UTILISATION OF PROCEEDS

As at 31 December 2019, a total proceeds of RM17,839,712 raised by the Company from the private placement which completed on 14 August 2018 have been fully utilised as follows:

Utilisation purposes	Intended Timeframe for the utilisation of proceeds (from the date of listing of Placement Shares)	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Balance (RM'000)	Deviation	
					(RM'000)	%
To part finance the acquiring of carbon dioxide gas purification plant	Within 24 months	2,854	(2,854)	–	–	–
To part finance the subsequent phase of the construction of carbon dioxide gas purification plant, gas manufacturing facilities and gas delivery systems	Within 24 months	3,805	(3,805)	–	–	–
To part finance the acquisition of assets for the operations of the industrial gas business division	Within 24 months	6,522	(6,165)	*357	357	2.0%
General Working Capital	Within 24 months	4,279	(4,654)	*(375)	(375)	-2.1%
Estimated expenses relating to the Proposed Private Placement	Upon completion	380	(362)	18	18	0.1%
		17,840	(17,840)	–	–	–

* The surplus from the proceeds had been utilised for general working capital.

2. AUDIT AND NON-AUDIT FEES

The auditors' remuneration including non-audit fees for the Company and the Group for the FYE 31 December 2019 is as follows:-

Details of Auditors' Remuneration	Group (RM)	Company (RM)
- Statutory Audit Fees	417,000	143,000
- Non-Audit Fees	5,000	5,000
Total	422,000	148,000

3. LIST OF PROPERTIES

The list of properties is not included in this Annual Report as the net book value of the Company's or its subsidiaries' properties are less than 5.0% of the Group's total assets.

4. MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interest of the Directors, chief executive who is not a director or Major Shareholders either still subsisting as at 31 December 2019 or entered into since the end of the previous financial year.

5. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF REVENUE OR TRADING NATURE

There was no shareholders' mandate obtained in respect of RRPT of Revenue or Trading Nature during the FYE 31 December 2019.

6. EMPLOYEES' SHARE SCHEME ("ESS")

The ESS was approved by the shareholders at an Extraordinary General Meeting held on 13 June 2017 and governed by the By-Laws. The ESS is to be in force for a period of five (5) years (i.e. from 19 June 2017 to 18 June 2022), subject however, to an extension at the discretion of the Board, without having to obtain the approval of its shareholders, for up to another five (5) years immediately from the expiry of the first five (5) years, and should not in aggregate exceed (10) years from the effective date of implementation of the ESS.

During the FYE 31 December 2019, the Company has granted 3,553,480 shares under the ESS to the eligible Directors and employees.

Brief details on the number of ESS Shares offered, granted and outstanding during the FYE 31 December 2019 is set out in the table below:-

Total number of ESS Shares outstanding as at 1 January 2019	Total number of ESS Shares offered during the FYE 31 December 2019	Total number of ESS Shares granted during the FYE 31 December 2019	Total ESS Shares outstanding as at 31 December 2019
14,717,830	Nil	(3,553,480)	11,164,350

ESS Shares offered to Directors and Senior Management

	During the FYE 31 December 2019	Since commencement of the ESS on 19 June 2017
Aggregate maximum entitlement under ESS (%)	56.500%	56.500%
Actual ESS Shares offered (%)	12.260%	53.475%

The breakdown of the ESS shares offered and granted to Non-Executive Directors pursuant to ESS during the FYE 31 December 2019 are as follows:

Name of Directors	**Balance as at 1 January 2019**	**Number of ESS Shares Offered during the FYE 31 December 2019**	**Number of ESS Shares Granted during the FYE 31 December 2019**	**Balance as at 31 December 2019**
Chan Thian Kiat	58,500	–	(13,000)	45,500
Tan Chuan Yong	58,500	–	(13,000)	45,500
Soo Yuit Weng	49,500	–	(11,000)	38,500
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	49,500	–	(11,000)	38,500
Soh Tong Hwa[(1)]	180,000	200,000	(100,000)	280,000
Cham Teck Kuang[(1)]	180,000	200,000	(100,000)	280,000
Hu Keqin[(1)]	180,000	200,000	(100,000)	280,000
Ng Lee Kuan[(2)]	–	–	–	–
Total	756,000	600,000	(348,000)	1,008,000

(1) Appointed as Non-Independent Non-Executive Directors of Kelington Group Berhad on 1 November 2019. ESS Shares offered and granted since the commencement of the ESS under the category of "Senior Management of the Group".

(2) Appointed as Independent Non-Executive Directors of Kelington Group Berhad on 1 November 2019.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of providing engineering services, construction and general trading. The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

RESULTS

	The Group RM'000	The Company RM'000
Profit after taxation for the financial year	23,920	9,021
Attributable to:-		
Owners of the Company	24,418	9,021
Non-controlling interests	(498)	–
	23,920	9,021

DIVIDENDS

Dividends paid or declared by the Company since 31 December 2018 are as follows:-

Ordinary Share	**RM'000**
<u>In respect of the financial year 31 December 2018</u>	
An interim dividend of 0.8 sen per ordinary share, paid on 3 June 2019	2,353
<u>In respect of the financial year 31 December 2019</u>	
An interim dividend of 1 sen per ordinary share, paid on 16 October 2019	3,103

On 20 May 2020, the Company declared an interim dividend of 1 sen per ordinary share amounting to RM3,114,591 in respect of the current financial year, payable on 3 August 2020, to shareholders whose names appeared in the record of depositors on 13 July 2020. The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2020.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) the Company increased its issued and paid-up share capital from RM50,421,667 to RM71,275,860 by:-

(i) an issuance of 3,553,480 new ordinary shares from the exercise of options under the Company's Employee Share Scheme ("ESS") at the exercise price as disclosed in Note 18(c) to the financial statements which amounted to RM627,900; and

(ii) an issuance of 40,452,584 new ordinary shares from the exercise of Warrants 2014/2019 at the exercise price of RM0.50 per warrant as disclosed in Note 18(d) to the financial statements which amounted to RM20,226,293.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

(b) there were no issues of debentures by the Company.

TREASURY SHARES

There were no repurchase or resale of treasury shares during the financial year. The shares purchased are being held as treasury shares in accordance with Section 127(6) of the Companies Act 2016 and are presented as a deduction from equity.

As at 31 December 2019, the Company held a total of 1,119,900 treasury shares out of the total 311,459,126 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of approximately RM534,000. The details on the treasury shares are disclosed in Note 17 to the financial statements.

WARRANTS

The details in the movement of the Company's Warrants 2014/2019 are as follows:-

		Entitlement for Ordinary Shares			
	Exercise Price	**At 1.1.2019**	**Exercised**	**Lapsed**	**At 31.12.2019**
Warrant 2014/2019 of the Company	RM0.50	40,472,331	(40,452,584)	(19,747)	–

The salient terms of the Warrants 2014/2019 are disclosed in Note 18(d) to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company except for the share options granted pursuant to the Company's ESS.

ESS

The ESS of the Company is governed by the ESS-By-Laws and was approved by shareholders at an Extraordinary General Meeting held on 13 June 2017. The ESS is to be in force for a period of 5 years effective from 19 June 2017.

The details of the ESS are disclosed in Note 18(c) to the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

(i) any charge on the assets of the Group and of the Company that 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 and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:-

Gan Hung Keng
Ong Weng Leong
Chan Thian Kiat
Tan Chuan Yong
Laksamana Madya Datuk Haji Jamil Bin Haji Osman
Soo Yuit Weng
Soh Tong Hwa (Appointed on 1.11.2019)
Cham Teck Kuang (Appointed on 1.11.2019)
Ng Lee Kuan (Appointed on 1.11.2019)
Hu Keqin (Appointed on 1.11.2019)

The names of directors of the Company's subsidiaries who served during the financial year and up to date of this report, not including those directors mentioned above are as follows:-

Lim Seng Chuan
Wan Siew Chuan
Joshua Kalinoe
Tommy Suhardjo
Roderick R.C. Salazar III
Lino Jose A. Equipilag
Ong Seng Heng
Bayani B. Loste
Chong Ann Tsun
Alan Lim Chui Boon

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares and options over unissued shares of the Company and its related corporations during the financial year are as follows:-

	Number of Ordinary Shares				
	At 1.1.2019/ Date of Appointment	**Bought**	**Exercise of ESS Offered**	**Sold**	**At 31.12.2019**
Direct Interests					
Gan Hung Keng	1,306,666	–	320,000	(398,500)	1,228,166
Ong Weng Leong	755,900	–	320,000	–	1,075,900
Chan Thian Kiat	99,866	–	13,000	–	112,866
Tan Chuan Yong	273,166	–	13,000	–	286,166
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	89,500	–	11,000	(84,000)	16,500
Soo Yuit Weng	804,166	–	11,000	–	815,166
Soh Tong Hwa	507,766	–	–	–	507,766
Cham Teck Kuang	120,000	–	–	–	120,000
Hu Keqin	120,000	–	–	–	120,000
Indirect Interests					
Gan Hung Keng *	93,793,490	–	–	(26,260,000)	67,533,490
Ong Weng Leong *	93,793,490	–	–	(26,260,000)	67,533,490
Soh Tong Hwa *	67,533,490	–	–	–	67,533,490
Cham Teck Kuang *	67,533,490	–	–	–	67,533,490
Hu Keqin *	67,533,490	–	–	–	67,533,490

* - *Deemed interested under Section 8 of the Companies Act 2016 by virtue of their shareholdings in Palace Star Sdn. Bhd..*

	Number of Shares under ESS		
	At 1.1.2019/ Date of Appointment	**Exercised**	**At 31.12.2019**
ESS of the Company			
Direct Interests			
Gan Hung Keng	1,440,000	(320,000)	1,120,000
Ong Weng Leong	1,440,000	(320,000)	1,120,000
Chan Thian Kiat	58,500	(13,000)	45,500
Tan Chuan Yong	58,500	(13,000)	45,500
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	49,500	(11,000)	38,500
Soo Yuit Weng	49,500	(11,000)	38,500
Soh Tong Hwa	280,000	–	280,000
Cham Teck Kuang	280,000	–	280,000
Hu Keqin	280,000	–	280,000

DIRECTORS' INTERESTS (CONT'D)

	Entitlement For Ordinary Shares At 1.1.2019	Lapsed	At 31.12.2019
Warrants of the Company			
Direct interest			
Gan Hung Keng	33	(33)	–

By virtue of their shareholdings in the Company, Gan Hung Keng, Ong Weng Leong, Soh Tong Hwa, Cham Teck Kuang and Hu Keqin are deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

The other director holding office at the end of the financial year had no interest in shares, options over unissued shares or debentures of the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 42 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the ESS granted and warrants exercised by certain directors of the Company.

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are disclosed in Note 41(a) to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, the amount of indemnity coverage and insurance premium paid for the directors of the Company were RM5,000,000 and RM13,500 respectively.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 47 to the financial statements.

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 48 to the financial statements.

AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration are disclosed in Note 33 to the financial statements.

Signed in accordance with a resolution of the directors dated 20 May 2020

Gan Hung Keng

Ong Weng Leong

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of The Companies Act 2016

We, Gan Hung Keng and Ong Weng Leong, being two of the directors of Kelington Group Berhad, state that, in the opinion of the directors, the financial statements set out on pages 77 to 180 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 of 31 December 2019 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 20 May 2020

Gan Hung Keng **Ong Weng Leong**

STATUTORY DECLARATION

Pursuant to Section 251(1)(B) of The Companies Act 2016

I, Jong Yu Huat, MIA Membership Number: 29248, being the officer primarily responsible for the financial management of Kelington Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 77 to 180 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Jong Yu Huat,
at Kuala Lumpur
in the Federal Territory
on this 20 May 2020

Jong Yu Huat

Before me

Datin Raihela Binti Wancik (No. W-275)
Commissioner for Oaths

INDEPENDENT **AUDITORS' REPORT**

To The Members of Kelington Group Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Kelington Group Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 77 to 180.

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 2019, and of their financial performance and their cash flows for the financial 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 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 financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Cont'd)

We have determined the matters described below to be the key audit matters to be communicated in our report.

Contract assets/(liabilities) and revenue recognition Refer to Notes 9 and 29 to the financial statements
Key Audit Matter
Construction contract accounting is inherently complex due to the contracting nature of the business, which involves significant judgements. This includes the determination of the total budgeted contract costs to complete the projects and the calculation of percentage of completion which affects the quantum of revenue and profit to be recognised. In estimating the revenue to be recognised, the management considers past experience and work done certified by customers and/or independent third parties, where applicable. In estimating the total budgeted contract costs to completion, the management considers the completeness and accuracy of its costs estimation, including its obligations to contract variations and claims. The total costs to completion are subject to a number of variables including the accuracy of designs, market conditions in respect of materials and sub-contractor cost and construction issues. An error in the estimated profit on contracts could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period. The profit recognition on contract includes key judgements over the expected recovery of costs arising from variations and claims and assessment on liquidated and ascertained damages costs, where applicable. In addition, changes in judgements, and the related estimates, as contracts progress, can result in material adjustments to margin, which can be both positive and negative. The potential outcome for contracts can have an individually and collectively material impact on the financial statements, whether through error or management bias. We determined this to be a key audit matter due to the complexity and judgemental nature of the budgeting of contract costs to completion, calculation of percentage of completion and the determination of revenue and profit to be recognised.
How our audit addressed the Key Audit Matter
Our procedures included, amongst others:- • Reviewed the contract value secured and projected budgeted costs; • Assessed the estimated total costs to complete through enquiries with management; • Inspected documentation to support cost estimates made including contract variations and cost contingencies; • Compared contract budgets to actual outcomes to assess the reliability of management's estimation; • Verified actual progress billings issued and actual costs incurred for the financial year; • Checked subsequent billings of contract assets; and • Recomputed profit recognised and checked calculation of the percentage of completion.

Key Audit Matters (Cont'd)

Recoverability of trade receivables
Refer to Note 11 to the financial statements

Key Audit Matter

The balance of trade receivables amounted to approximately RM90.9 million of which approximately RM31.4 million exceeded their credit terms.

Management recognised the allowance of impairment losses on trade receivables based on specific known facts or customers' ability to pay.

We focused on this area as the assessment on adequacy for allowance of impairment losses involves significant management judgement.

How our audit addressed the Key Audit Matter

Our procedures included, amongst others:-

- Obtained an understanding of:-
  - the Group's control over the trade receivables collection process;
  - how the Group identifies and assesses the impairment of trade receivables; and
  - how the Group makes the accounting estimates for impairment.
- Reviewed the ageing analysis of receivables and tested its reliability;
- Reviewed subsequent cash collections for major receivables and overdue amounts;
- Made inquiries of management regarding the action plans to recover overdue amounts;
- Compared and challenged management's view on the recoverability of overdue amounts to historical patterns of collection;
- Examined other evidence including customers' correspondences, proposed or existing settlement plans and repayment schedules; and
- Evaluated the reasonableness and tested the adequacy of the impairment losses recognised for identified exposures on trade receivables by assessing the relevant assumptions and historical data from the Group's previous collection experience.

Goodwill impairment
Refer to Note 8 to the financial statements

Key Audit Matter

Goodwill balance as at 31 December 2019 amounted to approximately RM6.4 million comprised mainly from a cash-generating unit ("CGU").

Management is required to conduct annual impairment assessment on the goodwill. For this purpose, management has estimated the recoverable amount of the CGU in which the goodwill is attached to, using the value in use approach. This is derived from the present value of the future cash flows from the cash-generating unit.

This assessment of goodwill impairment is significant to our audit as it is highly subjective, involves significant judgement and is based on assumptions that may be affected by future market and economic conditions.

How our audit addressed the Key Audit Matter

Our procedures included, amongst others:-

- Reviewed management's estimate of the recoverable amount and test of the cash flows forecast for their accuracy;
- Reviewed the key business drivers underpinning the cash flows forecast prepared to support the recoverable amount;
- Evaluated the appropriateness and reasonableness of the key assumptions by considering prior budget accuracy, comparison to recent performance and our understanding of the business, trend analysis, and historical results;
- Performed sensitivity analysis over the key assumptions to understand the impact of changes over the valuation model; and
- Reviewed the adequacy of the Group's disclosures.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do 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 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, 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.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of the 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 with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities 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 for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

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.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Elvina Tay Choon Choon
03329/10/2021 J
Chartered Accountant

Kuala Lumpur

20 May 2020

STATEMENTS OF FINANCIAL POSITION

At 31 December 2019

	Note	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	–	–	47,460	24,027
Property, plant and equipment	6	52,959	24,676	2,881	2,599
Right-of-use assets	7	4,299	–	–	–
Goodwill	8	6,360	6,348	–	–
		63,618	31,024	50,341	26,626
CURRENT ASSETS					
Contract assets	9	49,496	46,390	907	1,198
Inventories	10	552	177	–	–
Trade receivables	11	90,915	81,410	1,715	4,639
Other receivables, deposits and prepayments	12	13,103	16,913	1,783	2,418
Amount owing by subsidiaries	13	–	–	7,788	11,171
Current tax assets		303	452	150	140
Fixed deposits with licensed banks	14	28,088	24,196	21,997	16,837
Cash and bank balances	15	56,980	42,914	8,210	12,816
		239,437	212,452	42,550	49,219
TOTAL ASSETS		303,055	243,476	92,891	75,845
EQUITY AND LIABILITIES					
EQUITY					
Share capital	16	71,276	50,422	71,276	50,422
Treasury shares	17	(534)	(534)	(534)	(534)
Reserves	18	84,519	66,252	9,143	5,624
Equity attributable to the owners of the Company		155,261	116,140	79,885	55,512
Non-controlling interests	5	273	75	–	–
TOTAL EQUITY		155,534	116,215	79,885	55,512
NON-CURRENT LIABILITIES					
Deferred tax liability	19	92	92	–	–
Lease liabilities	20	2,545	–	–	–
Long-term borrowings	21	23,327	1,506	506	247
		25,964	1,598	506	247

Statements of Financial Position (cont'd)

		The Group		The Company	
		2019	**2018**	**2019**	**2018**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
CURRENT LIABILITIES					
Contract liabilities	9	31,128	22,247	264	502
Amount owing to subsidiaries	13	–	–	6,608	7,671
Trade payables	24	40,349	54,090	1,910	4,655
Other payables and accruals	25	31,240	23,700	2,382	2,196
Provisions	26	1,028	1,950	66	225
Lease liabilities	20	738	–	–	–
Short-term borrowings	27	12,081	15,614	1,270	2,182
Dividend payable	28	–	2,655	–	2,655
Current tax liabilities		4,993	5,407	–	–
		121,557	125,663	12,500	20,086
TOTAL LIABILITIES		147,521	127,261	13,006	20,333
TOTAL EQUITY AND LIABILITIES		303,055	243,476	92,891	75,845

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2019

		The Group		The Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
REVENUE	29	379,768	350,023	6,906	12,214
COST OF SALES	30	(316,163)	(291,484)	(7,378)	(13,936)
GROSS PROFIT/(LOSS)		63,605	58,539	(472)	(1,722)
OTHER INCOME	31	5,257	909	17,466	20,476
		68,862	59,448	16,994	18,754
SELLING AND DISTRIBUTION EXPENSES	32	(1,322)	(1,150)	(232)	(220)
ADMINISTRATIVE EXPENSES	33	(31,450)	(27,097)	(7,116)	(6,249)
OTHER EXPENSES	34	(2,153)	(4,682)	(231)	(2,159)
FINANCE COSTS	35	(1,312)	(913)	(302)	(689)
NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS	36	(1,046)	(602)	–	(24)
PROFIT BEFORE TAXATION		31,579	25,004	9,113	9,413
INCOME TAX EXPENSE	37	(7,659)	(6,689)	(92)	144
PROFIT AFTER TAXATION		23,920	18,315	9,021	9,557
OTHER COMPREHENSIVE (EXPENSES)/INCOME					
Item that Will be Reclassified Subsequently to Profit or Loss					
Foreign currency translation differences		(558)	160	(258)	58
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		23,362	18,475	8,763	9,615
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		24,418	18,649	9,021	9,557
Non-controlling interests		(498)	(334)	–	–
		23,920	18,315	9,021	9,557

Statements of Profit or Loss and Other Comprehensive Income (cont'd)

		The Group		The Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
Owners of the Company		23,862	18,813	8,763	9,615
Non-controlling interests		(500)	(338)	–	–
		23,362	18,475	8,763	9,615
EARNINGS PER SHARE (SEN)					
- Basic	38	8.2	7.6		
- Diluted	38	7.9	6.7		

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2019

The Group	Note	Share Capital RM'000	Treasury Shares RM'000	← Non-distributable: Capital Reserve RM'000	Employee Share Scheme Reserve RM'000	Exchange Fluctuation Reserve RM'000 →	Distributable: Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
Balance at 1.1.2018		25,826	(534)	8,985	696	4,432	38,839	78,244	231	78,475
Profit after taxation for the financial year		–	–	–	–	–	18,649	18,649	(334)	18,315
Other comprehensive income for the financial year:										
- Foreign currency translation differences		–	–	–	–	164	–	164	(4)	160
Total comprehensive income for the financial year		–	–	–	–	164	18,649	18,813	(338)	18,475
Contributions by and distributions to owners of the Company:										
- Dividends	39	–	–	–	–	–	(6,320)	(6,320)	–	(6,320)
- Issuance of shares pursuant to private placement		17,840	–	–	–	–	–	17,840	–	17,840
- Issuance of shares to non-controlling interests by a subsidiary		–	–	–	–	–	–	–	300	300
- Changes in ownership interests in subsidiaries that do not result in a loss of control		–	–	–	–	–	118	118	(118)	–
- Share-based payment		–	–	–	1,073	–	–	1,073	–	1,073
- Employee share scheme exercised		384	–	–	(384)	–	–	–	–	–
- Warrants exercised		6,733	–	–	–	–	–	6,733	–	6,733
- Expenses incurred pursuant to issuance of ordinary shares		(361)	–	–	–	–	–	(361)	–	(361)
- Transfer of non-distributable reserve funds by a subsidiary		–	–	232	–	–	(232)	–	–	–
Total transactions with owners		24,596	–	232	689	–	(6,434)	19,083	182	19,265
Balance at 31.12.2018		50,422	(534)	9,217	1,385	4,596	51,054	116,140	75	116,215

The Group	Note	Share Capital RM'000	Treasury Shares RM'000	Non-distributable: Capital Reserve RM'000	Non-distributable: Employee Share Scheme Reserve RM'000	Non-distributable: Exchange Fluctuation Reserve RM'000	Distributable: Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
Balance at 31.12.2018/1.1.2019		50,422	(534)	9,217	1,385	4,596	51,054	116,140	75	116,215
Profit after taxation for the financial year		–	–	–	–	–	24,418	24,418	(498)	23,920
Other comprehensive expenses for the financial year:										
- Foreign currency translation differences		–	–	–	–	(556)	–	(556)	(2)	(558)
Total comprehensive income for the financial year		–	–	–	–	(556)	24,418	23,862	(500)	23,362
Contributions by and distributions to owners of the Company:										
- Dividends	39	–	–	–	–	–	(5,456)	(5,456)	–	(5,456)
- Issuance of shares to non-controlling interests by subsidiaries		–	–	–	–	–	–	–	347	347
- Changes in ownership interests in subsidiaries that do not result in a loss of control		–	–	–	–	–	(351)	(351)	351	–
- Shares-based payment		–	–	–	840	–	–	840	–	840
- Employee share scheme exercised		628	–	–	(628)	–	–	–	–	–
- Warrants exercised		20,226	–	–	–	–	–	20,226	–	20,226
- Transfer of non-distributable reserve funds by a subsidiary		–	–	94	–	–	(94)	–	–	–
Total transactions with owners		20,854	–	94	212	–	(5,901)	15,259	698	15,957
Balance at 31.12.2019		71,276	(534)	9,311	1,597	4,040	69,571	155,261	273	155,534

Statements of Changes In Equity (cont'd)

The Company	Note	Share Capital RM'000	Treasury Shares RM'000	Non-distributable: Capital Reserve RM'000	Non-distributable: Employee Share Scheme Reserve RM'000	Non-distributable: Exchange Fluctuation Reserve RM'000	Distributable: Retained Profits RM'000	Total Equity RM'000
Balance at 1.1.2018		25,826	(534)	1,044	696	(394)	294	26,932
Profit after taxation for the financial year		–	–	–	–	–	9,557	9,557
Other comprehensive income for the financial year:								
- Foreign currency translation differences		–	–	–	–	58	–	58
Total comprehensive income for the financial year		–	–	–	–	58	9,557	9,615
Contributions by and distribution to owners of the Company:								
- Dividends	39	–	–	–	–	–	(6,320)	(6,320)
- Issuance of shares pursuant to private placement		17,840	–	–	–	–	–	17,840
- Shares-based payment		–	–	–	1,073	–	–	1,073
- Employee share scheme exercised		384	–	–	(384)	–	–	–
- Warrants exercised		6,733	–	–	–	–	–	6,733
- Expenses incurred pursuant to issuance of ordinary shares		(361)	–	–	–	–	–	(361)
Total transactions with owners		24,596	–	–	689	–	(6,320)	18,965
Balance at 31.12.2018		50,422	(534)	1,044	1,385	(336)	3,531	55,512

Statements of Changes In Equity (cont'd)

	Note	Share Capital RM'000	Treasury Shares RM'000	← Non-distributable → Capital Reserve RM'000	Employee Share Scheme Reserve RM'000	Exchange Fluctuation Reserve RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
The Company								
Balance at 31.12.2018/1.1.2019		50,422	(534)	1,044	1,385	(336)	3,531	55,512
Profit after taxation for the financial year		–	–	–	–	–	9,021	9,021
Other comprehensive expenses for the financial year:								
- Foreign currency translation differences		–	–	–	–	(258)	–	(258)
Total comprehensive income for the financial year		–	–	–	–	(258)	9,021	8,763
Contributions by and distribution to owners of the Company:								
- Dividends	39	–	–	–	–	–	(5,456)	(5,456)
- Shares-based payment		–	–	–	840	–	–	840
- Employee share scheme exercised		628	–	–	(628)	–	–	–
- Warrants exercised		20,226	–	–	–	–	–	20,226
Total transactions with owners		20,854	–	–	212	–	(5,456)	15,610
Balance at 31.12.2019		71,276	(534)	1,044	1,597	(594)	7,096	79,885

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

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2019

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit before taxation	31,579	25,004	9,113	9,413
Adjustments for:-				
Contract assets written off	–	794	–	–
Bad debts written off	80	1	–	–
Deposits written off	312	–	–	–
Depreciation of property, plant and equipment	2,637	2,082	102	82
Depreciation of right-of-use assets	426	–	–	–
Impairment losses on financial assets and contract assets	2,889	1,089	–	24
Interest expense on lease liabilities	91	–	–	–
Other interest expenses	1,221	913	302	689
Property, plant and equipment written off	5	347	–	–
Provision for foreseeable losses	–	644	–	–
Provision for warranty costs	173	699	67	184
Provision for unutilised leave	59	23	–	–
Share-based payments	840	1,073	396	506
Unrealised loss/(gain) on foreign exchange	85	15	(436)	462
Dividend income	–	–	(12,069)	(16,666)
Gain on disposal of property, plant and equipment	(1)	(21)	–	–
Interest income	(969)	(675)	(716)	(381)
Reversal of impairment losses on financial assets	(1,843)	(487)	–	–
Reversal of provision for foreseeable losses	(749)	(213)	–	–
Reversal of provision for warranty costs	–	(5)	–	–
Reversal of provision for unutilised leave	(28)	(3)	–	–
Operating profit/(loss) before working capital changes	36,807	31,280	(3,241)	(5,687)
(Increase)/Decrease in inventories	(382)	770	–	–
Decrease in contract assets/(liabilities)	5,587	6,158	58	641
(Increase)/Decrease in trade and other receivables	(7,375)	(8,666)	3,547	2,870
Decrease in trade, other payables and provisions	(6,300)	(14,983)	(2,763)	(1,522)
(Increase)/Decrease in amount owing by/(to) subsidiaries	–	–	(4,157)	3,558
CASH FROM/(FOR) OPERATIONS	28,337	14,559	(6,556)	(140)
Income tax paid	(8,242)	(5,946)	(127)	(146)
Income tax refunded	318	–	25	–
Interest paid	(1,355)	(913)	(350)	(689)
Interest received	969	675	716	381
NET CASH FROM/(FOR) OPERATING ACTIVITIES	20,027	8,375	(6,292)	(594)

Statements of Cash Flows (cont'd)

	Note	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Additional investment in subsidiaries		–	–	(23,337)	(9,215)
Dividends received		–	–	9,443	16,666
Purchase of property, plant and equipment	40(a)	(33,506)	(10,622)	(383)	(81)
Proceeds from disposal of property, plant and equipment		80	49	–	–
Proceeds from issuance of shares to non–controlling interests		347	300	–	–
Advances to subsidiaries		–	–	–	(4,628)
Repayment from a subsidiary		–	–	9,500	–
Repayment from subsidiaries for employee share scheme		–	–	348	218
Placement of fixed deposits and bank balance pledged with licensed banks		(1,859)	(2,279)	(677)	(993)
(Placement)/Withdrawal of fixed deposits with original maturity of more than 3 months		(304)	500	–	–
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(35,242)	(12,052)	(5,106)	1,967
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of hire purchase obligations	40(b)	–	(291)	–	–
Repayment of lease liabilities	40(b)	(498)	–	–	–
Net drawdown/(repayment) of invoice financing	40(b)	27	(1,834)	671	–
Net repayment of revolving credits	40(b)	(3,038)	(10,465)	–	(13,500)
Net drawdown/(repayment) of term loans	40(b)	23,114	(1,275)	(1,286)	(1,275)
Proceeds from issuance of shares pursuant to:					
- Private placement, net of expenses		–	17,479	–	17,479
- Warrants		20,226	6,733	20,226	6,733
Dividends paid		(8,111)	(3,665)	(8,111)	(3,665)
NET CASH FROM FINANCING ACTIVITIES		31,720	6,682	11,500	5,772

Statements of Cash Flows (cont'd)

	Note	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		16,505	3,005	102	7,145
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(710)	164	(225)	312
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		52,202	49,033	18,434	10,977
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	40(c)	67,997	52,202	18,311	18,434

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2019

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur.
Principal place of business	:	3, Jalan Astaka U8/83, Seksyen U8, Bukit Jelutong Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 20 May 2020.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of providing engineering services, construction and general trading. The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

3.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)
MFRS 16 Leases
IC Interpretation 23 Uncertainty Over Income Tax Treatments
Amendments to MFRS 9: Prepayment Features with Negative Compensation
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures
Annual Improvements to MFRS Standards 2015 - 2017 Cycles

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements except as follows:-

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaced the previous guidance on lease accounting. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their lease assets and the related lease obligations in the statement of financial position (with limited exceptions) as right-of-use assets and lease liabilities respectively. The right-of-use assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The impacts on the financial statements of the Group upon its initial application of MFRS 16 are disclosed in Note 49 to the financial statements.

3. BASIS OF PREPARATION (CONT'D)

3.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

The adoption of the above accounting standards and interpretations (including the consequential amendments) is expected to have no material impact on the financial statements of the Group upon their initial application.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Property, Plant and Equipment and Right-of-use Assets

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment and right-of-use assets are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment and right-of-use assets will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amounts of property, plant and equipment and right-of-use assets as at the reporting date are disclosed in Notes 6 and 7 to the financial statements.

(b) Impairment of Goodwill

The assessment of whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the reporting date is disclosed in Note 8 to the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below (Cont'd):-

(c) Impairment of Property, Plant and Equipment and Right-of-use Assets

The Group determines whether its property, plant and equipment and right-of-use assets are impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amounts of property, plant and equipment and right-of-use assets as at the reporting date are disclosed in Notes 6 and 7 to the financial statements.

(d) Impairment of Contract Assets and Trade Receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all contract assets and trade receivables. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of contract assets and trade receivables. The carrying amounts of contract assets and trade receivables as at the reporting date are disclosed in Notes 9 and 11 to the financial statements.

(e) Impairment of Non-trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period. The carrying amounts of other receivables and amount owing by subsidiaries as at the reporting date are disclosed in Notes 12 and 13 to the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below (Cont'd):-

(f) Revenue Recognition for Construction Contracts

The Group recognises construction revenue by reference to the construction progress using the input method, determined based on the proportion of construction costs incurred for work performed to date over the estimated total construction costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists. The carrying amounts of contract assets and contract liabilities as at the reporting date are disclosed in Note 9 to the financial statements.

(g) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amounts of current tax assets and current tax liabilities of the Group and of the Company as at the reporting date are as follows:-

	The Group		**The Company**	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Current tax assets	303	452	150	140
Current tax liabilities	4,993	5,407	–	–

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Lease Terms

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical Judgements Made in Applying Accounting Policies (Cont'd)

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below (Cont'd):-

(b) Share-based Payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option volatility and dividend yield and making assumptions about them.

(c) Coronavirus Disease 2019 ("COVID-19")

The current outbreak of COVID-19 has resulted in the occurrence of a multitude of associated events such as temporarily closing of businesses, travel restrictions and quarantine measures across the globe. These measures and policies affect supply chains and the production of goods and services and lower economic activity which is likely to result in reduced demand for the Group's goods and services. The Group exercises judgement, in light of all facts and circumstances, to assess what event in this series of events provides additional evidence about the condition that existed at the reporting date and therefore affects the recognition and measurement of the Group's assets and liabilities at 31 December 2019.

4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss immediately.

In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

4.4 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand unless otherwise stated.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

4.5 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 - Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

(i) Ordinary Shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(c) Equity Instruments (Cont'd)

(ii) Treasury Shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are reissued by resale, the difference between the sales consideration received and the carrying amount of the treasury shares is recognised in equity.

Where treasury shares are cancelled, their costs are transferred to retained profits.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries including the share options granted to employees of the subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4.7 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Building	2%
Motor vehicles	10%
Office and computer equipment	10% - 20%
Tools and equipment	10% - 20%
Furniture, fittings and renovation	10%
Plant and machinery	3.33% - 6.67%

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 LEASES

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Company recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and the estimated costs of dismantling and restoration costs, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Company or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount has been reduced to zero.

<u>Accounting Policies Applied Until 31 December 2018</u>

(a) Finance Lease

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 LEASES (CONT'D)

Accounting Policies Applied Until 31 December 2018 (Cont'd)

(b) Operating Lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the Group's and the Company's statements of financial position.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

4.9 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs and completion and the estimated costs necessary to make the sale.

4.10 CONTRACT COSTS

(a) Incremental Costs of Obtaining A Contract

The Group recognises incremental costs of obtaining contracts with customers as an asset when the Group expects to recover these costs. When the amortisation period of the asset is one year or less, such costs are recognised as an expense immediately when incurred.

(b) Costs to Fulfil A Contract

The Group recognises costs that relate directly to a contract (or an anticipated contract) with customer as an asset when the costs generate or enhance resources of the Group, will be used in satisfying performance obligation in the future and are recovered.

The contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates.

An impairment loss is recognised in the profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Any impairment loss recovered shall be reversed to the extent of the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

4.11 CONTRACT ASSET AND CONTRACT LIABILITY

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment requirements of MFRS 9 - Financial Instruments.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

4.13 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets, as well as on financial guarantee contracts.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivable and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statements of financial position.

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 IMPAIRMENT (CONT'D)

(b) Impairment of Non-financial Assets (Cont'd)

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.14 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

(a) Warranties

A provision for warranties is recognised based on the best estimated liabilities to repair or replace products when the underlying products or services are sold. The estimated liabilities are based on historical warranty data and a weighting of all possible outcome against their associated probabilities.

(b) Onerous Contracts

A provision for onerous contract is recognised when the expected benefits to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(c) Dismantling, Removal and Restoration Costs

A provision is recognised when the Group has an obligation to dismantle and remove structures on identified sites and restore these sites to an acceptable condition under the tenancy contract. The provision is measured at the present value of the compounded future expenditure at current prices and is recognised as part of the cost of the relevant asset. The capitalised cost is depreciated over the expected life of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(c) Share-based Payment Transactions

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (known as "share scheme").

At grant date, the fair value of the share scheme is recognised as an expense over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to employees' share scheme reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share scheme that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

In the Company's separate financial statements, the grant of the share scheme to the subsidiaries' employees is not recognised as an expense. Instead, the fair value of the share scheme measured at the grant date is accounted for as an increase to the investment in subsidiaries undertaking with a corresponding credit to the employees' share scheme reserve.

Upon expiry of the share scheme, the employees' share scheme reserve is transferred to retained profits.

When the share scheme is exercised, the employees' share scheme reserve is transferred to share capital if new ordinary shares are issued.

Any recharge for the share scheme granted to a subsidiary's employees is to be netted-off against the expense recognised in the consolidated financial statements and the investments in subsidiaries in the Company's separate financial statements.

4.16 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are the expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and 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).

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 INCOME TAXES (CONT'D)

(b) Deferred Tax

Deferred tax is recognised using the liability method for all taxable temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

4.17 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

4.18 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees and warrants.

4.20 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

4.21 FAIR VALUE MEASUREMENTS

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, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's 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. However, this basis does not apply to share-based payment transactions.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.22 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(a) Construction Services

Revenue from construction services is recognised over time in the period in which the services are rendered using the input method, determined based the proportion of construction costs incurred for work performed to date over the estimated total construction costs. Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognised when the construction services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

(b) Sales of Goods

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(c) Rendering of Services

Revenue from providing services is recognised at a point in time in which the services are rendered. Following the rendered of services, the Group has a present right to payment for the services rendered and the customer has obtained the remaining benefits from the services.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.23 OTHER OPERATING INCOME

(a) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(b) Dividend Income

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

(c) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

(d) Management Fees

Management fee is recognised on an accrual basis.

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2019 RM'000	**2018 RM'000**
Unquoted shares, at cost		
- in Malaysia	26,493	8,148
- outside Malaysia	21,137	16,049
	47,630	24,197
Accumulated impairment losses	(170)	(170)
	47,460	24,027
Unquoted shares, at cost:-		
At 1 January	24,197	14,633
Addition during the financial year:		
- in Malaysia	18,411	4,700
- outside Malaysia	4,926	4,515
Employee Share Scheme ("ESS") granted to employees of subsidiaries:		
- ESS offered	444	567
- ESS repayment	(348)	(218)
At 31 December	47,630	24,197

Included in the investments in subsidiaries is an amount of approximately RM1,077,000 (2018 - RM981,000) relating to the share scheme granted by the Company to the employees of the subsidiaries.

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2019 %	2018 %	Principal Activities
Subsidiaries of the Company				
Kelington Technologies Sdn. Bhd. ("KTSB")	Malaysia	100	100	Provision of engineering services.
Kelington Engineering (Shanghai) Co. Ltd. ("KESH") *	The People's Republic OfChina ("PRC")	100	100	Provision of engineering services
Kelington Engineering (S) Pte. Ltd. ("KESG") *	Singapore	100	100	Provision of engineering solutions on Ultra-High-Purity gas and chemical delivery system.
Kelington Energy Sdn. Bhd. ("KESB")	Malaysia	100	100	Providing engineering services and generaltrading. #
Kelington NawikSdn. Bhd. ("KNSB")	Malaysia	90	90	Providing engineering consultancy and services, construction, engineering process and installation. #
Kelington Analytical ServicesSdn. Bhd. ("KASSB")	Malaysia	55	55	Provision of scientific and technical researches, laboratory testing service and experiments.
Ace Gases Sdn. Bhd. ("AGSB")	Malaysia	97.2	94	Construction of gas delivery system and manufacturing facilities, production, distribution, supply, import and trading of gases.
Hiti Engineering (M) Sdn. Bhd. ("HITI")	Malaysia	100	49	Provision of engineering services.
Puritec Technologies (M) Sdn. Bhd. ("PTM")	Malaysia	100	–	Provision of engineering services and general trading.
Cyrotech Logistics Sdn.Bhd. ("CLSB")	Malaysia	82	–	Provision of skid tank renting and industrial gases transportation and logistics arrangement and general trading of industrial gases.

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows (Cont'd):-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2019 %	2018 %	Principal Activities
Subsidiary of KTSB				
Kelington Technologies (Sarawak) Sdn. Bhd. ("KTSSB")	Malaysia	100	100	Providing turnkey engineering services from initial system design up to maintenance and servicing after completion. #
Subsidiaries of KESH				
Kelington Trading (Shanghai) Co. Ltd. ("KTSH") *	PRC	100	100	Trading of machinery equipment and related parts and components.
Kelington System Integration (Chuzhou) Co., Ltd.("KSICZ") *	PRC	100	–	Providing business of fabrication of gas and liquid delivery equipment and mechanical parts for semiconductor industry.
KE Integrated Facility Services (Suzhou) Co., Ltd. ("KESZ") *	PRC	–	100	Providing business of fabrication of air and liquid separation equipments, mechanical and semiconductor parts. #
Subsidiaries of KESG				
Puritec Technologies (S) Pte. Ltd. ("PTS") *	Singapore	100	100	Provision of engineering services in clean energy system.
PT Mitracon Graha Solusindo ("PT Mitracon") *^	Indonesia	80	80	Installation, purchase and production of heavy steel construction and building installation. #
Kelington Solomon Philippines, Inc ("KSP") *	Philippines	90	90	Business of manufacturing, installation and trading of Ultra-High-Purity gas accessories. #
Subsidiary of PTS				
PTM	Malaysia	–	100	Provision of engineering services and general trading.

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows (Cont'd):-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2019 %	2018 %	Principal Activities
Subsidiary of KNSB				
Kelington Nawik (PNG) Limited ("KNPNG") *	Papua New Guinea	100	100	Provision of engineering services. #
Subsidiaries of AGSB				
Ace Gases Marketing Sdn. Bhd. ("AGMSB")	Malaysia	77.6	75.2	Manufacturing of gas delivery system, repair of gas manufacturing activities, production, distribution supply, impor and trading of gases.
Ace Gases Marketing (S) Pte Ltd ("AGMS")	Singapore	100	–	Manufacturing of gas delivery system, repair of gas manufacturing activities, production, distribution supply, import and trading of gases. #

Notes:-
* - These subsidiaries were audited by other firms of chartered accountants.
^ - The subsidiary is under Members' Voluntary Liquidation.
\# - These subsidiaries did not carry on any business activities during the financial year.

(a) The non-controlling interests at the end of the reporting period comprised the following:-

	Effective Equity Interest 2019 %	2018 %	The Group 2019 RM'000	2018 RM'000
KNSB Group	10	10	(87)	(82)
KASSB	45	45	80	69
AGSB Group	2.8	6	175	(33)
HITI	–	51	–	12
KESG Group:				
- PT Mitracon	20	20	57	57
- KSP	10	10	49	52
CLSB	18	–	(1)	–
			273	75

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(b) Summarised financial information of non-controlling interests has not been presented as the non-controlling interests of the subsidiaries are not individually material to the Group.

(c) On 12 February 2019, the Company acquired 51% equity interests in HITI from its non-controlling interests. Following the completion of the transfer, HITI became a wholly-owned subsidiary of the Company.

(d) On 26 February 2019, HITI, a wholly-owned subsidiary of the Company, increased its issued share capital from RM72,000 to RM750,000 by the allotment of 678,000 new ordinary shares. The Company subscribed for the additional equity in HITI to retain its 100% equity interests.

(e) On 15 March 2019, AGSB, a subsidiary of the Company, increased its issued share capital from RM7,500,000 to RM25,500,000 by the allotment of 18,000,000 new ordinary shares. The Company subscribed for the additional 17,733,000 ordinary shares. Following the subscription, AGSB became a 97.2% owned subsidiary of the Company.

(f) On 1 April 2019, KESH, a wholly-owned subsidiary of the Company, had incorporated a subsidiary known as KSICZ with a registered capital of CNY50,000,000. The registered capital is required to be paid up within 20 years from its date of incorporation.

(g) On 7 May 2019, AGMSB, a subsidiary of AGSB, increased its issued share capital from RM100,000 to RM500,000. AGSB subscribed for its portion of the equity of 320,000 new ordinary shares and retained its 80% equity interests.

(h) On 1 July 2019, the Company has acquired 1,000,000 ordinary shares, representing 100% of the total issued and paid-up share capital of PTM from PTS, a wholly-owned subsidiary of the Company for a cash consideration of RM1. PTM became a wholly-owned subsidiary of the Company.

(i) On 1 August 2019, AGSB, a wholly-owned subsidiary of the Company, incorporated a subsidiary known as CLSB with an issued and paid-up capital of RM100 comprising 100 ordinary shares. AGSB subscribed for 82 ordinary shares, which are later disposed to the Company at RM1 on 18 September 2019. CLSB became an 82%-owned subsidiary of the Company.

(j) On 5 August 2019, the Company has injected additional capital of USD1,163,000 to KESH, a wholly-owned subsidiary of the Company. The Company further injected USD277,000 to KESH on 16 December 2019. The paid-up capital of KESH shall increase from USD850,000 to USD2,290,000.

(k) With effect from 23 August 2019, KESZ, a wholly-owned indirect subsidiary of the Company has been duly dissolved under the laws of the People's Republic of China.

(l) On 27 November 2019, AGSB, a wholly-owned subsidiary of the Company, incorporated a subsidiary known as AGMS with issued capital of SGD30,000 and paid-up capital of SGD1, which comprising 30,000 and 1 ordinary shares, respectively. Following the completion of the subscription, AGMS became a wholly-owned subsidiary of AGSB.

6. PROPERTY, PLANT AND EQUIPMENT

The Group	<------------ 1.1.2019 At 1.1.2019 RM'000	Initial Application of MFRS 16 RM'000	------------> As of Restated RM'000	Transfer (To)/From RM'000	Additions RM'000	Disposals RM'000	Written Off RM'000	Exchange Fluctuation Differences RM'000	Depreciation Charges RM'000	At 31.12.2019 RM'000
2019										
Carrying amount										
Freehold land	1,300	–	1,300	–	–	–	–	–	–	1,300
Building	952	–	952	–	–	–	–	–	(28)	924
Motor vehicles	3,068	(2,479)	589	46	252	–	–	–	(187)	700
Office and computer equipment	914	–	914	16	547	–	(5)	(3)	(321)	1,148
Tools and equipment	11,638	–	11,638	(6,350)	1,058	(16)	–	(22)	(1,100)	5,208
Furniture, fittings and renovation	238	–	238	709	2,695	–	–	2	(134)	3,510
Plant and machinery	–	–	–	39,732	1,274	(63)	–	–	(867)	40,076
Capital work-in-progress	6,566	–	6,566	(34,153)	27,680	–	–	–	–	93
	24,676	(2,479)	22,197	–	33,506	(79)	(5)	(23)	(2,637)	52,959

Notes to the Financial Statements (cont'd)

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

The Group	At 1.1.2018 RM'000	Transfer (To)/From RM'000	Additions RM'000	Disposals RM'000	Written Off RM'000	Exchange Fluctuation Differences RM'000	Depreciation Charges RM'000	At 31.12.2018 RM'000
2018								
Carrying amount								
Freehold land	1,300	–	–	–	–	–	–	1,300
Building	980	–	–	–	–	–	(28)	952
Motor vehicles	1,308	–	2,106	(20)	–	(6)	(320)	3,068
Office and computer equipment	877	–	342	–	(30)	(4)	(271)	914
Plant, tools and equipment	5,569	5,294	2,541	(8)	(315)	(24)	(1,419)	11,638
Furniture, fittings and renovation	190	–	94	–	(2)	–	(44)	238
Capital work-in-progress	5,301	(5,294)	6,559	–	–	–	–	6,566
	15,525	–	11,642	(28)	(347)	(34)	(2,082)	24,676

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

	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
The Group			
2019			
Freehold land	1,300	–	1,300
Building	1,400	(476)	924
Motor vehicles	2,237	(1,537)	700
Office and computer equipment	2,997	(1,849)	1,148
Tools and equipment	12,085	(6,877)	5,208
Furniture, fittings and renovation	4,752	(1,242)	3,510
Plant and machinery	41,241	(1,165)	40,076
Capital work-in-progress	93	–	93
	66,105	(13,146)	52,959
2018			
Freehold land	1,300	–	1,300
Building	1,400	(448)	952
Motor vehicles	3,958	(890)	3,068
Office and computer equipment	2,484	(1,570)	914
Plant, tools and equipment	17,739	(6,101)	11,638
Furniture, fittings and renovation	1,346	(1,108)	238
Capital work-in-progress	6,566	–	6,566
	34,793	(10,117)	24,676

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

The Company	At 1.1.2019 RM'000	Additions RM'000	Exchange Fluctuation Difference RM'000	Depreciation Charges RM'000	At 31.12.2019 RM'000
2019					
Carrying Amount					
Freehold land	1,300	–	–	–	1,300
Building	952	–	–	(28)	924
Motor vehicles	23	–	–	(6)	17
Office and computer equipment	104	92	–	(42)	154
Tools and equipment	112	–	1	–	113
Furniture, fittings and renovation	108	291	–	(26)	373
	2,599	383	1	(102)	2,881

The Company	At 1.1.2018 RM'000	Additions RM'000	Exchange Fluctuation Differences RM'000	Depreciation Charges RM'000	At 31.12.2018 RM'000
2018					
Carrying Amount					
Freehold land	1,300	–	–	–	1,300
Building	980	–	–	(28)	952
Motor vehicles	28	–	–	(5)	23
Office and computer equipment	137	1	(1)	(33)	104
Tools and equipment	119	–	(1)	(6)	112
Furniture, fittings and renovation	38	80	–	(10)	108
	2,602	81	(2)	(82)	2,599

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

The Company	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
2019			
Freehold land	1,300	–	1,300
Building	1,400	(476)	924
Motor vehicles	153	(136)	17
Office and computer equipment	530	(376)	154
Tools and equipment	669	(556)	113
Furniture, fittings and renovation	899	(526)	373
	4,951	(2,070)	2,881
2018			
Freehold land	1,300	–	1,300
Building	1,400	(448)	952
Motor vehicles	153	(130)	23
Office and computer equipment	438	(334)	104
Tools and equipment	668	(556)	112
Furniture, fittings and renovation	608	(500)	108
	4,567	(1,968)	2,599

(a) The freehold land and building of the Group and of the Company have been pledged to a licensed bank as security for banking facilities granted to the Group and to the Company.

(b) In the previous financial year, included in the property, plant and equipment of the Group were motor vehicles with a total carrying amount of approximately RM2,479,000, which were acquired under hire purchase terms. These leased assets had been pledged as security for the hire purchase payables of the Group as disclosed in Note 22 to the financial statements.

7. RIGHT-OF-USE ASSETS

The Group	<---- 1.1.2019 ---- As Previously Reported RM'000	Initial Application of MFRS 16 RM'000	As Restated RM'000 ---->	Addition RM'000	Depreciation Charges RM'000	Exchange Fluctuation Differences RM'000	At 31.12.2019 RM'000
2019							
Carrying Amount							
Office premises	–	360	360	–	(137)	1	224
Motor vehicles	–	2,479	2,479	1,883	(289)	2	4,075
	–	2,839	2,839	1,883	(426)	3	4,299

	2019 RM'000
Analysed by:-	
Cost	5,144
Accumulated depreciation	(845)
	4,299

The comparative information is not presented as the Group has applied MFRS16 using the modified retrospective approach.

7. RIGHT-OF-USE ASSETS (CONT'D)

The Group leases various office premises and motor vehicles of which the leasing activities are summarised below:-

(i) Office premises — The Group has leased a number of office premises that run between 1 and 2 years, with an option to renew the lease after that date. The Group is not allowed to sublease the office premises.

(ii) Motor vehicles — The Group has leased its motor vehicles under hire purchases arrangements. The leases are secured by the leased assets. The Group has an option to purchase the asset at the expiry of the lease period at an insignificant amount.

8. GOODWILL

	The Group	
	2019	**2018**
	RM'000	**RM'000**
At 1 January	6,348	6,336
Foreign exchange adjustments	12	12
At 31 December	6,360	6,348

(a) The carrying amounts of goodwill allocated to each cash-generating units ("CGU") are as follows:-

	The Group	
	2019	**2018**
	RM'000	**RM'000**
PTS		
- provision of engineering services in clean energy system	6,130	6,118
Other cash-generating units without significant goodwill	230	230
	6,360	6,348

8. GOODWILL

(b) The Group has assessed the recoverable amounts of goodwill allocated and determined that no impairment is required. The recoverable amounts of the CGU are determined using the value-in-use approach, and this is derived from the present value of the future cash flows computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amounts are as follows:-

Budgeted Gross Margin		Growth Rates		Discount Rate	
2019	**2018**	**2019**	**2018**	**2019**	**2018**
15%	15%	-22% to 2%	-3% to 5%	5.51%	8.76%

(i)	Budgeted gross margin	Management determines budgeted gross margin based on past performance and its expectations of market development.
(ii)	Growth rates	Based on the expected projection of the engineering services segment.
(iii)	Discount rate (pre-tax)	Management estimates discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risk specific to the CGU. The rate used to discount the forecasted cash flows reflects specific risks and expected returns relating to the industry.

The values assigned to the key assumptions represent management's assessment of future trends in the cash-generating units and are based on both external sources and internal historical data.

No impairment testing is done on other cash-generating units which are considered immaterial to the Group.

(c) The directors believe that there is no reasonable possible change in the above key assumptions applied that is likely to materially cause the respective cash-generating unit carrying amounts to exceed its recoverable amounts.

9. CONTRACT ASSETS/(LIABILITIES)

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Contract Assets				
Contract assets relating to construction contracts	49,859	46,506	907	1,198
Allowance for impairment losses	(363)	(116)	–	–
	49,496	46,390	907	1,198
Allowance for impairment losses:-				
At 1 January	(116)	–	–	–
Addition during the financial year (Note 36)	(250)	(116)	–	–
Effect of foreign exchange translation	3	–	–	–
At 31 December	(363)	(116)	–	–
Contract Liabilities				
Contract liabilities relating to construction contracts	(31,128)	(22,247)	(264)	(502)

(a) The contract assets primarily relate to the Group's right to consideration for construction work completed on construction contracts but not yet billed as at the reporting date. This balance will be billed progressively in the future upon the fulfillment of contractual milestones.

Included in contract assets of the Group are retention sum receivables amounting to RM14,724,000 (2018 - RM5,674,000) respectively. The retention sums are to be collected in accordance with the term of the respective contracts.

(b) The contract liabilities primarily relate to advance billings to customers for construction services of which the revenue will be recognised over the remaining contract term of the specific contract in the subsequent periods.

9. CONTRACT ASSETS/(LIABILITIES) (CONT'D)

(c) The changes to contract assets and contract liabilities balances during the financial year are summarised below:-

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	24,143	31,223	696	1,422
Revenue recognised in profit or loss during the financial year	370,758	344,783	6,906	12,214
Billings to customers during the financial year	(375,423)	(351,573)	(7,099)	(13,084)
Written off during the financial year	–	(794)	–	–
Impairment losses on contract assets (Note 36)	(250)	(116)	–	–
Foreign exchange adjustments	(860)	620	140	144
At 31 December	18,368	24,143	643	696
Represented by:-				
Contract assets	49,496	46,390	907	1,198
Contract liabilities	(31,128)	(22,247)	(264)	(502)
	18,368	24,143	643	696

(d) As at the end of the reporting period, the transaction price allocated to the unsatisfied or partially unsatisfied performance obligations of long-term contracts which are expected to be recognised as below:-

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Within 1 year	218,070	166,215	5,252	5,694
Between 1 and 2 years	32,964	67,500	2,113	725
	251,034	233,715	7,365	6,419

The amount disclosed above does not include variable consideration which is constrained.

9. CONTRACT ASSETS/(LIABILITIES) (CONT'D)

(e) The amount of contract costs recognised as project expenses in the financial year is as follows:-

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Direct contract costs	281,174	260,686	6,936	12,989
Depreciation of property, plant and equipment	982	1,042	20	26
Rental of equipment	3,674	4,909	–	84
Staff costs				
- salaries, wages, bonus, allowances and others	24,142	19,967	422	802
- defined contribution plans	2,326	2,440	–	35
Total contract costs (Note 30)	312,298	289,044	7,378	13,936

10. INVENTORIES

	The Group	
	2019 RM'000	2018 RM'000
Materials for contracts	343	177
Industrial gases	209	–
	552	177
Recognised in profit or loss		
Inventories recognised as cost of sales	368	1,833

11. TRADE RECEIVABLES

	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
Trade receivables	97,575	88,767	1,733	4,704
Allowance for impairment losses	(6,660)	(7,357)	(18)	(65)
	90,915	81,410	1,715	4,639
Allowance for impairment losses:-				
At 1 January	(7,357)	(7,018)	(65)	(76)
Additions during the financial year (Note 36)	(2,639)	(973)	–	(24)
Reversal during the financial year (Note 36)	1,843	487	–	–
Written off during the financial year	1,411	35	46	35
Effect of foreign exchange translation	82	112	1	–
At 31 December	(6,660)	(7,357)	(18)	(65)

(a) The Group's normal trade credit terms range from 30 to 120 (2018 - 30 to 120) days. Other credit terms are assessed and approved on a case-by-case basis.

(b) Included in the trade receivables of the Group and of the Company at the end of the reporting period is an amount of approximately RM4,310,000 and RM23,000 (2018 - RM4,788,000 and RM1,912,000), being project retention sums to be received from customers in accordance with the terms of respective contracts.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
Other receivables:-					
Third parties		2,602	4,530	14	13
Advances paid to a supplier	(a)	63	6,108	–	–
Advances to employees	(b)	110	559	–	–
Goods and Services Tax ("GST") recoverable		942	1,687	165	171
		3,717	12,884	179	184
Deposits		2,986	2,716	1,551	1,611
Prepayments		6,400	1,313	53	623
		13,103	16,913	1,783	2,418

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

		The Group		The Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other receivables:-					
Third parties		2,602	4,530	14	13
Allowance for impairment losses:-					
At 1 January		–	(4,427)	–	(4,427)
Written off during the financial year		–	4,427	–	4,427
Effect of foreign exchange translation		–	–	–	–
At 31 December		–	–	–	–
		2,602	4,530	14	13

(a) The advances paid to a supplier of the Group is unsecured and interest-free. The amount owing will be offset against future purchases from the supplier.

(b) The advances to employees of the Group is unsecured, repayable in 12 (2018 - 12) months and bear interest rates range from 0.5% to 3% (2018 - 2%) per annum.

13. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	The Company	
	2019 RM'000	2018 RM'000
Amount owing by:-		
Non-trade balance:		
- interest-free	8,253	2,136
- interest bearing at nil (2018 - 4.48% - 5.80%)	–	9,500
	8,253	11,636
Allowance for impairment losses	(465)	(465)
	7,788	11,171
Amount owing to:-		
Non-trade balance:		
- interest-free	(6,608)	(7,671)

The amounts owing are non-trade in nature, unsecured and repayable on demand. The amounts owing are to be settled in cash.

14. FIXED DEPOSITS WITH LICENSED BANKS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Effective interest rates (%)	1.30 - 3.50	0.05 - 3.78	1.30 - 3.35	1.20 - 3.78
Maturity periods (days)	30 to 365	30 to 365	30 to 365	30 to 365

Included in the fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period are amounts of approximately RM14,767,000 and RM11,896,000 (2018 - RM14,908,000 and RM11,219,000) respectively which have been pledged to licensed banks as security for banking facilities granted to the Group and to the Company as disclosed in Notes 23 and 27(b) to the financial statements.

15. CASH AND BANK BALANCES

Included in the cash and bank balances of the Group at the end of the reporting period was an amount of RM2,000,000 (2018 - nil) which has been pledged to a licensed bank as security for banking facilities granted to the Group.

16. SHARE CAPITAL

	The Group/The Company			
	2019	2018	2019	2018
	Number Of Shares		RM'000	RM'000
Issued And Fully Paid-Up				
Ordinary shares				
At 1 January	267,453,062	229,834,166	50,422	25,826
Issuance of new shares for cash:				
- Private placement	–	22,871,426	–	17,840
- ESS (Note 18(c))	3,553,480	1,282,170	628	384
- Warrants (Note 18(d))	40,452,584	13,465,300	20,226	6,733
Expenses incurred pursuant to issuance of ordinary shares	–	–	–	(361)
At 31 December	311,459,126	267,453,062	71,276	50,422

(a) During the financial year, the Company undertook the following issuance of shares:-

(i) an issuance of 3,553,480 new ordinary shares from the exercise of options under the Company's ESS at the exercise price of approximately RM0.18 amounting to RM627,900; and

(ii) an issuance of 40,452,584 new ordinary shares from the exercise of Warrants 2014/2019 at the exercise price of RM0.50 per warrant amounting to RM20,226,292.

16. SHARE CAPITAL (CONT'D)

(b) In the previous financial year, the Company undertook the following issuance of shares:-

(i) an issuance of 22,871,426 new ordinary shares pursuant to a private placement exercise at an issue price of RM0.78 per ordinary share;

(ii) an issuance of 1,282,170 new ordinary shares at an issue price of RM0.30 per ordinary share for cash pursuant to the exercise of share options under the ESS; and

(iii) an issuance of 13,465,300 new ordinary shares from the exercise of Warrants 2014/2019 at the exercise price of RM0.50 per warrant amounting to RM6,732,650.

(c) The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

17. TREASURY SHARES

Treasury shares related to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition cost of treasury shares net of the proceeds received on their subsequent sales and issuance and distribution of treasury share dividend.

The shareholders of the Company, by an ordinary resolution passed in the Annual General Meeting held on 13 June 2019, granted their approval for the Company's plan to resale its own ordinary shares. The directors of the Company are committed to enhancing the value to the Company for its shareholders and believe that the resale plan can be applied in the best interests of the Company and its shareholders.

Of the total 311,459,126 issued and fully paid-up ordinary shares at the end of the reporting period, 1,119,900 ordinary shares are held as treasury shares by the Company. None of the treasury shares were resold during the financial year.

The shares purchased are being held as treasury shares in accordance with Section 127(6) of the Companies Act 2016 in Malaysia.

18. RESERVES

		The Group		**The Company**	
		2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Non-distributable reserves:-	Note				
Capital reserve	(a)	9,311	9,217	1,044	1,044
Exchange fluctuation reserve	(b)	4,040	4,596	(594)	(336)
EES reserve	(c)	1,597	1,385	1,597	1,385
		14,948	15,198	2,047	2,093
Distributable reserve:-					
Retained profits		69,571	51,054	7,096	3,531
		84,519	66,252	9,143	5,624

18. RESERVES (CONT'D)

(a) Capital Reserve

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Capital reserve is represented by:-				
Transfer of non-distributable reserve funds by a subsidiary	1,065	971	–	–
Bonus shares issued by:				
- branch	1,044	1,044	1,044	1,044
- subsidiaries	7,202	7,202	–	–
	9,311	9,217	1,044	1,044

According to the prevailing PRC laws and regulations applicable to the foreign subsidiary in the PRC, discretionary dedicated capital, which includes a general reserve fund and an enterprise expansion fund, should be maintained by the subsidiary. The Board of Directors of the subsidiary determines the amount of the annual allocations to the dedicated capital. Such allocations are reflected in the subsidiary's statement of financial position under equity. The allocations will not be available for distribution to shareholders once allocated, but may be used to set off losses or be converted into paid-up capital.

(b) Exchange Fluctuation Reserve

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries and a foreign branch whose functional currencies are different from the Group's presentation currency.

(c) ESS Reserve

The ESS reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

The ESS of the Company is governed by the ESS-By-Laws and was approved by shareholders at an Extraordinary General Meeting held on 13 June 2017. The ESS is to be in force for a period of 5 years effective from 19 June 2017.

The main features of ESS are as follows:-

1. The ESS shall be in force for a period of five (5) years and may be extended by the Board at its absolute discretion, without having to obtain the approval of its shareholders, for up to another five (5) years immediately from the expiry of the first five (5) years, and shall not in aggregate exceed ten (10) years from the effective date of implementation of the ESS, being the date of full compliance with all relevant provision of the Listing Requirements of Bursa Securities in relation to the ESS;

18. RESERVES (CONT'D)

(c) ESS Reserve (Cont'd)

2. The maximum number of the Company's shares which may be made available under the ESS shall not be more than seven percent (7%) of the issue shares of the Company (excluding treasury shares, if any) at any point in time during the duration of the ESS.

   Notwithstanding the foregoing and subject to any applicable law, not more than 10% of the maximum Company's share available shall be allocated to any individual selected employee who, either individually or collectively through persons connected with the said selected employee, holds 20% or more of the issued shares of the Company;

3. Any employee of the Group or director of the Company who is at least 18 years of age and has been confirmed in service for regular full time employment of any company within the Group shall be eligible to participate in the ESS;

4. The ESS shall be administered by the ESS Committee appointed by the board of directors to administer the ESS; and

5. All the new ordinary shares issued arising from the ESS shall rank pari passu in all respects with the existing ordinary shares of the Company.

The fair values of the share options granted were estimated using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of the share options measured at grant date and the assumptions used are as follows:-

	The Group/ The Company
Share price on grant date (RM)	0.67*
Exercise price (RM)	Not applicable
Expected volatility (%)	43.28
Expected tenure (years)	3
Risk-free rate (%)	3.27
Expected dividend yield (%)	1.49

The expenses recognised for employee services received during the financial year are as follows:-

	The Group RM'000	**The Company RM'000**
Expenses arising from equity-settled share-based payment transaction	840	396

18. RESERVES (CONT'D)

(c) Employees' Share Scheme Reserve (Cont'd)

ESS (Cont'd)

The exercise price and the details in the movement of the options granted are as follows:-

		Number of Share Options Over Ordinary Shares		
Date Of Offer ("Offer Date")	**Exercise Price**	**At 1.1.2019**	**Allotted**	**At 31.12.2019**
20 June 2017	Not applicable	14,717,830	(3,553,480)	11,164,350

The Company granted 16,000,000 share options under the ESS on 20 June 2017. The ESS will mature and are exercisable if the employee has been confirmed in service for regular full time employment of any company within the Group when the performance conditions are met and the estimated fair value per share are as follows:-

Performance Conditions	**Allocation**	**Estimated fair value per share**
Achieve a share price of Offer Date closing share price + 10% between the Offer Date to 30 June 2020	10%	RM0.30
Achieve a share price of Offer Date closing share price + 30% between the Offer Date to 30 June 2020	20%	RM0.18
Achieve a share price of Offer Date closing share price + 40% between the Offer Date to 30 June 2020	70%	RM0.18

(d) Warrants

The Company had on 13 June 2014, issued 53,937,631 warrants to all entitled shareholders of the Company on the basis of one free warrant for every three existing ordinary shares held in the Company. The warrants were listed on Main Market of Bursa Malaysia Securities Berhad. The warrants are constituted under a Deed Poll executed on 30 May 2014 and each warrant entitles the registered holder the right at any time during the exercise period from 13 June 2014 to 12 June 2019 to subscribe for in cash for one new ordinary share of the Company at an exercise price of RM0.50 each.

The details in the movement of the Company's Warrants 2014/2019 are as follows:-

		Entitlement for Ordinary Shares			
	Exercise Price	**At 1.1.2019**	**Exercised**	**Lapsed**	**At 31.12.2019**
Warrant 2014/2019	RM0.50	40,472,331	(40,452,584)	(19,747)	–

The holders of the warrants are not entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to shareholders, of which the entitlement date is prior to the date of allotment of the new shares arising from the exercise of the warrants. The holders of warrants are not entitled to any voting rights or participation in any form of distribution and/or offer of securities in the Company until and unless such holder of warrants becomes a shareholder of the Company by exercising the warrants into new shares.

The ordinary shares issued from the exercise of warrants shall rank pari passu in all respects with the existing issued ordinary shares of the Company.

18. RESERVES (CONT'D)

(d) Warrants (Cont'd)

The main features of the warrants are as follows:-

1. Each warrant will entitle the registered holder to subscribe for one (1) new ordinary share in the Company at an exercise price of RM0.10 each subject to adjustment in accordance with the conditions stipulated in the Deed Poll;

2. The warrants may be exercised at any time on or before the maturity date falling five years (2014/2019) from the date of issue of the warrants on 13 June 2014. Warrants not exercised after the exercise period will thereafter lapse and cease to be valid;

3. The new shares to be issued pursuant to the exercise of the warrants shall, upon allotment issue, rank pari passu in all respects with the existing ordinary shares of the Company in issue except that they will not be entitled to any dividend, rights, allotments and/or any other forms of distributions that may be declared, made or paid to shareholders, the entitlement date of which is before the allotment and issuance of the new shares; and

4. The persons to whom the warrants have been granted have no rights to participate in any distribution and/or offer of further securities in the Company until/and unless warrants holders exercise their warrant for new shares.

19. DEFERRED TAX LIABILITY

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	92	157	–	65
Recognised in profit or loss (Note 37)	–	(64)	–	(64)
Effect of foreign exchange translation	–	(1)	–	(1)
At 31 December	92	92	–	–

The component of deferred tax liability as at the end of the reporting period is as follows:-

	The Group	
	2019 RM'000	2018 RM'000
Accelerated capital allowances	92	92

20. LEASE LIABILITIES

	The Group 2019 RM'000
At 1 January	
- As previously reported	–
- Initial application of MFRS 16	1,891
- As restated	1,891
Addition during the year	1,883
Interest expense recognised in profit or loss (Note 35)	91
Repayment of principal	(498)
Repayment of interest expenses	(86)
Effect of foreign exchange translation	2
At 31 December	3,283
Analysed by:-	
Current liabilities	738
Non-current liabilities	2,545
	3,283

(a) The comparative information is not presented as the Group has applied MFRS16 using the modified retrospective approach.

(b) The lease liabilities of the Group are secured by the Group's motor vehicles under hire purchase arrangements as disclosed in Note 7 to the financial statements, with lease terms ranging from 2 to 5 years and bear effective interest rates ranging from 4.83% to 5.91%.

21. LONG-TERM BORROWINGS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Hire purchase payables (Note 22)	–	1,259	–	–
Term loans (Note 23)	23,327	247	506	247
	23,327	1,506	506	247

22. HIRE PURCHASE PAYABLES

	The Group 2018 RM'000
Minimum hire purchase payments:	
- not later than one year	398
- later than one year and not later than five years	1,377
- later than five years	60
	1,835
Less: Future finance charges	(259)
Present value of hire purchase payables	1,576
Analysed by:-	
Current liabilities (Note 27)	317
Non-current liabilities (Note 21)	1,259
	1,576

(a) The hire purchase payables have been represented as 'lease liabilities' as shown in Note 20 to the financial statements following the application of MFRS 16 by the Group using the modified retrospective approach.

(b) In the previous financial year, the hire purchase payables of the Group were secured by the Group's motor vehicles under finance leases as disclosed in Note 6 to the financial statements. The hire purchase agreements were expiring from 3 to 6 years.

(c) In the previous financial year, the hire purchase payables of the Group at the end of the reporting period bore effective interest rates ranging from 4.83% to 5.36%. The interest rates were fixed at the inception of the hire purchase arrangements.

23. TERM LOANS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current liabilities (Note 27)	2,165	2,182	586	2,182
Non-current liabilities (Note 21)	23,327	247	506	247
	25,492	2,429	1,092	2,429

23. TERM LOANS (CONT'D)

(a) The term loans are secured by:-

i. a first party charge over the freehold land and building of the Group as disclosed in Note 6 to the financial statements;
ii. a first party facility agreement;
iii. a corporate guarantee of a subsidiary;
iv. a negative pledge;
v. a first party trade financing general agreement;
vi. a first and third party blanket counter indemnity;
vii. fixed deposits and bank balances with licensed banks of the Group and of the Company as disclosed in Notes 14 and 15 to the financial statements;
vii. a corporate guarantee of the Company;
ix. a personal guarantee of a key management personnel of the Company; and
x. a personal guarantee of a director of the Company.

(b) The interest rate profile of the term loans is summarised below:-

	Effective Interest Rate		The Group	
	2019	**2018**	**2019**	**2018**
	%	**%**	**RM'000**	**RM'000**
Fixed rate term loan	5.25 - 6.53	3.30 - 5.67	3,860	2,359
Floating rate term loans	5.61	7.29	21,632	70
			25,492	2,429

	Effective Interest Rate		The Company	
	2019	**2018**	**2019**	**2018**
	%	**%**	**RM'000**	**RM'000**
Fixed rate term loan	5.25	3.30 - 5.67	1,092	2,359
Floating rate term loans	–	7.29	–	70
			1,092	2,429

24. TRADE PAYABLES

The normal trade credit terms granted to the Group and the Company range from 30 to 90 (2018 - 30 to 60) days.

25. OTHER PAYABLES AND ACCRUALS

	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
Other payables:-				
Third parties	6,287	3,170	582	164
Goods and Services Tax payables	663	3	3	3
	6,950	3,173	585	167
Accruals	24,290	20,527	1,797	2,029
	31,240	23,700	2,382	2,196

26. PROVISIONS

	Note	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
Provision for foreseeable losses	(i)	–	750	–	–
Provision for warranty costs	(ii)	923	1,172	66	225
Provision for unutilised leave	(iii)	59	28	–	–
Provision for decommission liability	(iv)	46	–	–	–
		1,028	1,950	66	225
Provision for foreseeable losses:-	(i)				
At 1 January		750	327	–	–
Addition during the financial year		–	644	–	–
Reversal during the financial year		(749)	(213)	–	–
Effect of foreign exchange translation		(1)	(8)	–	–
At 31 December	(a)	–	750	–	–
Provision for warranty costs:-	(ii)				
At 1 January		1,172	651	225	212
Addition during the financial year		173	699	67	184
Utilised during the financial year		(418)	(170)	(225)	(170)
Reversal during the financial year		–	(5)	–	–
Effect of foreign exchange translation		(4)	(3)	(1)	(1)
At 31 December	(b)	923	1,172	66	225

26. PROVISIONS (CONT'D)

	Note	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
Provision for unutilised leave:-	(iii)				
At 1 January		28	8	–	–
Addition during the financial year		59	23	–	–
Reversal during the financial year		(28)	(3)	–	–
At 31 December		59	28	–	–
Provision for decommission liability:-	(iv)				
At 1 January		–	–	–	–
Addition during the financial year		46	–	–	–
At 31 December	(c)	46	–	–	–
		1,028	1,950	66	225

(a) Provision for foreseeable losses is recognised for possible future losses arising from the current on-going projects.

(b) Provision for warranty costs is recognised for expected claims on the contract revenue during the year that is based on past experience of the level of repairs. It is expected that most of these costs will be incurred in the next financial year.

(c) Under lease arrangement, the Group has an obligation to dismantle and remove structures on office premises and restore those office premises at the end of the lease terms to an acceptable condition consistent with the lease arrangement.

The provisions are estimated using the assumption that decommissioning, removal and restoration will only take place upon expiry of the lease terms of 2 to 6 years. The discount rate used to determine the obligation as at the reporting date was 3.05%.

While the provisions are based on the best estimate of future costs and the economic lives of the affected assets, there is uncertainty regarding both the amount and timing of incurring these costs. All the estimates are reviewed on an annual basis or more frequently, where there is indication of a material change.

27. SHORT-TERM BORROWINGS

	The Group		The Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Hire purchase payables (Note 22)	–	317	–	–
Term loans (Note 23)	2,165	2,182	586	2,182
Invoice financing	9,916	10,080	684	–
Revolving credits	–	3,035	–	–
	12,081	15,614	1,270	2,182

(a) The invoice financing and revolving credits of the Group and of the Company at the end of reporting period bore effective interest rates as follows:-

	The Group		The Company	
	2019 %	**2018 %**	**2019 %**	**2018 %**
Invoice financing	3.30 - 4.82	5.85	3.30	–
Revolving credits	–	4.50	–	–

(b) The invoice financing are secured by:-

i. a first party facility agreement;
ii. fixed deposits with licensed banks of the Group as disclosed in Note 14 to the financial statements;
iii. a first and third party master security agreement; and
iv. a corporate guarantee of the Company.

(c) In the previous financial year, the revolving credits were secured by a corporate guarantee of the Company.

28. DIVIDEND PAYABLE

	The Group/The Company	
	2019 RM'000	**2018 RM'000**
Interim dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2018	–	2,655

29. REVENUE

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contracts with customers				
Contract revenue	370,758	344,783	6,906	12,214
Sale of goods	8,476	4,805	–	–
Services	534	435	–	–
	379,768	350,023	6,906	12,214

The information on the disaggregation of revenue is disclosed in Note 43 to the financial statements.

30. COST OF SALES

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Contract costs (Note 9)	312,298	289,044	7,378	13,936
Depreciation of property, plant and equipment	963	316	–	–
Depreciation of right-of-use assets	39	–	–	–
Others	2,863	2,124	–	–
	316,163	291,484	7,378	13,936

31. OTHER INCOME

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bad debt recovered	2,080	–	–	–
Dividend income	–	–	12,069	16,666
Management fees	–	–	3,701	3,097
Gain on foreign exchange:				
- unrealised	–	–	436	–
Gain on disposal of property, plant and equipment	1	25	–	–
Interest income:				
- financial institutions	969	675	637	341
- a subsidiary	–	–	79	40
Lease income from property	–	–	254	230
Reversal of provision for foreseeable losses	749	–	–	–
Government subsidy	795	–	–	–
Others	663	209	290	102
	5,257	909	17,466	20,476

32. SELLING AND DISTRIBUTION EXPENSES

	The Group		The Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Entertainment	473	528	92	65
Travelling expenses	849	622	140	155
	1,322	1,150	232	220

33. ADMINISTRATIVE EXPENSES

Included in administrative expenses are the following items:-

	The Group		The Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Auditors' remuneration:				
- audit fees:				
- Crowe Malaysia PLT:				
- statutory audit for the financial year	227	209	109	102
- underprovision in the previous financial year	12	16	7	–
- overseas affiliates of Crowe Malaysia PLT	27	27	27	27
- other auditors:				
- statutory audit for the financial year	151	181	–	–
- non-audit fees:				
- auditor of the Company	5	33	5	5
Directors' remuneration (Note 41(a))	3,258	2,967	2,934	2,967
Provision for unutilised leave	59	23	–	–
Reversal of provision for unutilised leave	(28)	(3)	–	–
Lease expenses:				
- short-term leases	1,024	1,080	221	–
- low-value assets	13	20	–	–
Staff costs:				
- salaries, wages, bonus, allowances and others	19,168	15,383	1,772	1,386
- defined contribution plans	979	1,345	90	91
- share-based payments	659	842	215	275

34. OTHER EXPENSES

Included in other expenses are the following items:-

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bad debts written off	80	1	–	–
Contract assets written off	–	794	–	–
Deposits written off	312	–	–	–
Depreciation:				
- property, plant and equipment	692	724	82	56
- right-of-use assets	387	–	–	–
Loss on disposal of property, plant and equipment	–	4	–	–
Loss on foreign exchange:				
- unrealised	85	15	–	462
- realised	322	1,660	6	1,444
Property, plant and equipment written off	5	347	–	–
Provision for foreseeable losses	–	644	–	–
Provision for warranty costs	173	699	67	184
Reversal of provision for foreseeable losses	–	(213)	–	–
Reversal of provision for warranty costs	–	(5)	–	–

35. FINANCE COSTS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense:				
- bank overdraft	21	12	8	1
- hire purchase	–	62	–	–
- invoice financing	562	93	–	–
- revolving credits	23	326	13	286
- term loans	364	157	72	157
- lease liabilities	91	–	–	–
- others	251	263	209	245
	1,312	913	302	689

36. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Impairment losses:				
- Trade receivables (Note 11)	2,639	973	–	24
- Contract assets (Note 9)	250	116	–	–
Reversal of impairment losses:				
- Trade receivables (Note 11)	(1,843)	(487)	–	–
	1,046	602	–	24

37. INCOME TAX EXPENSE

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income tax:				
- Malaysian tax	4,222	2,879	128	128
- Foreign tax	3,693	4,064	–	–
	7,915	6,943	128	128
Under/(Over)provision in the previous financial year:				
- Malaysian tax	(218)	(481)	(36)	(208)
- Foreign tax	(38)	291	–	–
	(256)	(190)	(36)	(208)
	7,659	6,753	92	(80)
Deferred tax (Note 19):				
- Overprovision of deferred tax in the previous financial year	–	(64)	–	(64)
	7,659	6,689	92	(144)

37. INCOME TAX EXPENSE (CONT'D)

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

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation	31,579	25,004	9,113	9,413
Tax at Malaysian statutory tax rate of 24% (2018 - 24%)	7,579	6,001	2,187	2,259
Tax effects of:-				
Differential in tax rates	(1,865)	(2,024)	64	186
Non-deductible expenses	3,578	3,800	660	1,116
Non-taxable gains	(1,489)	(2,020)	(2,896)	(4,000)
Overprovision in the previous financial year				
- current tax	(256)	(190)	(36)	(208)
- deferred tax	-	(64)	–	(64)
Deferred tax assets not recognised during the current financial year	459	1,239	113	567
Utilisation of deferred tax assets not recognised in the previous financial year	(347)	(53)	–	–
Income tax expense for the financial year	7,659	6,689	92	(144)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018 - (per actual rate of tax computation) %) of the estimated assessable profit for the financial year. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

The temporary differences attributable to the deferred tax assets and deferred tax liability which are not recognised in the financial statements are as follows:-

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets:				
- unabsorbed capital allowances	16,073	2,658	484	303
- unabsorbed export allowances	349	565	–	–
- unused tax losses	9,954	8,073	4,312	3,710
- depreciation in excess of capital allowances	4	4	–	–
- provision of bonus	3,198	3,172	1,567	1,589
- others	1,866	3,001	–	135
	31,444	17,473	6,363	5,737
Deferred tax liability:				
- accelerated capital allowances	(16,641)	(3,136)	(219)	(62)
	14,803	14,337	6,144	5,675

37. INCOME TAX EXPENSE (CONT'D)

For the Malaysia entities, the unused tax losses and unabsorbed export allowances are allowed to be utilised for 7 consecutive years of assessment while unabsorbed capital allowances are allowed to be carried forward indefinitely.

The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

38. EARNINGS PER SHARE

	The Group	
	2019	**2018**
Profit attributable to owners of the Company (RM'000)	24,418	18,649
Number of shares in issue as of 1 January	267,453,062	229,834,166
Effects through:		
- share options exercised	1,749,285	639,328
- share issue pursuant to private placement	–	15,359,048
- warrants exercised	30,959,941	2,058,733
- treasury shares	(1,119,900)	(1,119,900)
Weighted average number of ordinary shares for basic earnings per share computation	299,042,388	246,771,375
Effects of dilution - ESS	11,164,350	14,717,830
Effects of dilution - warrants	–	17,560,452
Weighted average number of ordinary shares for diluted earnings per share computation	310,206,738	279,049,657
Basic earnings per ordinary share attributable to owners of the Company (sen)	8.2	7.6
Diluted earnings per ordinary share attributable to owners of the Company (sen)	7.9	6.7

39. DIVIDENDS

	The Group/The Company 2019 RM'000	2018 RM'000
Paid:-		
Final tax-exempt dividend of 1.5 sen per ordinary share in respect of the financial year ended 31 December 2017	–	3,665
Interim dividend of 0.8 sen per ordinary share in respect of the financial year ended 31 December 2018	2,353	–
Interim dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2019	3,103	–
	5,456	3,665
Payable:-		
Interim dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2018	–	2,655
	5,456	6,320

40. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment and the addition of right-of-use assets are as follows:-

	The Group 2019 RM'000	2018 RM'000	The Company 2019 RM'000	2018 RM'000
Property, plant and equipment				
Cost of property, plant and equipment purchased (Note 6)	33,506	11,642	383	81
Amount financed through hire purchase (Note (b) below)	–	(1,020)	–	–
	33,506	10,622	383	81
Right-of-used assets				
Cost of right-of-used assets acquired (Note 7)	1,883	–	–	–
Addition of new lease liabilities (Note (b) below)	(1,883)	–	–	–
	–	–	–	–

40. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows:-

	Hire Purchase Payables RM'000	Lease Liabilities RM'000	Invoice Financing RM'000	Revolving Credits RM'000	Term Loans RM'000	Total RM'000
The Group						
2019						
At 1 January, as previously reported	1,576	–	10,080	3,035	2,429	17,120
Effects on adoption of MFRS 16	(1,576)	1,891	–	–	–	315
At 1 January, as restated	–	1,891	10,080	3,035	2,429	17,435
Changes in Financing Cash Flows						
Proceeds from drawdown	–	–	1,053	–	27,864	28,917
Repayment of principal	–	(498)	(1,026)	(3,038)	(4,750)	(9,312)
Repayment of interests	–	(86)	(562)	(23)	(412)	(1,083)
	–	(584)	(535)	(3,061)	22,702	18,522
Non-cash Changes						
Acquisition of new leases (Note (a) above)	–	1,883	–	–	–	1,883
Interest expense recognised in profit or loss	–	91	562	23	364	1,040
Foreign exchange adjustments	–	2	(191)	3	(3)	(189)
	–	1,976	371	26	361	2,734
At 31 December	–	3,283	9,916	–	25,492	38,691

40. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	Hire Purchase Payables RM'000	Invoice Financing RM'000	Revolving Credits RM'000	Term Loans RM'000	Total RM'000
The Group					
2018					
At 1 January	836	12,204	13,500	3,725	30,265
Changes in Financing Cash Flows					
Proceeds from drawdown	–	26,130	6,635	–	32,765
Repayment of borrowing principal	(291)	(27,964)	(17,100)	(1,275)	(46,630)
Repayment of interests	(62)	(93)	(326)	(157)	(638)
	(353)	(1,927)	(10,791)	(1,432)	(14,503)
Non-cash Changes					
New hire purchase (Note (a) above)	1,020	–	–	–	1,020
Interest expense recognised in profit or loss	62	93	326	157	638
Foreign exchange adjustments	11	(290)	–	(21)	(300)
	1,093	(197)	326	136	1,358
At 31 December	1,576	10,080	3,035	2,429	17,120

40. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	Invoice Financing RM'000	Revolving Credits RM'000	Terms Loans RM'000	Total RM'000
The Company				
2019				
At 1 January	–	–	2,429	2,429
Changes in Financing Cash Flows				
Proceeds from drawdown	671	3,000	2,685	3,356
Repayment of principal	–	(3,000)	(3,971)	(3,971)
Repayment of interests	–	(13)	(120)	(133)
	671	(13)	(1,406)	(748)
Non-cash Changes				
Interest expense recognised in profit or loss	–	13	72	85
Foreign exchange adjustments	13	–	(3)	10
	13	13	69	95
At 31 December	684	–	1,092	1,776
The Company				
2018				
At 1 January	–	13,500	3,725	17,225
Changes in Financing Cash Flows				
Proceeds from drawdown	–	–	747	747
Repayment of borrowing principal	–	(13,500)	(2,022)	(15,522)
Repayment of interests	–	(286)	(157)	(443)
	–	(13,786)	(1,432)	(15,218)
Non-cash Changes				
Interest expense recognised in profit or loss	–	286	157	443
Foreign exchange adjustments	–	–	(21)	(21)
	–	286	136	422
At 31 December	–	–	2,429	2,429

40. CASH FLOW INFORMATION (CONT'D)

(c) The cash and cash equivalents comprise the following:-

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed deposits with licensed banks	28,088	24,196	21,997	16,837
Cash and bank balances	56,980	42,914	8,210	12,816
	85,068	67,110	30,207	29,653
Less: Bank balance pledged to licensed bank (Note 15)	(2,000)	–	–	–
Less: Fixed deposits pledged to licensed banks (Note 14)	(14,767)	(14,908)	(11,896)	(11,219)
Less: Fixed deposits with original maturity of more than 3 months	(304)	–	–	–
	67,997	52,202	18,311	18,434

(d) The total cash outflows for leases as a lessee are as follows:-

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Payment of short-term leases	1,024	1,080	221	–
Payment of low–value assets	13	20	–	–
Interest paid on lease liabilities	86	–	–	–
Payment of lease liabilities	498	–	–	–
	1,621	1,100	221	–

41. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

The key management personnel compensation during the financial year are as follows:-

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(a) Directors of the Company:-				
Short-term employee benefits:				
- fee	249	164	188	164
- salaries, bonuses and other benefits	2,675	2,458	2,429	2,458
Defined contribution benefits	153	114	136	114
Share-based payments	181	231	181	231
	3,258	2,967	2,934	2,967

The estimated monetary value of benefits-in-kind provided by the Group and the Company to the directors of the Group and Company were RM30,000 (2018 - RM30,000).

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(b) Other key management personnel:-				
Short-term employee benefits:				
- fee	304	239	–	–
- salaries, bonuses and other benefits	5,714	3,259	652	599
Defined contribution benefits	276	141	37	44
Share-based payments	269	176	109	47
	6,563	3,815	798	690

The estimated monetary value of benefits-in-kind provided by the Group and the Company to the other key management personnel were approximately RM27,000 (2018 - RM11,000) and RM9,000 (2018 - RM9,000).

42. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

	The Company	
	2019	**2018**
	RM'000	**RM'000**
Dividend from subsidiaries	12,069	16,666
Management fees from subsidiaries	3,701	3,097
Interest charged to a subsidiary	79	40
Rental charged to subsidiaries	254	230

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

The related party transactions described above were entered into in the normal course of business carried out based on negotiated terms and conditions and are mutually agreed with respective parties.

43. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 3 main reportable segments as follows:-

(i) Service segment - involved in the provision of scientific and technical researches, laboratory testing service and experiments;

(ii) Manufacturing and trading segment - involved in the manufacturing and trading of industrial gases and materials for contracts; and

(iii) Construction segment - involved in the provision of engineering services and construction.

The Group Chief Executive Officer (the chief operating decision maker) review internal management report at least on a quarterly basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses.

43. OPERATING SEGMENTS (CONT'D)

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Income taxes were managed on a group basis and were not allocated to operating segments.

Assets, liabilities, and expenses which were common and cannot be meaningfully allocated to the operating segments were presented under unallocated items. Unallocated items comprise mainly current tax assets, current tax liabilities and deferred tax liabilities.

The Group is organised into following geographical segments:
- Malaysia
- Singapore
- Taiwan
- China
- Vietnam
- Indonesia
- Philippines

43.1 BUSINESS SEGMENTS

	Service Segment RM'000	**Manufacturing and Trading Segment RM'000**	**Construction Segment RM'000**	**The Group RM'000**
2019				
Revenue				
External revenue	534	8,476	370,758	379,768
Inter-segment revenue	–	545	9,186	9,731
	534	9,021	379,944	389,499
Consolidated adjustments				(9,731)
				379,768
Represented by:-				
Revenue recognised at a point of time				
- Services	534	–	–	534
- Sale of goods	–	9,021	–	9,021
Revenue recognised over time				
- Contract revenue	–	–	379,944	379,944
	534	9,021	379,944	389,499
				(9,731)
				379,768

43. OPERATING SEGMENTS (CONT'D)

43.1 BUSINESS SEGMENTS (CONT'D)

	Service Segment RM'000	Manufacturing and Trading Segment RM'000	Construction Segment RM'000	The Group RM'000
2019				
Results				
Segment profit/(loss) before interest and taxation	70	(1,631)	33,483	31,922
Interest income				969
Finance costs				(1,312)
Consolidated profit before taxation				31,579
Income tax expense				(7,659)
Consolidated profit after taxation				23,920
Segment profit includes the followings:-				
Interest income	–	7	962	969
Finance costs	–	(319)	(993)	(1,312)
Unrealised loss on foreign exchange	–	(8)	(77)	(85)
Gain on disposal of property, plant and equipment	–	1	–	1
Impairment losses on financial assets and contract assets	(8)	–	(2,881)	(2,889)
Reversal of impairment of financial assets	1	295	1,547	1,843
Depreciation of property, plant and equipment	(21)	(1,037)	(1,579)	(2,637)
Depreciation of right-of-use assets	–	(76)	(350)	(426)

43. OPERATING SEGMENTS (CONT'D)

43.1 BUSINESS SEGMENTS (CONT'D)

	Service Segment RM'000	Manufacturing and Trading Segment RM'000	Construction Segment RM'000	The Group RM'000
2019				
Assets				
Property, plant and equipment	101	43,893	8,965	52,959
Right-of-use assets	–	2,132	2,167	4,299
Goodwill	–	–	6,360	6,360
Current assets	503	13,390	225,241	239,134
Unallocated asset:-				
- Current tax assets				303
				303,055
Liabilities				
Segment liabilities	121	31,969	110,346	142,436
Unallocated liabilities:-				
- Current tax liabilities				4,993
- Deferred tax liability				92
				147,521
Other Segment Items				
Additions to non-current assets other than financial instruments are:-				
- Property, plant and equipment	4	31,957	1,545	33,506
- Right-of-use assets	–	1,883	–	1,883

43. OPERATING SEGMENTS (CONT'D)

43.1 BUSINESS SEGMENTS (CONT'D)

	Service Segment RM'000	Manufacturing and Trading Segment RM'000	Construction Segment RM'000	The Group RM'000
2018				
Revenue				
External revenue	435	4,805	344,783	350,023
Inter-segment revenue	–	–	270	270
	435	4,805	345,053	350,293
Consolidated adjustments				(270)
				350,023
Represented by:-				
Revenue recognised at a point of time				
- Services	435	–	–	435
- Sale of goods	–	4,805	–	4,805
Revenue recognised over time				
- Contract revenue	–	–	345,053	345,053
	435	4,805	345,053	350,293
				(270)
				350,023

43. OPERATING SEGMENTS (CONT'D)

43.1 BUSINESS SEGMENTS (CONT'D)

	Service Segment RM'000	Manufacturing and Trading Segment RM'000	Construction Segment RM'000	The Group RM'000
2018				
Results				
Segment profit/(loss) before interest and taxation	(2)	(1,011)	26,255	25,242
Interest income				675
Finance costs				(913)
Consolidated profit before taxation				25,004
Income tax expense				(6,689)
Consolidated profit after taxation				18,315
Segment profit includes the followings:-				
Interest income	–	2	673	675
Finance costs	–	(58)	(855)	(913)
Unrealised loss on foreign exchange	–	–	(15)	(15)
Gain on disposal of property, plant and equipment	–	–	21	21
Impairment losses on financial assets and contract assets	(16)	(352)	(721)	(1,089)
Reversal of impairment losses on financial assets	–	–	487	487
Depreciation of property, plant and equipment	(21)	(340)	(1,721)	(2,082)

43. OPERATING SEGMENTS (CONT'D)

43.1 BUSINESS SEGMENTS (CONT'D)

	Service Segment RM'000	Manufacturing and Trading Segment RM'000	Construction Segment RM'000	The Group RM'000
2018				
Assets				
Property, plant and equipment	118	13,359	11,199	24,676
Goodwill	–	–	6,348	6,348
Current assets	147	8,057	203,796	212,000
Unallocated asset:-				
- Current tax assets				452
				243,476
Liabilities				
Segment liabilities	99	2,353	119,310	121,762
Unallocated liabilities:-				
- Current tax liabilities				5,407
- Deferred tax liability				92
				127,261
Other Segment Items				
Additions to non-current assets other than financial instruments are:-				
- Property, plant and equipment	8	7,936	3,698	11,642

43. OPERATING SEGMENTS (CONT'D)

43.2 GEOGRAPHICAL INFORMATION

Revenue is based on the country in which the customers are located.

Non-current assets are determined according to the country where these assets are located. The amounts of non-current assets do not include financial instruments.

	Revenue		Non-current Assets	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
The Group				
Malaysia	89,295	114,452	50,115	19,995
Singapore	176,199	111,504	9,304	8,970
Taiwan	8,546	12,634	210	239
China	100,807	111,204	3,989	1,820
Vietnam	3,488	–	–	–
Indonesia	1,425	260	–	–
Philippines	8	(31)	–	–
	379,768	350,023	63,618	31,024

43.3 MAJOR CUSTOMERS

The following are the major customers with revenue equal or more than 10% of the Group's revenue:-

	The Group	
	2019	**2018**
	RM'000	**RM'000**
Customer 1	61,270	–
Customer 2	–	43,231
Customer 3	–	45,092

44. CAPITAL COMMITMENTS

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Construction	–	31,552	–	–
Purchase of property, plant and equipment	1,697	153	129	–
	1,697	31,705	129	–

45. OPERATING LEASE COMMITMENTS

The Group has applied MFRS 16 using the modified retrospective approach. As a result, the following information is disclosures required by MFRS 117 'Leases':-

Leases as Lessee

The Group leases a number of office premises under non-cancellable operating leases. The future minimum lease payments under the non-cancellable operating leases as at the end of the last reporting period are as follows:-

	The Group 2018 RM'000
Not more than 1 year	94
Later than 1 year and not later than 5 years	230
Total (Note 49)	324

46. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

46.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily Chinese Yuan ("CNY"), United States Dollar ("USD"), New Taiwan Dollar ("NTD"), Singapore Dollar ("SGD"), Indonesian Rupiah ("IDR"), and Philippine Peso ("PESO"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

46. FINANCIAL INSTRUMENTS (CONT'D)

46.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign currency exposure

The Group	**CNY RM'000**	**USD RM'000**	**NTD RM'000**	**SGD RM'000**	**IDR RM'000**	**PESO RM'000**	**Others RM'000**
2019							
Financial Assets							
Trade receivables	19,932	15,500	1,714	31,758	–	–	–
Other receivables	1,754	–	1	379	–	–	–
Cash and bank balances	13,305	8,857	708	18,682	29	1	2
Fixed deposits with licensed banks	–	2,537	–	1,217	–	–	–
	34,991	26,894	2,423	52,036	29	1	2
Financial Liabilities							
Lease liabilities	–	–	–	(1,037)	–	–	–
Term loans	–	–	(1,092)	–	–	–	–
Invoice financing	(8,850)	–	(684)	–	–	–	–
Trade payables	(15,101)	(8,795)	(1,378)	(10,329)	–	–	–
Other payables and accruals	(7,109)	(614)	(111)	(14,048)	(31)	(14)	–
	(31,060)	(9,409)	(3,265)	(25,414)	(31)	(14)	–
Net financial assets/(liabilities)	3,931	17,485	(842)	26,622	(2)	(13)	2
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(5,312)	–	842	(20,961)	2	13	–
Net currency exposure	(1,381)	17,485	–	5,661	–	–	2

46. FINANCIAL INSTRUMENTS (CONT'D)

46.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency exposure (Cont'd)

The Group	CNY RM'000	USD RM'000	NTD RM'000	SGD RM'000	IDR RM'000	PESO RM'000	Others RM'000
2018							
Financial Assets							
Trade receivables	21,208	8,919	4,639	20,449	–	–	–
Other receivables	1,681	–	1	2,450	167	75	–
Cash and bank balances	13,052	911	1,484	10,415	28	1	11
Fixed deposits with licensed banks	–	2,537	–	3,182	–	–	–
	35,941	12,367	6,124	36,496	195	76	11
Financial Liabilities							
Hire purchase payables	–	–	–	(938)	–	–	–
Term loans	–	–	(2,360)	–	–	–	–
Revolving credits	–	–	–	(3,035)	–	–	–
Invoice financing	(10,080)	–	–	–	–	–	–
Trade payables	(13,696)	(8,131)	(4,118)	(11,864)	–	–	(49)
Other payables and accruals	(3,092)	–	(113)	(7,103)	(30)	(14)	–
	(26,868)	(8,131)	(6,591)	(22,940)	(30)	(14)	(49)
Net financial assets/(liabilities)	9,073	4,236	(467)	13,556	165	62	(38)
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(9,881)	–	467	(9,592)	(165)	(62)	(9)
Net currency exposure	(808)	4,236	–	3,964	–	–	(47)

46. FINANCIAL INSTRUMENTS (CONT'D)

46.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency exposure (Cont'd)

The Company	USD RM'000	NTD RM'000	SGD RM'000
2019			
Financial Assets			
Trade receivables	–	1,714	–
Other receivables	–	1	–
Amount owing by subsidiaries	1,150	–	3,904
Cash and bank balances	163	708	5,472
Fixed deposits with licensed banks	2,537	–	–
	3,850	2,423	9,376
Financial Liabilities			
Term loans	–	(1,092)	–
Invoice financing	–	(684)	–
Trade payables	(532)	(1,378)	–
Other payables and accruals	–	(111)	–
Amount owing to a subsidiary	(6,608)	–	–
	(7,140)	(3,265)	–
Net financial (liabilities)/assets	(3,290)	(842)	9,376
Less: Net financial assets denominated in the entity's functional currency	–	842	–
Net currency exposure	(3,290)	–	9,376

46. FINANCIAL INSTRUMENTS (CONT'D)

46.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency exposure (Cont'd)

The Company	**USD RM'000**	**NTD RM'000**	**SGD RM'000**
2018			
Financial Assets			
Trade receivables	–	4,639	–
Other receivables	–	1	–
Amount owing by subsidiaries	–	–	208
Cash and bank balances	132	1,484	3,763
Fixed deposits with licensed banks	2,537	–	601
	2,669	6,124	4,572
Financial Liabilities			
Amount owing to subsidiaries	(7,271)	–	–
Term loans	–	(2,360)	–
Trade payables	(537)	(4,118)	–
Other payables and accruals	–	(113)	–
	(7,808)	(6,591)	–
Net financial (liabilities)/assets	(5,139)	(467)	4,572
Less: Net financial liabilities denominated in the entity's functional currency	–	467	–
Net currency exposure	(5,139)	–	4,572

46. FINANCIAL INSTRUMENTS (CONT'D)

46.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	The Group		The Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Effects on profit after taxation				
CNY				
- strengthened by 10%	(138)	(81)	–	–
- weakened by 10%	138	81	–	–
USD				
- strengthened by 10%	1,749	424	(329)	(514)
- weakened by 10%	(1,749)	(424)	329	514
SGD				
- strengthened by 10%	566	396	938	457
- weakened by 10%	(566)	(396)	(938)	(457)
Others				
- strengthened by 10%	*	(5)	–	–
- weakened by 10%	*	5	–	–

* - Less than RM1,000

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

The Group's fixed rate borrowings and fixed deposits with licensed banks are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 46.1(c) to the financial statements.

46. FINANCIAL INSTRUMENTS (CONT'D)

46.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Effects on profit after taxation				
Increase of 100 basis points	(315)	(132)	(7)	*
Decrease of 100 basis points	315	132	7	*

* - Less than RM1,000

(iii) Equity Price Risk

The Group and the Company do not have any quoted investments and hence is not exposed to equity price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from loans and advances to subsidiaries, and corporate guarantee given to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

46. FINANCIAL INSTRUMENTS (CONT'D)

46.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(i) Credit Risk Concentration Profile

The Group's and the Company's major concentration of credit risk relates to the trade receivables at the end of the reporting period are as follows:-

	2019	2018
The Group		
Major concentration of credit risk	26%	26%
Number of customers	2	2
The Company		
Major concentration of credit risk	83%	11%
Number of customers	1	3

In addition, the Group and the Company also determine concentration of credit risk by monitoring the geographical region of their trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables at the end of the reporting period is as follows:-

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysia	22,011	26,207	–	–
PRC	34,389	28,826	–	–
Singapore	32,797	20,890	–	–
Taiwan	1,715	4,639	1,715	4,639
Middle East	3	842	–	–
Indonesia	–	6	–	–
	90,915	81,410	1,715	4,639

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries as disclosed under the "Maturity Analysis" of item (c) below, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material.

46. FINANCIAL INSTRUMENTS (CONT'D)

46.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses

At each reporting date, the Group and the Company assess whether any of the financial assets at amortised cost, contract assets are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

Trade Receivables and Contract Assets

The Group and the Company apply the simplified approach to measure expected credit losses which use a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group and the Company concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

For certain large customers or customers with a high risk of default, the Group and the Company assess the risk of loss of each customer individually based on their financial information, past trends of payments and external credit rating, where applicable.

Also, the Group and the Company consider any receivables having financial difficulty or with significant balances outstanding for more than 12 months, are deemed credit impaired.

The expected loss rates are based on the payment profiles of sales over a period of 12 months from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

For construction contracts, the Group and the Company assessed the expected credit loss of each customer individually based on their financial information and past trends of payments. All of these customers have low risk of default as they have a strong capacity to meet their debts.

46. FINANCIAL INSTRUMENTS (CONT'D)

46.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract assets are summarised below:-

The Group	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
2019				
Current (not past due)	60,393	–	(219)	60,174
Less than 3 months past due	20,699	–	(549)	20,150
3 to 6 months past due	4,748	–	(297)	4,451
More than 6 months past due	6,184	–	(246)	5,930
More than 1 year past due	426	–	(224)	202
Credit impaired	5,125	(5,125)	–	–
Trade receivables	97,575	(5,125)	(1,535)	90,915
Contract assets	49,859	–	(363)	49,496
	147,434	(5,125)	(1,898)	140,411
2018				
Current (not past due)	66,384	–	(135)	66,249
Less than 3 months past due	7,825	–	(181)	7,644
3 to 6 months past due	1,088	–	(82)	1,006
More than 6 months past due	567	–	(27)	540
More than 1 year past due	6,430	–	(459)	5,971
Credit impaired	6,473	(6,473)	–	–
Trade receivables	88,767	(6,473)	(884)	81,410
Contract assets	46,506	–	(116)	46,390
	135,273	(6,473)	(1,000)	127,800

46. FINANCIAL INSTRUMENTS (CONT'D)

46.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract assets are summarised below (Cont'd):-

The Company	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
2019				
Current (not past due)	18	–	–	18
Less than 3 months past due	1,715	–	(18)	1,697
Trade receivables	1,733	–	(18)	1,715
Contract assets	907	–	–	907
	2,640	–	(18)	2,622
2018				
Current (not past due)	893	–	–	893
Less than 3 months past due	978	–	–	978
More than 6 months past due	559	–	–	559
More than 1 year past due	2,209	–	–	2,209
Credit impaired	65	(65)	–	–
Trade receivables	4,704	(65)	–	4,639
Contract assets	1,198	–	–	1,198
	5,902	(65)	–	5,837

The movements in the loss allowances in respect of trade receivables and contract assets are disclosed in Notes 11 and 9 to the financial statements respectively.

46. FINANCIAL INSTRUMENTS (CONT'D)

46.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables. Under this approach, the Group assesses whether there is a significant increase in credit risk on the receivables by comparing their risk of default as at the reporting date with the risk of default as at the date of initial recognition based on available reasonable and supportable forward-looking information. Regardless of the assessment, a significant increase in credit risk is presumed if a receivable is more than 30 days past due in making a contractual payment.

The Group considers a receivable is credit impaired when the receivable is in significant financial difficulty, for instances, the receivable is in breach of financial covenants or insolvent. Receivables that are credit impaired are assessed individually while other receivables are assessed on a collective basis.

Based on the assessment performed, the identified impairment loss was immaterial and hence, it is not provided for.

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Amount Owing By Subsidiaries (Non-trade Balances)

The Company applies the 3-stage general approach to measure expected credit losses for all inter-company balances. Generally, the Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advance in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

The Company determines the probability of default for these loans and advances individually using internal information available.

Based on the assessment performed, the identified impairment loss was immaterial, and hence, it is not provided for.

Financial Guarantee Contracts

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

46. FINANCIAL INSTRUMENTS (CONT'D)

46.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	Carrying Amount RM'000	**Contractual Undiscounted Cash Flows RM'000**	**Within 1 Year RM'000**	**1 - 5 Years RM'000**	**Over 5 Years RM'000**
The Group					
2019					
Non-derivative Financial Liabilities					
Lease liabilities	3,283	3,757	896	2,861	–
Term loans	25,492	38,130	3,778	30,696	3,656
Invoice financing	9,916	10,563	10,563	–	–
Trade payables	40,349	40,349	40,349	–	–
Other payables and accruals	30,577	30,577	30,577	–	–
	109,617	123,376	86,163	33,557	3,656
2018					
Non-derivative Financial Liabilities					
Hire purchase payables	1,576	1,835	398	1,377	60
Term loans	2,429	2,444	2,087	357	–
Revolving credits	3,035	3,172	3,172	–	–
Invoice financing	10,080	10,670	10,670	–	–
Trade payables	54,090	54,090	54,090	–	–
Other payables and accruals	23,697	23,697	23,697	–	–
Dividend payable	2,655	2,655	2,655	–	–
	97,562	98,563	96,769	1,734	60

46. FINANCIAL INSTRUMENTS (CONT'D)

46.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000
The Company				
2019				
Non-derivative Financial Liabilities				
Term loans	1,092	1,141	616	525
Invoice financing	684	707	707	–
Amount owing to subsidiaries	6,608	6,608	6,608	–
Trade payables	1,910	1,910	1,910	–
Other payables and accruals	2,379	2,379	2,379	–
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	–	46,732	46,732	–
	12,673	59,477	58,952	525
2018				
Non-derivative Financial Liabilities				
Term loans	2,429	2,444	2,087	357
Amount owing to subsidiaries	7,671	7,671	7,671	–
Trade payables	4,655	4,655	4,655	–
Other payables and accruals	2,193	2,193	2,193	–
Dividend payable	2,655	2,655	2,655	
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	–	32,025	32,025	–
	19,603	51,643	51,286	357

46. FINANCIAL INSTRUMENTS (CONT'D)

46.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total borrowings.

The Group also required to comply with certain loan covenants, failing which, the banks may call an event of default. The Group has complied with this requirement.

46.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial Asset				
Amortised Cost				
Trade receivables	90,915	81,410	1,715	4,639
Other receivables	2,712	5,089	14	13
Amount owing by subsidiaries	–	–	7,788	11,171
Fixed deposits with licensed banks	28,088	24,196	21,997	16,837
Cash and bank balances	56,980	42,914	8,210	12,816
	178,695	153,609	39,724	45,476
Financial Liability				
Amortised Cost				
Lease liabilities	3,283	–	–	–
Hire purchase payables	–	1,576	–	–
Term loans	25,492	2,429	1,092	2,429
Revolving credits	–	3,035	–	–
Invoice financing	9,916	10,080	684	–
Amount owing to subsidiaries	–	–	6,608	7,671
Trade payables	40,349	54,090	1,910	4,655
Other payables and accruals	30,577	23,697	2,379	2,193
Dividend payable	–	2,655	–	2,655
	109,617	97,562	12,673	19,603

46. FINANCIAL INSTRUMENTS (CONT'D)

46.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	The Group		The Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Financial Asset				
<u>Amortised Cost</u>				
Net gains/(losses) recognised in profit or loss by:				
- Bad debts written off	(80)	(1)	–	–
- Bad debt recovered	2,080	–	–	–
- Interest income:-				
- financial institutions	969	675	637	341
- a subsidiary	–	–	79	40
- Impairment losses:-				
- trade receivables	(2,639)	(973)	–	(24)
- contract assets	(250)	(116)	–	–
- Reversal of impairment losses on trade receivables	1,843	487	–	–
Financial Liability				
<u>Amortised Cost</u>				
Net losses recognised in profit or loss by:				
- Interest expense	1,312	913	302	689

46. FINANCIAL INSTRUMENTS (CONT'D)

46.5 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial statements or repayable. These fair values are determined by discounting the relevant cash flows at rates equal to the current market interest rate plus appropriate credit rating, where necessary. These fair values are included in level 2 of the fair value hierarchy.

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	RM'000	RM'000
The Group								
2019								
Financial Liability								
Term loans:								
- fixed rate	–	–	–	–	4,071	–	4,071	3,860
- floating rate	–	–	–	–	21,632	–	21,632	21,632
2018								
Financial Liabilities								
Hire purchase payables	–	–	–	–	1,567	–	1,567	1,576
Term loans:								
- fixed rate	–	–	–	–	2,359	–	2,359	2,359
- floating rate	–	–	–	–	70	–	70	70

46. FINANCIAL INSTRUMENTS (CONT'D)

46.5 FAIR VALUE INFORMATION (CONT'D)

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	RM'000	RM'000
The Company								
2019								
Financial Liability								
Term loan:								
- fixed rate	–	–	–	–	1,092	–	1,092	1,092
2018								
Financial Liability								
Term loans:								
- fixed rate	–	–	–	–	2,359	–	2,359	2,359
- floating rate	–	–	–	–	70	–	70	70

46. FINANCIAL INSTRUMENTS (CONT'D)

46.5 FAIR VALUE INFORMATION (CONT'D)

(a) The fair value of the Group's and the Company's term loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.

(b) The fair value of hire purchase payables and term loans that carry fixed interest rates are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	The Group		The Company	
	2019	2018	2019	2018
	%	%	%	%
Hire purchase payables	–	2.38 - 5.01	–	–
Term loans	5.25 - 6.54	5.67	5.25	5.67

47. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 12 February 2019, the Company acquired 51% equity interests in HITI from its non-controlling interests. Following the completion of the transfer, HITI became a wholly-owned subsidiary of the Company.

(b) On 26 February 2019, HITI, a wholly-owned subsidiary of the Company, increased its issued share capital from RM72,000 to RM750,000 by the allotment of 678,000 new ordinary shares. The Company subscribed for the additional equity in HITI to retain its 100% equity interests.

(c) On 15 March 2019, AGSB, a subsidiary of the Company, increased its issued share capital from RM7,500,000 to RM25,500,000 by the allotment of 18,000,000 new ordinary shares. The Company subscribed for the additional 17,733,000 ordinary shares. Following the subscription, AGSB became a 97.2% owned subsidiary of the Company.

(d) On 1 April 2019, KESH, a wholly-owned subsidiary of the Company, had incorporated a subsidiary known as KSICZ with a registered capital of CNY50,000,000. The registered capital is required to be paid up within 20 years from its date of incorporation.

(e) On 7 May 2019, AGMSB, a subsidiary of AGSB, increased its issued share capital from RM100,000 to RM500,000. AGSB subscribed for its portion of the equity of 320,000 new ordinary shares and retained its 80% equity interests.

(f) On 1 July 2019, the Company has acquired 1,000,000 ordinary shares, representing 100% of the total issued and paid-up share capital of PTM from PTS, an indirect wholly-owned subsidiary of the Company for a cash consideration of RM1. PTM became a wholly-owned subsidiary of the Company.

(g) On 1 August 2019, AGSB, a wholly-owned subsidiary of the Company, incorporated a subsidiary known as CLSB with an issued and paid-up capital of RM100 comprising 100 ordinary shares. AGSB subscribed for 82 ordinary shares, which are later disposed to the Company at RM1 on 18 September 2019. CLSB became an 82%-owned subsidiary of the Company.

47. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

(h) On 5 August 2019, the Company has injected additional capital of USD1,163,000 to KESH, a wholly-owned subsidiary of the Company. The Company further injected USD277,000 to KESH on 16 December 2019. The paid-up capital of KESH shall increase from USD850,000 to USD2,290,000.

(i) With effect from 23 August 2019, KESZ, a wholly-owned indirect subsidiary of the Company had been duly dissolved under the laws of the People's Republic of China.

(j) On 27 November 2019, AGSB, a wholly-owned subsidiary of the Company, incorporated a subsidiary known as AGMS with issued capital of SGD30,000 and paid-up capital of SGD1, which comprising 30,000 and 1 ordinary shares, respectively. Following the completion of the subscription, AGMS became a wholly-owned subsidiary of AGSB.

(k) On 5 October 2016, KTSB, a wholly-owned subsidiary of the Company, filed a Writ and Statement of Claim at the High Court of Kuala Lumpur against Australian Marine Technology ("Defendant"), and Eric Robert Bowra, one of the guarantors in the project undertaken by the Company for the claim sum of USD702,206 (equivalent to RM2,893,089) together with interest and foreign exchange loss thereon ("Claimed Sum").

KTSB has made the necessary impairment for the Claimed Sum.

On 24 October 2016, the Court has granted KTSB leave to serve a Notice of Writ Out of Jurisdiction on the Defendants. The Court has requested KTSB to file the Notice of Writ upon extraction of the Court Order for leave and fixed the matter for case management on 25 November 2016.

On 25 November 2016, the Court has fixed the action for further case management on 5 December 2016 pending service of the court papers on the Defendants.

On 5 December 2016, the Court has fixed the action for further case management on 27 February 2017 for completing the service of the court papers on the Defendants. Further, the Court has set down the action for trial on 29 May 2017.

On 27 February 2017, the Court has fixed the action for further case management on 21 March 2017 to update the Court on service of the Writ and Statement of Claim on the Defendants.

On 21 March 2017, the Court allowed the KTSB's application to extend the validity of the Writ until 4 October 2017 pending service of the same by Ministry of Foreign Affairs of Malaysia. The trial date originally fixed on 29 May 2017 was vacated and re-fixed on 8 November 2017.

On 29 May 2017, the Court has fixed the action for the final case management on 6 July 2017 to update the Court on the service of Writ and Statement of Claim on Defendants.

On 6 July 2017, the Court has fixed the action for the final case management on 17 July 2017 to effect service of the Writ and statement of Claim on the Defendants.

On 17 July 2017, the Court refused to grant further extension of time for Ministry of Foreign Affairs of Malaysia to attempt service of the cause papers on the Defendants and struck off the Writ with liberty to file afresh. The timeframe to attempt service of the cause papers by the Consulate General of Malaysia is out of the Company's control and the Company will make further announcement if the next cause of action is decided, including the possibility of file afresh.

On 12 March 2020, KTSB decided not to pursue the case as KTSB is unable to track down the Defendant and the guarantor, Eric Robert Bowra. KTSB had received a total repayment of USD368,346 from the guarantor, Koh Chen Tien in the project via Settlement Agreement dated 25 July 2016.

48. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) On 2 March 2020, KESG has lodged with Singapore Mediation Centre a response under section 15(1) of the Building and Construction Industry Security of Payment Act ("SOP Act"), to each of the adjudication applications lodged by Mutiara (FE) Pte Ltd ("Mutiara"), a subcontractor engaged by KESG under two separate sub-contracts for a project in Singapore, for a total adjudication claims amounted to SGD4,140,325.

On 16 March 2020, KESG served a Notice of Arbitration dated 18 March 2020 as the Claimant on Mutiara to refer KESG's claims on back charges and liquidated damages in respect of Mutiara's failure, refused and/or neglected to complete the works timely and with due diligence and/or to carry out its contractual obligations under the sub contracts.

The Arbitration proceedings commenced under the Notice of Arbitration filed pursuant to the Arbitration Rules of the Singapore International Arbitration Centre.

The arbitration proceeding is commenced against Mutiara to seek, among others, the following relief:

1. Value of work done (including variations) by Mutiara to be assessed;
2. A declaration that Mutiara has breached its obligations under the sub-contracts;
3. An award for the sum of SGD6,375,475 being the payment that is due and payable by Mutiara to KESG as back charges and liquidated damages and scope deductions incurred to rectify the defects and/or non-compliant works, pursuant to the terms and conditions of the various purchase orders;
4. Losses and damages incurred by KESG arising out of Mutiara's breached of sub contracts and/or disputes in relation to the valuation of work done (including variations) by KESG and/or such other losses to be assessed; and
5. Interest, costs, and other relief that the arbitrator shall deemed fit.

KESG had received the following adjudication determination in for both adjudication application no. SOP/AA51 and SOP/AA52 from the Singapore Mediation Centre:-

1. SOP/AA51

    i. On 31 March 2020, the adjudicator determined that KESG shall pay Mutiara the sum of SGD1,051,245 (inclusive of GST) within 7 days after the service of the adjudication determination and shall bear 70% of adjudication expenses at SGD27,279.

    ii. On 1 April 2020, KESG had make payment of SGD 1,051,245 to Mutiara.

    iii. On 3 April 2020, KESG has filed an Adjudication Review Application ("ARA") in support of KESG application for an adjudication review of an adjudication determination.

        KESG submitted that the Adjudicator had erred in law and on the facts in that he had failed to discharge his independent duty to adjudicate the claim and had:

        a. over-valued the Mutiara's claim for original sub-contract works by SGD86,570;
        b. over-valued the Mutiara's claim for variations by SGD371,231;and
        c. erroneously allowed the Claimant to amend its adjudication application.

2. SOP/AA52

    i. On 3 April 2020, the adjudicator determined that KESG shall pay Mutiara the sum of SGD1,745,080 (inclusive of GST) within 7 days after the service of the adjudication determination and shall bear 60% of the adjudication expenses at SGD13,617.

    ii. KESG's solicitor is of the opinion that KESG shall file an ARA as well as seek a consolidation of the claims. The management is in considering and will make further announcement in due course.

48. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD (CONT'D)

(b) The outbreak of Coronavirus Disease 2019 (COVID-19) in early 2020 has affected the business and economic environments of the Group and hence, may impact its performance and financial position in the future. However, given the unpredictability associated with the COVID-19 outbreak and any further contingency measures that may be put in place by the governments and various private corporations, the potential financial impact of the COVID-19 outbreak on the Group's 2020 financial statements could not be reasonably quantified at this juncture.

49. INITIAL APPLICATION OF MFRS 16

The Group has adopted MFRS 16 using the modified retrospective approach under which the cumulative effect of initial application is recognised as an adjustment to the retained profits as at 1 January 2019 (date of initial application) without restating any comparative information.

The Group has applied MFRS 16 only to contracts that were previously identified as leases under MFRS 117 "Leases" and IC Interpretation 4 "Determining Whether an Arrangement Contains a Lease". Therefore, MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

(a) Lessee Accounting

At 1 January 2019, for leases that were classified as operating leases under MFRS 117, the Group measured the lease liabilities at the present value of the remaining lease payments, discounted using the Group's weighted average incremental borrowing rate at that date of 3.05%. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

The Group has used the following practical expedients in applying MFRS 16 for the first time:-

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied for the exemption not to recognise operating leases with a remaining lease term of less than 12 months as at 1 January 2019;
- Excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the lease contract contains options to extend or terminate the lease.

For leases that were classified as finance leases, the Group has recognised the carrying amount of the leased asset and lease liability immediately before 1 January 2019 as the carrying amount of the right-of-use asset and the lease liability as at the date of initial application.

49. INITIAL APPLICATION OF MFRS 16 (CONT'D)

(a) Lessee Accounting (Cont'd)

The following table explains the difference between the operating lease commitments disclosed in the previous financial year (determined under MFRS 117) and the lease liabilities recognised at 1 January 2019:-

	The Group RM'000
Operating lease commitments as at 31 December 2018 as disclosed in the previous financial year	324
Discounted using the incremental borrowing rate as at 1 January 2019	(9)
Add: Finance lease liabilities recognised as at 31 December 2018	1,576
Lease liabilities recognised as at 1 January 2019	1,891

There were no financial impacts to the Company's financial statements upon the transition to MFRS 16 at the date of initial application.

(b) Lessor Accounting

The Group did not make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of MFRS 16.

There were no financial impacts to the Group's and the Company's retained earnings as at 1 January 2019.

50. COMPARATIVE FIGURES

The following figures have been reclassified to conform with the presentation of current financial year:-

	As Previously Reported RM'000	As Restated RM'000
Consolidated Statement of Financial Position (Extract):-		
Trade payables	60,321	54,090
Other payables and accruals	17,469	23,700
Consolidated Statement of Profit or Loss and Other Comprehensive Income (Extract):-		
Cost of sales	(291,185)	(291,484)
Other expenses	(4,981)	(4,682)

ANALYSIS OF SHAREHOLDINGS

As At 5 June 2020

Issued and Paid-up share capital	:	RM 71,275,858 comprising of 311,459,126 ordinary shares. (Including 1,119,900 treasury shares)
Class of shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share

Size of shareholdings	No. of Holders	Percentage (%)	No. of Shares	Percentage (%)
Less than 100	140	4.07%	5,442	0.00%
100-1,000	469	13.62%	303,483	0.10%
1,001-10,000	1,796	52.15%	9,353,661	3.00%
10,001-100,000	815	23.66%	25,821,374	8.29%
100,001- less than 5%	221	6.42%	172,492,943*	55.38%
5% and above	3	0.09%	103,482,223	33.22%
TOTAL	**3,444**	**100.00%**	**311,459,126**	**100.00%**

*Including 1,119,900 treasury shares.

LIST OF SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 5 JUNE 2020

	Direct Interest		Indirect Interest	
Names	**No. of Shares**	**%**	**No. of Shares**	**%**
Palace Star Sdn. Bhd.	67,533,490	21.76	–	–
Sun Lead International Limited	19,817,733	6.39	–	–
CIMB Commerce Trustee Berhad – Kenanga Growth Fund	16,131,000	5.20	–	–
Kumpulan Wang Persaraan (Diperbadankan)	–	–	23,163,100 (1)	7.46 (1)
Gan Hung Keng	1,228,166	0.40	67,533,490 (2)	21.76 (2)
Ong Weng Leong	1,075,900	0.35	67,533,490 (2)	21.76 (2)
Cham Teck Kuang	120,000	0.04	67,533,490 (2)	21.76 (2)
Hu Keqin	120,000	0.04	67,533,490 (2)	21.76 (2)
Soh Tong Hwa	507,766	0.16	68,868,889 (3)	22.19 (3)
Fortune Dragon Holding Inc.	–	–	19,817,733 (4)	6.39 (4)
Lien Hwa Industrial Corp.	–	–	19,817,733 (5)	6.39 (5)

Notes:-

(1) Total shareholdings managed by Kumpulan Wang Persaraan (Diperbadankan)'s Fund Managers.
(2) Deemed interested under Section 8 of the Companies Act 2016 by virtue of their direct interests in Palace Star Sdn. Bhd.
(3) Deemed interested under Section 8 of the Act by virtue of his direct interests in Palace Star and Sin Huat Hing Farm Sdn. Bhd and deemed interested under Section 59(11)(c) of the Companies Act 2016 by virtue of shares held by his spouse and child.
(4) Deemed interested under Section 8 of the Companies Act 2016 by virtue of its direct interests in Sun Lead International Limited.
(5) Deemed interested under Section 8 of the Companies Act 2016 by virtue of its direct interest in Fortune Dragon Holding Inc.

LIST OF DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 5 JUNE 2020

	Direct Interest		Indirect Interest	
Names	**No. of Shares**	**%**	**No. of Shares**	**%**
Gan Hung Keng	1,228,166	0.40	67,533,490 (1)	21.76 (1)
Ong Weng Leong	1,075,900	0.35	67,533,490 (1)	21.76 (1)
Chan Thian Kiat	112,866	0.04	–	–
Tan Chuan Yong	286,166	0.09	–	–
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	16,500	0.01	–	–
Soo Yuit Weng	835,166	0.27	–	–
Cham Teck Kuang	120,000	0.04	67,533,490 (1)	21.76 (1)
Soh Tong Hwa	507,766	0.16	68,868,889(2)	22.19 (2)
Hu Keqin	120,000	0.04	67,533,490 (1)	21.76 (1)
Ng Lee Kuan	–	–	–	–

Notes:

(1) *Deemed interested under Section 8 of the Companies Act 2016 by virtue of their direct shareholding interests in Palace Star Sdn. Bhd.*

(2) *Deemed interested under Section 8 of the Act by virtue of his direct interests in Palace Star and Sin Huat Hing Farm Sdn. Bhd and deemed interested under Section 59(11)(c) of the Companies Act 2016 by virtue of shares held by his spouse and child.*

DIRECTORS' INTEREST IN ESS SHARES OVER ORDINARY SHARES

(Based on Register of ESS Shares of Employees' Share Scheme maintained pursuant to the Companies Act, 2016)

Directors	**No. of ESS Shares Offered**
Gan Hung Keng	1,120,000
Ong Weng Leong	1,120,000
Chan Thian Kiat	45,500
Tan Chuan Yong	45,500
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	38,500
Soo Yuit Weng	38,500
Cham Teck Kuang	280,000
Soh Tong Hwa	280,000
Hu Keqin	280,000
Ng Lee Kuan	–

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 5 JUNE 2020
(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name of Shareholders	No. of Shares	%
1	PALACE STAR SDN BHD	67,533,490	21.76%
2	SUN LEAD INTERNATIONAL LIMITED	19,817,733	6.39%
3	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD FOR CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND	16,131,000	5.20%
4	CITIGROUP NOMINEES (TEMPATAN) SDN BHD FOR KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)	13,048,900	4.20%
5	AMANAHRAYA TRUSTEES BERHAD FOR PUBLIC ISLAMIC OPPORTUNITIES FUND	9,154,300	2.95%
6	AMANAHRAYA TRUSTEES BERHAD FOR PMB SHARIAH AGGRESSIVE FUND	7,631,400	2.46%
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD FOR EMPLOYEES PROVIDENT FUND BOARD (ABERISLAMIC)	6,891,700	2.22%
8	CARTABAN NOMINEES (TEMPATAN) SDN BHD FOR RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT SHARIAH PROGRESSFUND	6,745,000	2.17%
9	CARTABAN NOMINEES (TEMPATAN) SDN BHD FOR ICAPITAL.BIZ BERHAD	6,437,600	2.07%
10	LEE BEE SENG	4,130,400	1.33%
11	HSBC NOMINEES (TEMPATAN) SDN BHD FOR HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT PROGRESS FUND (4082)	4,056,200	1.31%
12	AMANAHRAYA TRUSTEES BERHAD FOR PB ISLAMIC SMALLCAP FUND	3,935,200	1.27%
13	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (PF)	3,757,787	1.21%
14	CITIGROUP NOMINEES (TEMPATAN) SDN BHD FOR KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN AM A EQ)	3,211,800	1.03%
15	CITIGROUP NOMINEES (TEMPATAN) SDN BHD FOR URUSHARTA JAMAAH SDN. BHD. (ABERDEEN 2)	3,206,700	1.03%
16	CITIGROUP NOMINEES (TEMPATAN) SDN BHD FOR KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN ABSR EQ)	3,060,400	0.99%
17	CITIGROUP NOMINEES (TEMPATAN) SDN BHD FOR KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN HWNG SM CF)	3,008,200	0.97%

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 5 JUNE 2020

(Without aggregating the securities from different securities account belonging to the same Depositor) (Cont'd)

No.	Name of Shareholders	No. of Shares	%
18	CITIGROUP NOMINEES (TEMPATAN) SDN BHD FOR EXEMPT AN FOR AIA BHD.	2,767,600	0.89%
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD FOR NATIONAL TRUST FUND (IFM KENANGA)	2,745,300	0.88%
20	CHIA ZHEN CONG	2,283,500	0.74%
21	CHIA MOI LING	2,252,500	0.73%
22	FEDERLITE HOLDINGS SDN BHD	2,129,332	0.69%
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD FOR SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD (ORDPA)	1,841,800	0.59%
24	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR KENANGA ISLAMIC FUND	1,605,300	0.52%
25	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOEK TIANG KUNG (8038626)	1,598,700	0.52%
26	CARTABAN NOMINEES (TEMPATAN) SDN BHD FOR TMF TRUSTEES MALAYSIA BERHAD FOR AFFIN HWANG WHOLESALE EQUITY FUND	1,434,100	0.46%
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD FOR MTRUSTEE BERHAD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (FM-ABERDEEN)(419500)	1,300,500	0.42%
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD FOR SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD (ORDPSA)	1,200,900	0.39%
29	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD FOR CIMB COMMERCE TRUSTEE BERHAD - KENANGA PREMIER FUND	1,184,100	0.38%
30	ONG SENG HENG	1,155,000	0.37%

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twentieth Annual General Meeting ("20th AGM") of **Kelington Group Berhad** ("KGB" or "Company") will be held at Function Room 1, Setia City Convention Centre, No. 1, Persiaran Setia Dagang AG U13/AG, Setia Alam Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan on Friday, 10 July 2020 at 10.00 a.m., for the purpose of considering the following businesses:-

A G E N D A

Ordinary Business

1. To lay before the Meeting the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and the Auditors thereon. **(Refer to Explanatory Note (a))**

2. To re-elect the following Directors who are retiring in accordance with the Clause 97 of the Company's Constitution, and being eligible, have offered themselves for re-election:
   - (i) Ong Weng Leong **(Ordinary Resolution 1)**
   - (ii) Chan Thian Kiat **(Ordinary Resolution 2)**

3. To re-elect the following Directors who are retiring in accordance with the Clause 104 of the Company's Constitution, and being eligible, have offered themselves for re-election:
   - (i) Cham Teck Kuang **(Ordinary Resolution 3)**
   - (ii) Hu Keqin **(Ordinary Resolution 4)**
   - (iii) Soh Tong Hwa **(Ordinary Resolution 5)**
   - (iv) Ng Lee Kuan **(Ordinary Resolution 6)**

4. To approve the payment of Directors' remuneration payable to the Board of the Company amounting to RM249,000 for the period from 1 July 2020 until 30 June 2021. **(Ordinary Resolution 7)**

5. To re-appoint Messrs. Crowe Malaysia PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and authorise the Directors to fix their remuneration. **(Ordinary Resolution 8)**

Special Business

To consider and if thought fit, pass the following resolutions with or without any modifications:-

6. **Continuing in Office as Independent Non-Executive Directors**
   - (i) "THAT approval be and is hereby given to Chan Thian Kiat who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company." **(Ordinary Resolution 9)**
   - (ii) "THAT approval be and is hereby given to Tan Chuan Yong who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company." **(Ordinary Resolution 10)**

7. **Authority to Issue and Allot Shares**

"THAT subject always to the Companies Act 2016 ("the Act"), Constitution of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 75 of the Act to issue and allot not more than ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company pursuant to Section 76 of the Act and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof." **(Ordinary Resolution 11)**

8. **Proposed Authority for Purchase of Own Shares by the Company**

"THAT subject to the Companies Act 2016 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Constitution and the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

(i) the aggregate number of shares purchased does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase;

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall be backed by an equivalent amount of retained profits; and

(iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends or transfer the shares under employee share scheme or as purchase consideration,

AND THAT the authority conferred by this resolution will commence after the passing of this ordinary resolution and will continue to be in force until:-

(i) the conclusion of the next Annual General Meeting ("AGM") at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase(s) of the shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto." **(Ordinary Resolution 12)**

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

BY ORDER OF THE BOARD

LIM LEE KUAN (SSM PC No. 202008001079 & MAICSA 7017753)
TEO MEE HUI (SSM PC No. 202008001081 & MAICSA 7050642)

Company Secretaries

Kuala Lumpur
Dated this 15th day of June 2020

Notes:

1. A member may appoint up to two (2) proxies to attend, participate, speak and vote at the meeting. If a member appoints more than one (1) proxy, he shall specify the proportions of his holdings to be represented by each proxy, failing which the appointment shall be valid. A proxy may, but need not, be a member of the Company and there shall be no restriction as to the qualification of the proxy.

2. The instrument appointing a proxy shall be in writing, under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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 account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.

5. The appointment of proxy may be made in hard copy or in electronic form. The instrument appointing a proxy must be submitted in the following manners, at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof:-

   (i) <u>In hard copy form</u>
   To be deposited at the Company's Share Registrar's office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan; or

   (ii) <u>By electronic means</u>
   To be sent via e-mail to Khairul.Iqram@boardroomlimited.com

6. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Clause 62 of the Constitution of the Company, a Record of Depositors as at 2 July 2020 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.

Explanatory notes on Ordinary and Special Business

(a) *Item 1 of the Agenda*
Audited Financial Statements for the financial year ended 31 December 2019.

The Audited Financial Statements under this agenda item is meant for discussion only as the provision of Section 248 and Section 340 (1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders and hence this item is not put forward for voting.

(b) *Ordinary Resolution 7*

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 the 20th AGM on the Directors' remuneration in Resolution 7 on payment of Directors' remuneration for the period from 1 July 2020 until 30 June 2021 ("Relevant Period").

The Directors' remuneration comprises the Directors' fee and meeting allowances payable to the Board of the Company is set out as follows:

	Executive Directors RM	**Non-Executive Directors RM**
Director Fee	–	234,000
Meeting allowance	–	15,000
Total	–	249,000

In determining the estimated total amount of the Directors' remuneration, the Board considered various factors including the number of scheduled meetings for the Board and Board Committees as well as involvement of the respective Directors.

Payment of Directors' remuneration will be made by the Company on a monthly basis and/or as and when incurred if the proposed Resolution 7 has been passed at the 20th AGM. The Board is of the view that it is just and equitable for the Directors to be paid such payment on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the Relevant Period.

(c) *Ordinary Resolutions 9 & 10*
Continuing in Office as Independent Non-Executive Directors

The Board has assessed the independence of Chan Thian Kiat and Tan Chuan Yong, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine years, and recommended them to continue act as an Independent Non-Executive Directors of the Company based on the following justifications:-

a. they fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, they would able to function as a check and balance, bring an element of objectivity to the Board;
b. they have been with the Company for more than 9 years and were familiar with the Company's business operations;
c. they have devoted sufficient time and attention to their professional obligations for informed and balanced decision making; and
d. they have exercised their due care during their tenure as Independent Non-Executive Directors of the Company and carried out their professional duties in the interest of the Company and shareholders.

The Board considered Chan Thian Kiat and Tan Chuan Yong to be independent based on the above justifications and recommended them to be retained as Independent Non-Executive Directors of the Company.

(d) *Ordinary Resolution 11*
Authority to Issue and Allot Shares

The proposed Ordinary Resolution 11, if passed, will give flexibility to the Directors to issue shares to such persons at any time in their absolute discretion without convening a general meeting. This authorisation will expire at the conclusion of next Annual General Meeting of the Company.

This is a new mandate and 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, repayment of borrowings and/or acquisitions.

The previous mandate obtained from the members at the last AGM was not utilised and will be lapsed on 30 June 2020.

(e) *Ordinary Resolution 12*
Proposed Authority for Purchase of Own Shares by the Company

The proposed Ordinary Resolution 12, if approved, will empower the Company to purchase and/or hold up to ten per centum (10%) of the total number of issued shares of the Company through Bursa Malaysia Securities Berhad. For more information, please refer to the Share Buy-Back Statement dated 15 June 2020.

Measures to Minimise Risk of COVID-19

In order to minimise the risk of community spread of COVID-19, the Company will be taking the following precautionary measures at the 20th AGM:

1. All attendees will be required to undergo a temperature check and make a health declaration ;
2. Any person who has fever or exhibits flu-like symptoms will not be permitted to attend the 20th AGM; and
3. There will be no door gift and refreshment served at the 20th AGM.

On the seating arrangement and number of individuals to be present at the venue, the Company will observe the directives, safety and precautionary requirements as prescribed by the Government, the Ministry of Health, the Malaysian National Security Council, and other relevant authorities to curb the spread of Covid-19 are abide by.

We strongly encourage members to appoint the Chairman of the 20th AGM as their proxy to attend and vote at the 20th AGM. To vote on any or all of the resolutions at the 20th AGM, you are encouraged to send in your votes in advance by proxy and appoint the Chairman as your proxy. The proxy form is attached to the Notice of AGM.

If you have any questions in relation to any item of the Agenda of the 20th AGM, you may send them in advance via email at enquiry@kelington-group.com.

As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate and comply with any requirements or recommendation of any government agencies from time to time.

The Company seeks the understanding and cooperation of all Shareholders to minimise the risk of community spread of COVID-19.

KELINGTON GROUP BERHAD
(Registration No. 199901026486 (501386-P))
(Incorporated in Malaysia)

FORM OF PROXY

Number of Shares Held	CDS Account No.

* I/We .... NRIC ....

No./Passport No./Company No.. of ....

being a Member(s) of KELINGTON GROUP BERHAD (Registration No. 199901026486 (501386-P)), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)
***And/or (delete as appropriate)**			

or failing him/her, #THE CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us on *my/our behalf at the Twentieth Annual General Meeting of the Company to be held at Function Room 1, Setia City Convention Centre, No. 1, Persiaran Setia Dagang AG U13/AG, Setia Alam Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan on Friday, 10 July 2020 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:

Ordinary Resolutions		For	Against
1	To re-elect Ong Weng Leong as Director		
2	To re-elect Chan Thian Kiat as Director		
3	To re-elect Cham Teck Kuang as Director		
4	To re-elect Hu Keqin as Director		
5	To re-elect Soh Tong Hwa as Director		
6	To re-elect Ng Lee Kuan as Director		
7	To approve the payment of Directors' remuneration payable to the Board of the Company for the financial period from 1 July 2020 until 30 June 2021		
8	To re-appoint Messrs Crowe Malaysia PLT as Auditors of the Company		
Special Business			
9	To approve the continuing in office for Chan Thian Kiat as an Independent Non-Executive Director		
10	To approve the continuing in office for Tan Chuan Yong as an Independent Non-Executive Director		
11	Authority to Issue and Allot Shares		
12	Proposed Authority for purchase of own shares by the Company		

Mark either box if you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two proxies and wish them to vote differently this should be specified.

\# If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "The Chairman of the Meeting" and insert the name(s) of the person(s) desired.
* Delete if not applicable.

Signed this .... day of 2020

....
Signature / Common Seal of Shareholder

Notes:

1. *A member may appoint up to two (2) proxies to attend, participate, speak and vote at the meeting. If a member appoints more than one (1) proxy, he shall specify the proportions of his holdings to be represented by each proxy, failing which the appointment shall be valid. A proxy may, but need not, be a member of the Company and there shall be no restriction as to the qualification of the proxy.*
2. *The instrument appointing a proxy shall be in writing, under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.*
3. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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 account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.*
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   (i) In hard copy form
   To be deposited at the Company's Share Registrar's office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan; or
   (ii) By electronic means
   To be sent via e-mail to Khairul.Iqram@boardroomlimited.com
6. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Clause 62 of the Constitution of the Company, a Record of Depositors as at 2 July 2020 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.*

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Stamp

The Share Registrar
Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13 46200 Petaling Jaya, Selangor

Please fold here

www.kelington-group.com

KELINGTON GROUP BERHAD
[COMPANY NO. 199901026486 (501386-P)]

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