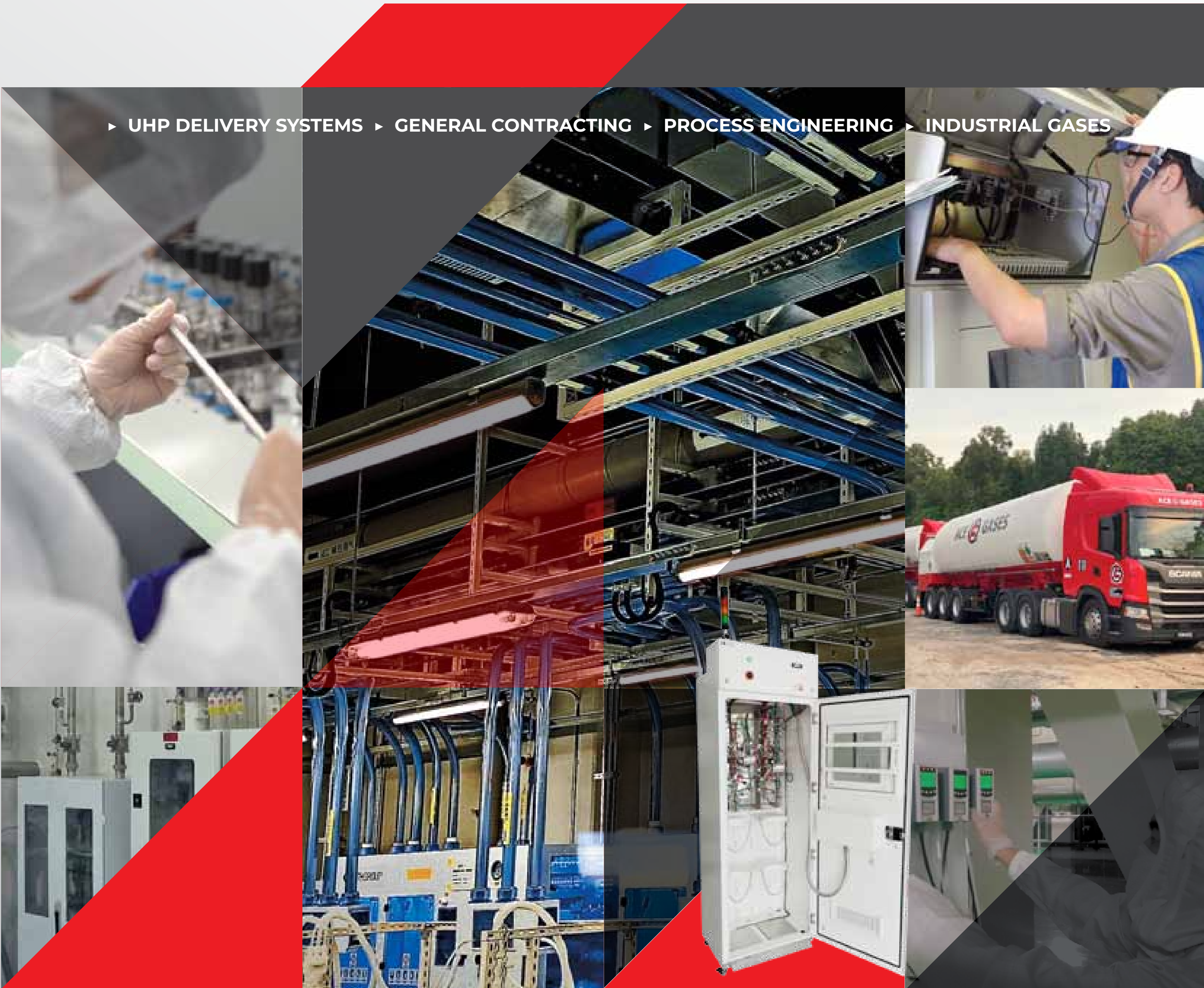
KELINGTON GROUP BERHAD

Registration No. 199901026486 (501386-P)

ANNUAL REPORT 2020

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



21st ANNUAL GENERAL MEETING

Function Room 1,
Setia City Convention Centre

15 June 2021

Tuesday, 10.00 am

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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

2020

- Secured the largest gas hook-up contracts thus far for KGB from the largest semiconductor foundry company in China
- Achieved new record high for new orders secured in FY2020 at RM490 million.
- First full year operation of our new liquid CO_2 plant and started exporting liquid CO_2 products

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

Lim Lee Kuan
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SSM PC No. 202008001079

Teo Mee Hui
MAICSA 7050642
SSM PC No. 202008001081

REGISTERED OFFICE

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No. 1 & 3, Jalan P. Ramlee
50250 Kuala Lumpur, Malaysia
Tel : +603-2382 4288
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MANAGEMENT OFFICE

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Email : enquiry@kelington-group.com

INVESTOR RELATIONS

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Tel: +603 6262 5777
Email: meilynn@capitalfront.biz

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
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11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
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Tel : +603-7890 4700 [Helpdesk]
Fax: +603-7890 4670
Website: www.boardroomlimited.com
Email: BSR.Helpdesk@boardroomlimited.com

AUDITORS

Messrs. Crowe Malaysia PLT
(201906000005 (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** (Members' Voluntary Winding Up has been completed on 5 February 2021)
  - 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)
  - 90% **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

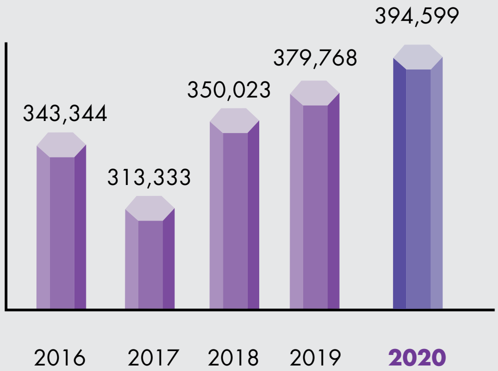
In our drive towards our vision, we uphold the following four core values:

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

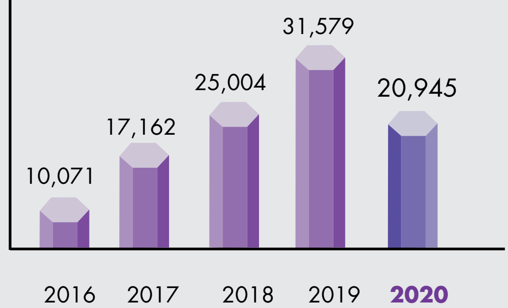
FINANCIAL HIGHLIGHTS

	Financial Year Ended 31 December				
	2016	**2017**	**2018**	**2019**	**2020**
Revenue (RM'000)	343,344	313,333	350,023	379,768	394,599
Profit Before Taxation (RM'000)	10,071	17,162	25,004	31,579	20,945
Profit After Taxation (RM'000)	8,827	11,541	18,315	23,920	17,591
Shareholders' Funds (RM'000)	66,993	78,475	116,215	155,534	168,329
Total Assets (RM'000)	199,945	229,874	243,476	303,055	350,343
Number of Ordinary Shares ('000)	222,375	229,834	267,453	311,459	322,623
Net Assets Per Share (RM)	0.30	0.34	0.43	0.50	0.52
Basic Earning Per Share (Cent)	4.0	5.2	7.6	8.2	5.5

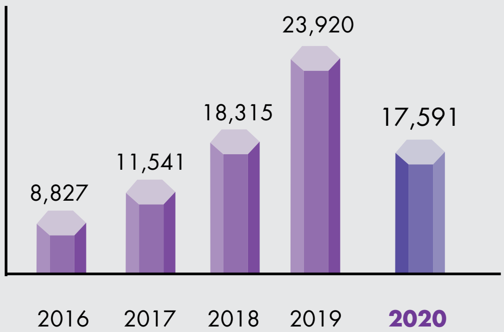
REVENUE (RM'000)



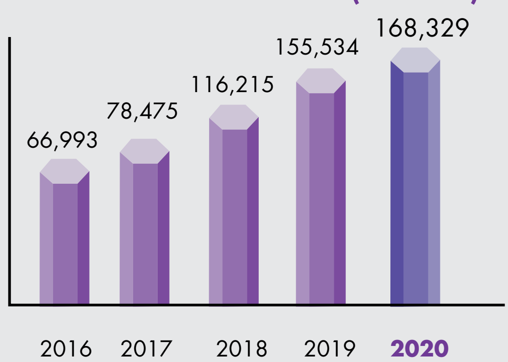
PROFIT BEFORE TAXATION (RM'000)



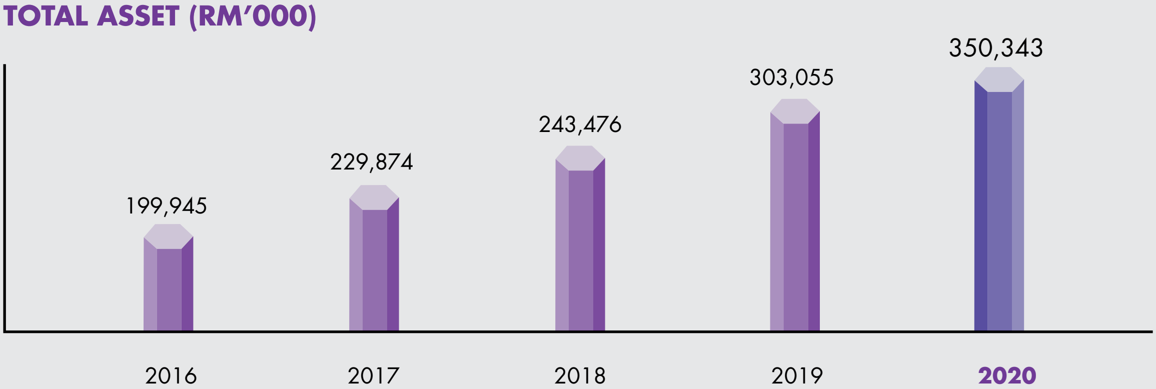
PROFIT AFTER TAXATION (RM'000)



SHAREHOLDERS' FUNDS (RM'000)



TOTAL ASSET (RM'000)



MANAGEMENT DISCUSSION AND ANALYSIS

Group's Business and Operations

Kelington was established in 1999 and subsequently listed on Bursa Malaysia 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.

ENGINEERING BUSINESS			INDUSTRIAL GASES		
ULTRA HIGH PURITY DELIVERY SYSTEMS ("UHP")	PROCESS ENGINEERING	GENERAL CONTRACTING	MANUFACTURING OF LIQUID CARBON DIOXIDE ("LC02") AND DRY ICE	TRADING OF SPECIALITY GASES	ON-SITE GAS SUPPLY
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. (ie. wafer fabrication).	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.	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.	We manufacture and distribute liquid carbon dioxide and dry ice to various users.	We distribute specialty gases via portable high-pressure gas storage tanks to various users.	We invest, operate and maintain on site gas generators via supply scheme contracts to various users.
Industries we serve: Semiconductor players, Electronic manufacturers, Gas plants, etc.	Industries we serve: Oil and gas, petrochemicals, Industrial plants, etc.	Industries we serve: Manufacturing facilities and Industrial plants.	Industries we serve: Resellers, Food & Beverages sector.	Industries we serve: Semiconductor players, Electronic manufacturers, etc.	Industries we serve: Semiconductor players, Electronic manufacturers, etc.

A DEFINING YEAR

2020 has been a defining year for Kelington and our resilience was tested on multiple fronts. On behalf of the Board of Directors, I am pleased to report that at the end of the financial year ended 31 December 2020 ("FY2020"), our company has grown stronger and achieved several breakthroughs amidst the challenging operating landscape.

The upheaval brought upon by the COVID-19 pandemic combined with increased economic uncertainties has been an unprecedented crisis of the modern times. The prospects of strong and promising global growth were muted by the rapid spread of the COVID-19 pandemic that has severely impacted several key industries around the world. Overall in year 2020, Malaysia's gross domestic product ("GDP") contracted 5.6% as compared to a growth of 4.3% in 2019 largely attributable to the imposition of the movement control order ("MCO") nationwide from March 2020 to May 2020. The restrictions on mobility, especially on inter-district and inter-state travel, weighed on economic activities.

The slowdown in the domestic economic activities had also impacted demand for the Group's industrial gases products as a big portion of the supply is catered for the construction and aviation industries, which were not deemed essential for operations during the MCO period.

On the other hand, the semiconductor industry had a good year with sales recorded at USD439.0 billion in 2020, an increase of 6.5% against 2019's record of USD412.3 billion. The Asia Pacific region continued to retain its position as the highest revenue contributor to the world's semiconductor industry in 2020 given that it is home to some of the major semiconductor companies in the world. China remained the largest individual market for semiconductors, with sales totalling USD151.7 billion in 2020, an increase of 5.0%. The demand for integrated circuits continued to be at all-time high due to global chip shortages. Large semiconductor players are racing to clear the backlogs and resumed its capital expenditure activities after a temporary halt due to the pandemic.

Every challenge brings new opportunities

RM490 million

of new orders secured in FY2020

Against the robust development, Kelington increased its tender activities in 2020 and successfully clinched approximately RM490 million worth of new orders, hitting a new all-time high and surpassed last year's record of RM386 million. Majority of the new orders secured were from semiconductor clients, accounting about 60% of the total, from across China, Malaysia and Singapore.

While order flows have been strong, project delivery in 2020 was hindered by the movement restrictions imposed in the respective key geographical segments which has resulted in slower revenue recognition. The Group's diversified geographical footprints enabled business continuity albeit on a slower pace and we avoided a total shutdown in terms of site activities. The halt in operations was implemented by stages in accordance with the restrictions imposed by the respective local authorities.

TIMELINE OF OPERATIONAL HALT

CHINA	MALAYSIA	SINGAPORE	TAIWAN
Lockdown measures implemented: End January 2020 till February 2020	Movement Control Order: 18 March 2020 till May 2020	Circuit Breaker: 7 April 2020 till June 2020	Business as usual with no movement restrictions.
Resumptions of engineering activities: Gradual resumption in February 2020 and returned to full operations by March 2020.	Resumptions of engineering activities and manufacturing of liquid carbon dioxide and dry ice products: Gradual resumption in May 2020 and returned to full operations by June 2020.	Resumptions of engineering activities: Gradual resumption in June 2020 and returned to full operations by July 2020.	

NAVIGATING THE UNPRECEDENTED

The Group's presence in China enabled us to access information on the severity of the virus and best practices for our operations during the early moments. Upon experiencing it first-hand, we have swiftly put into motion initiatives, such as distributing medical face masks to all sites since 2 March 2020, to brace the challenges ahead.



The Board conducted regular reviews and updates of COVID-19 related risk impacts on our operations and business sustainability. Our utmost priorities are focused on strengthening business continuity framework and to safeguard the well-being of our key assets which is our people.

We had embarked on split operations for our office-bound team and reduced on-site workforce to ensure a safe working environment. Our on-site workforce was reduced as compared to pre-pandemic, which was a challenge in resources management. To keep our team and clients safe, we adhered strictly to all the recommended standard operating procedures (SOP) such as temperature screening, the provision of personal protective equipment and regular sanitisation, as well as maintaining physical distancing. We increased our internal communications by regularly circulating information on the latest updates on the status of COVID-19 throughout our operating countries.

In addition to that, the Group took proactive measures to step up the movement tracing process within the Group by implementing an internal contact tracing procedure since June 2020. A COVID-19 working committee was formed to ensure adequate support was provided to all our employees who were working from home. For on-site operations, there was at least one COVID-19 coordinator deployed to each project site to ensure full compliance of the SOP on site.

The COVID-19 pandemic has not only wounded the economy but also affected the wellbeing of everyone battling the health crisis. With this in mind, the Group distributed a special COVID-19 Care Incentive as a token of gratitude to all our employees for their unwavering hard work during this challenging period.

The Group's emphasis on healthy liquidity and capital levels has proven to be advantageous as it gave us an edge to go through this pandemic from a position of strength. Backed by healthy cash flow and solid balance sheet, the Group weathered through the rough waters without the need to reduce our workforce and payrolls. On the contrary, our Malaysia and China operations expanded the respective local workforce to cope with the rising orders amidst the border closure which has prevented cross countries support.

On the supply chain, we have been working closely with our suppliers, partners, and clients to minimise disruptions in operations and on-site activities where possible. There was no major cancellation of project orders and supply of materials have been manageable.

OPERATIONAL REVIEW

Kelington remained on course for growth and continued to fortify its market position in the UHP segment albeit the external headwinds. The two months lockdown in China, from January to February, had inevitably caused some operational hurdles however the recovery momentum was quick to pick up pace. The Group was back on track to fulfil the contract orders in hand by March 2020.

The Group continues to accelerate project tender activities in China and clinched several milestone projects from renowned semiconductor players in China. Total projects clinched under the UHP segment accounted for approximately 60% or RM294 million of the Group's total new orders secured in 2020.

Amongst the notable achievements was clinching the exclusive UHP contracts from the largest semiconductor foundry company in China for specialized engineering works for a few of their wafer fabrication plants in China such as Beijing, Tianjin, Shanghai and Shenzhen in 2020. The contract wins further accentuated the Group's ability and competitive edge against other international industry peers in the highly demanding semiconductor sector.

The Group's strong presence in the UHP System for the electronics industry and subsequent venture into the fabrication of own-brand UHP gas and chemical delivery equipment had enabled the segment to operate with minimal disruptions in China, where most sites are located.

Meanwhile, the process engineering segment faced setbacks from March until July 2020 due to the staggered movement restrictions in Malaysia and Singapore. Majority of the sites activities during the period was put on hold adhering to the SOP imposed by the local authorities. Project tenders returned in the second half of 2020 when multinational corporations resumed its expansion plans.

Management Discussion and Analysis (cont'd)

General contracting segment had a good year in 2020 riding on the growth of our clientele from both electrical and non-electrical industries. The Group secured a new contract worth approximately RM35.0 million from one of the world's leading semiconductor chip manufacturer to provide infrastructure works for a facility in Penang, Malaysia. In addition to that, the Group worked on several small-scale solar projects in Taiwan.

The year also saw strong performance from the new business segment, Industrial Gases. Within a year of operations, the manufacturing of liquid carbon dioxide ("LCO2") division achieved higher than expected average utilisation rate of approximately 40% of the total 50,000 tonnes per annum capacity. LCO2 products were distributed to resellers in the domestic market catering for end users such as welders, food freezing operators, etc.

As for overseas market, the Group started exporting LCO2 to resellers in Singapore and Indonesia catering mainly for the construction industries there. To further expand the export operations, the Group welcomed four new liquid carbon dioxide skid tanks in fourth quarter of 2020. With these new assets, it will expand the Group's logistic capabilities to export to countries further from Malaysia.

FINANCIAL HIGHLIGHTS

All-time High Revenue :

RM394.6 million

in FY2020

Notwithstanding the global headwinds, Kelington continue to thrive with record breaking revenue of RM394.6 million in FY2020 surpassing last financial year's record of RM379.8 million ("FY2019"). The overall better performance in revenue stemmed mainly from higher contribution from the Industrial Gases segments as well as the General Contracting segment

Revenue by Business Segment	FY2019	FY2020
UHP	RM262.6 million	RM278.0 million
Process Engineering	RM90.4 million	RM46.5 million
General Contracting	RM18.0 million	RM45.4 million
Manufacturing & Trading - Industrial Gases	RM8.0 million	RM22.1 million
Manufacturing & Trading – Equipment & Materials	RM0.2 million	RM1.8 million
Service segment	RM0.6 million	RM0.8 million

UHP segment saw an increase of 6% or RM15.5 million in revenue contribution to RM278.0 million from RM262.5 million a year ago. The growth was mainly driven by higher projects completion in China and Singapore. The UHP remained the largest revenue contributor to the Group, representing 70% of FY2020 total revenue. Process Engineering segment was impacted by the staggered operational halt due to the MCO in Malaysia and later the circuit breaker in Singapore. As a result, the Group recorded slower billing progress and lower revenue of RM45.8 million in FY2020 against RM90.4 million in FY2019. Meanwhile, the General Contracting segment grew 152% year-on-year ("YoY") to RM45.4million in FY2020 as compared to RM18.0 million in FY2019 on the back of increased project orders in Malaysia.

The manufacturing and trading of Industrial Gases segment recorded maiden full year contribution from the manufacturing of ILCO2 business which boosted revenue to more than two-fold to RM22.1 million in FY2020 from RM8.0 million in FY2019. The improvement has increased the segment's contribution to 6% of total revenue in FY2020 from merely 2% in FY2019.

In line with the surge in UHP projects, the Manufacturing and Trading of Equipment & Materials segment's production increased and resulting a higher revenue of RM1.8 million versus RM0.2 million in FY2019.

Geographically, the Group's revenue was mainly derived from the Singapore, China and Malaysia operations, which collectively accounted for 95% of total revenue in FY2020. Excluding the Singapore operations, all key segments recorded growth in revenue on the back of higher project completions.

During the year under review, the Group incurred higher expenses on protective equipment and other expenses arises due to the delay in project delivery. This had offset the better revenue performance and impacted the Group's profit margins. Finance cost was also higher at RM2.5 million in FY2020 as compared to RM1.3 million a year ago, primarily due to the financing requirements for the new manufacturing facility for LCO2 business. There was also one-off specific impairment on trade receivable of RM4.7 million recognised in FY2020 which drove Profit Before Tax ("PBT") lower to RM20.9 million. Absence of the one-off expenses, PBT would have been higher at RM25.6 million.

Tax rate in FY2020 has seen stood lower than the statutory rate at 16.0% mainly due to the research and development incentives received in China. Consequently, profit after taxation stood at RM17.6 million in FY2020.

LIQUIDITY AND CAPITAL RESOURCES

	FY2019	FY2020
Total Liabilities	RM149.0 million	RM182.0 million
Total Equity	RM155.5 million	RM168.3 million
Total Assets	RM304.5 million	RM350.3 million

While the impact surrounding the pandemic had presented various challenges in terms of cash flow and liquidity management, the Group's past years prudent capital management established a robust fundamental that withheld unparalleled headwinds.

Positive net operating cash flow:

RM45.7 million

Net Cash:

RM73.5 million

As at 31 December 2020, the Group recorded a positive net operating cash flow of RM 45.7 million and a higher net cash position of RM73.5 million, an increase of 58% from RM46.4 million as at 31 December 2019. Total gross cash grew to RM132.0 million surpassing total debt of RM58.5 million. Net cash per share stood at 23 sen.

The Group's gearing level stood higher at 0.35 times against 0.25 times due to the drawdown of term loan for the liquid carbon dioxide plant and dry ice plant. Majority of the borrowings were used for project financing purposes and capital expenditure for new industrial gas business division.

The Group incurred additional capital expenditure ("CAPEX") amounting to RM11.1 million in FY2020. Majority of the CAPEX was utilised for the purchase of supporting assets for the industrial gases business such as skid tanks.

Meanwhile, continuous quarterly profit boosted shareholders' equity (excluding non-controlling interests) to RM168.0 million from RM155.3 million as at 31 December 2019.

RETURNS TO SHAREHOLDERS

The Group remained committed in maintaining our dividend policy amidst a year that has been incredibly challenging as 2020 underlined our dedication in rewarding our shareholders. Our ability to continuously create shareholder value is attributed to the Group's prudent risk management culture. Kelington has been consistently paying dividends for ten consecutive years to our shareholders for the long-standing support and we aim to continue the track record moving forward.

In respect of the FY2020, the Board has declared and paid the first interim tax-exempt dividend of 0.5 sen per ordinary share amounting to RM1.6 million on 2 November 2020.

In addition to that, the Board has declared a second interim dividend of 1 sen per share, to be paid on 11 June 2021. This would bring the total FY2020 dividend payout to 1.5 sen per share with a payout ratio of 28%, surpassed our dividend policy to distribute at least 25% of the Group's net profit.

2021 OUTLOOK AND PROSPECTS

After a year of muted growth, the global semiconductor industries are projected to resume its expansionary trajectory to address the explosive demand for integrated chips. The rising technological advancement in modern-day gadgets and vehicles are increasing the need for more chips and this has caused a global shortage leading to production disruptions across multiple industries.

The global semiconductor sales are projected to increase by 8.4% in 2021, driven by an ever increasing number of devices embedding semiconductor technology throughout the world, ranging from smartphones and tablets, automotive electronics, cloud computing data centres, as well as optoelectronics such as photonics and fibre optics. Global semiconductor players are ramping up its capacities and capabilities to race against the rising demand. High capital expenditure spending is expected in Asian countries such as China, where it is racing to gain chip independence. This augurs well for Kelington as every expansion in a wafer fabrication facility requires UHP solutions, be it a new facility or an upgrade in equipment for existing fabrication facility.

The Group will continue to ride on the booming growth and intensify our efforts to expand our clientele in China. We have made good progress in the first half of FY2021 and successfully clinched new milestone contracts worth approximately RM37.9 million to perform gas hook up works for Ruili Integrated Circuit Co. Ltd's memory chip wafer fab project at Hefei, the capital of Anhui Province, China. Ruili Integrated Circuit Co. Ltd is the parent company of ChangXin Memory Technologies, Inc., China's first independently developed memory chip maker. The new addition marks a breakthrough for Kelington as it represents the very first project win from the reputable state-owned semiconductor player. The pursue of this project is no easy feat, especially for a non-local player like Kelington, having to compete with renowned industry players from all around the world.

Recovery is also expected in the process engineering segment as non-electrical industries are back on track for growth. The Group is seeing a resurgence of expansion activities where multinational companies are investing to upgrade its facilities as well as build new plants. Two of our main markets, Malaysia and Singapore, are expected to have gradual recovery in economic activities while undergoing the rollout of COVID-19 vaccines programme.

The resumption in economic activities is also driving demand for LCO2. Our manufacturing facility is operating at an average of about 60% utilisation rate with some months reaching peak of 100% utilisation. The demand is coming from both the domestic and overseas market. The Group intends to expand our market segment to include end users such as food and beverage industries that consume larger amounts of LCO2 to produce carbonated drinks and frozen food. In conjunction with this expansion plan, the Group had obtained the Food Safety System Certification (FSSC 22000) particularly for food safety/ quality management system certification for its manufacturing, storage and distribution of LCO2 activities for food and beverage industries in October 2020.

Our goal is to be a reputable regional player in the Industrial Gases segment. We will be accelerating our export activities by investing in transportation equipment and deploy more sales personnel to tender for contracts in the overseas markets, which includes Singapore, Taiwan and Indonesia. We have recently supplied two skid tanks of LCO2 to Taiwan for a pilot project and are delivering higher volume of supplies to Singapore via our in-house fleet of tankers.

In addition to the LCO2 products, we aim to expand our product offerings within the Industrial Gases business, which include, but are not limited to, manufacturing and trading of nitrogen, oxygen, argon, and hydrogen.

The start of 2021 has been encouraging thus far as our replenishment of orders in the engineering business remains robust with RM59 million new orders secured for works under the UHP segment for the China market . This has bolstered the Group's outstanding orderbook to RM 465.9 million as at 31 March 2021, prior recognition of Q12021 revenue. Majority of the new orders secured were for works under the UHP segment for the China market. The Group's tenderbook is at a healthy level with project bids worth RM900 million across China, Malaysia, Singapore and Taiwan. Coupled with the rising orders for our liquid carbon dioxide products, we are upbeat that FY2021 will be a remarkable year where Kelington will rebound strongly with greater growth.

RISKS FACTOR

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

The Group's project orders for engineering solutions and supply of industrial gases are generally on short term basis.

This is due to the fact that the Group's Industrial Gases customers are mainly distributors or manufacturers of various kinds of products and thus, the nature of purchase is on purchase order basis. The volume of purchase orders from the customers may vary significantly from period to period, and it is difficult for the Group to forecast future order quantities. It is our Group's intention to focus on long term gas supply contract, which may grant us earnings sustainability throughout the contract tenure. However, there is no assurance that the Group is able to secure long term gas supply contract in the future.

As for engineering projects, the tenure of the contracts are typically 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.

DEPENDENCE ON THE AVAILABILITY OF TECHNICAL PROFESSIONALS

The growth of the Company is highly dependent on the capabilities, skills and competencies of our workforce. It is the determining factor to ensure the Group's continued success. Recognising the importance of our workforce, 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

The Group is exposed to various political landscapes due to its market presence in the oversea market. Our main key operating countries are 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.

The Group closely monitors any new developments on prospective regulations as well as changes in policies to ensure we are prepared ahead. 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.

CYCLICAL NATURE OF THE INDUSTRY

The Group's primary revenue contributor, 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 ENVIRONMENTS

The Group is operating in a highly competitive operating landscape with multiple industry players in 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 competition from larger industry players from around the world who have greater resources and wider access to capital.

Nevertheless, the Group will endeavour to take proactive measures to remain competitive in this business by amongst others, constantly keeping abreast with the latest market conditions, and continuing efforts in maintaining a competitive edge in terms of cost competitiveness, service quality, product quality and service reliability.

The Group remained steadfast on advancing our technical capabilities, 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.

THE FINANCIAL AND OPERATIONAL IMPACTS ON KELINGTON GROUP ARISING FROM COVID-19 OUTBREAK

The World Health Organisation had on 11 March 2020 declared the COVID-19 outbreak as a global pandemic. As a measure to contain the outbreak, the Government of Malaysia announced MCO which was effective from 18 March 2020. Effective 4 May 2020, the MCO transitioned into a conditional MCO ("CMCO") until 9 June 2020. As announced on 7 June 2020, the conditional MCO further transitioned into a recovery MCO ("RMCO") which had commenced with effect from 10 June 2020 until 31 August 2020. Subsequently vide an announcement on 28 August 2020, the RMCO was further extended from 31 August 2020 until 31 December 2020.

Under the RMCO, more economic sectors and businesses were allowed to be opened subject to adherence with the necessary strict SOPs.

The outbreak of COVID-19 is an event of force majeure that is beyond the control of the Group. The implementation of the MCO had caused disruptions to our operations during its duration and the SOPs have increased the Group's operating costs, including, amongst others, costs arising from employee testing, temperature monitoring and increased workplace hygiene policies.

There is no assurance that the COVID-19 outbreak and the on-going CMCO will not have any adverse impact on the Group's business and financial conditions.

APPRECIATION

While we bid goodbye to a momentously challenging year, we are reminded of the unfailing dedication of all our employees. Our people have given their all to ensure we continue to deliver excellence amidst the turmoil of the pandemic. I would like to express my heartfelt gratitude and appreciation to each and every one in Kelington. It was a tiring year, but together we have emerged stronger than before.

I would also like to thank my fellow Board members for their wise counsel, which have been particularly valuable in these challenging times. My appreciation extends to all relevant regulatory bodies for enabling an environment in which we have been able to operate in a sustainable and safe manner.

To all our stakeholders – shareholders, clients and business partners– thank you for your continued support and confidence to the Group.

We have been through an unprecedented year and learnt to quickly adapt to the unexpected in 2020. The valuable experiences have reinforced our belief in prudent capital management as well as the importance of diversification to ensure business sustainability. We look forward to continue building strength in a sustainable manner to ensure we create long term value to our stakeholders and shareholders.

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

DIRECTOR'S PROFILE

IR. GAN HUNG KENG

Age
57

Nationality
Malaysian

Gender
Male

Chairman/CEO
Length of Service: 21 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.

ONG WENG LEONG

Age
53

Nationality
Malaysian

Gender
Male

Executive Director/ COO
Length of Service : 16 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 in 2015 – 2016.

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.

Director's Profile (cont'd)

CHAN THIAN KIAT

Age
65

Nationality
Malaysian

Gender
Male

Senior Independent Non-Executive Director
Length of Service : 11 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
65

Nationality
Malaysian

Gender
Male

Senior Independent Non-Executive Director
Length of Service : 11 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.

VICE ADMIRAL (RETIRED) DATUK HAJI JAMIL BIN HAJI OSMAN

Age
63

Nationality
Malaysian

Gender
Male

Independent Non-Executive Director
Length of Service : 8 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 53
Nationality Malaysian
Gender Male

Independent Non-Executive Director
Length of Service : 8 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.

Director's Profile (cont'd)

NG LEE KUAN

Age
55

Nationality
Malaysian

Gender
Female

Independent Non-Executive Director
Length of Service : 1 year & 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
68

Nationality
Malaysian

Gender
Male

Non-Independent Non-Executive Director
Length of Service : 1 year & 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 64
Nationality Singaporean
Gender Male

Non-Independent Non-Executive Director
Length of Service : 1 year & 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 directorships of public companies and listed issuers.

HU KEQIN

Age
60

Nationality
Singaporean

Gender
Male

Non-Independent Non-Executive Director
Length of Service : 1 year & 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 KGB, 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 directorships of public companies and listed issuers.

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 70 of this Annual Report.

Shareholdings
The details of Directors' shareholdings are set out in the Analysis of Shareholding(s) on page 213 of this Annual Report.

KEY SENIOR MANAGEMENT'S PROFILE

JONG YU HUAT

Age
50

Nationality
Malaysian

Gender
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
53

Nationality
Singaporean

Gender
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.

ONG SENG HENG

Age
42

Nationality
Malaysian

Gender
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
45

Nationality
Malaysian

Gender
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
44

Nationality
Malaysian

Gender
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
39

Nationality
Malaysian

Gender
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.

SUSTAINABILITY STATEMENT

This Sustainability Statement has been prepared in accordance with the guidelines set out in the MMLR and the Sustainability Reporting Guide (2nd Edition) issued by Bursa Malaysia Securities Berhad.

We are pleased to share our responsible practices in FY2020 in the **Marketplace**, **Environment**, **Community** and **Workplace** sections of this Sustainability Statement ("Statement"). This Statement presents sustainability matters that are material to our stakeholders and to our business.

What Sustainability means to us

When we talk about our commitment to Environmental, Social, and Governance ("ESG") sustainability at Kelington, we are referring to our mindfulness of the effect that we have on our environment and natural resources while we are providing quality products and services to our valued customers and deliver sustainable value to our stakeholders.

We believe that a well-established framework of policies, dedicated committees and management systems, regular process reviews ensure our management's practice is perform at the highest level of integrity and transparency. Regular employee training and communications ensure Kelington Group's sustainability approach is well communicated and implemented.

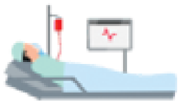
Reporting Period and Scope

This Statement covers Kelington's sustainability performance of its business operations in Malaysia, Singapore, China and Taiwan for the financial year from 1 Jan 2020 to 31 Dec 2020.

Our Business Operations	2020 Group Operating Revenue (%)
Singapore	32%
China	32%
Malaysia	31%
Taiwan	4%
Others	1%

All data presented in this Statement, including the comparative data from the previous two years, have not been verified by any independent third party.

Sustainability at Kelington
Highlights of 2020

Environmental	Social	Governance
Pollution Prevention Initiate quarterly environmental monitoring process to monitor water quality, air quality and noise to minimize our pollution risk for our manufacturing activities at Kerteh. **Energy** Upgrade our headquarter' s photovoltaic solar panels and improve the efficiency of solar PV generation by 65% **Recognition** Singapore Green and Gracious Builder (SMC) certification in 2020	**Health & Safety**  **2.6** (2019: 2.13) Man-hours without LTI (millions) **Zero Fatalities**  **Employees** To promote local employment **82%** local employees Woman Composition in Board : **1/10** (2019: 1/10) **65** employee's direct family qualified for a health insurance subsidy, which makes their health insurance more affordable. **74,000** face masks  distributed in responses to covid-19 pandemic Participate in Project Sambung Sekolah and support **1** underprivileged student	**Risk Assessment** 2020 Risk Profile Analysis **Anti-Bribery and Corruption** zero-tolerance policy against all forms of bribery and corruption as a reflection of our strong commitment to high ethical standards and anti-corruption laws.

Sustainability Statement (cont'd)

Our Commitment

Environmental	Social	Good Governance & Economic Growth
• Focusing on environmentally-conscious manufacturing and production processes. • Supporting a green supply chain, recyclable packaging, environmental protection, proper waste management and other green processes.	• Build the Group as a profitable organization that is continuously investing in new technology, delivering world class and quality services to meet our customers' requirement, safely and cost effectively. • Establishing a diversified workplace that maximises performance. • Improve group and individual performance by increasing and honing skills and knowledge. • Fulfilling the Group's responsibilities as a good corporate resident through ongoing customised socially beneficial activities that meet the needs of local communities.	• Continuous innovation in UHP systems design to address the increasing demand in high-end electronics and overcome chips shortage globally. • Addressing the industry's demand for gas purification and abatement technologies to ensure safe handling of the delivery and distribution of specialty gases and chemicals and waste disposal. • Strengthening the strategic position and increase market share in the industries.

In striving to be sustainable, Kelington is committed to:

✓ Integrating sustainable values and practices in the strategic execution and operational decision processes.
✓ Safeguarding and protecting its operations by ensuring a healthy, safe and secure work environment while remaining efficient and effective.
✓ Supporting the professional, developmental and personal growth of its employees.
✓ Developing an environmental agenda and plans which are integrated into business operations.
✓ Continuous improving the sustainability management system including measures to monitor material sustainability matters.
✓ Instituting sustainability initiatives through effective leadership and proper stakeholder engagement.
✓ Promoting the use of locally sourced and sustainable products, services and other resources.

Environmental	Social	Governance
✓ ISO 14001:2015 (Environmental Management System) ✓ Certified under Singapore's Green and Gracious Builder Scheme ✓ Kelington's Sustainable Development & Climate Change Position Statement ✓ Environmental Policy	✓ ISO 45001:2018 (Occupational Health & Safety Management System) ✓ Safety and Health Policy ✓ Employee Handbook ✓ Community Investment Policy ✓ Responsible Supply Chain Policy ✓ Sexual Harassment Policy ✓ Drug Free Environment Policy ✓ Human Rights Policy ✓ Gender Diversity Policy	✓ Anti-Bribery & Corruption Policy ✓ KE Code of Ethics and Conduct ✓ KE Whistleblowing Policy ✓ KE No Gift Policy ✓ Board Diversity Policy ✓ External Auditors Policy ✓ Updated Board Charter ✓ Enterprise Risk Management ("ERM") System methodology based on ISO 31000 (Risk Management-Practices and Guidelines) and Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM Framework

Sustainability Governance Structure of Kelington Group Berhad

1 Board of Directors	2 Executive Management Committee	3 Group Chief Operating Officer	4 Sustainability Working Group ("SWG")	5 Business Functions/ Working Committee
✓ Ensure Business Strategy considers sustainability. ✓ Approve sustainability strategy.	✓ Evaluate overall Sustainability risks and opportunities. ✓ Oversee Implementation of Sustainability Strategy. ✓ Assists in sustainability oversight by reviewing the Sustainability Statement	✓ Provide leadership over implementation of sustainability strategy. ✓ Oversee departments in ensuring robustness of system of sustainability management.	✓ Report to Group COO and responsible to develop Sustainability Statement ✓ Oversees the operational aspect in relation to the health, safety and environment	✓ Support Strategy Implementation. ✓ Ensure Processes and Controls are in place within its departments. ✓ Report Management Targets. ✓ Reports on performance of processes and controls.

The Board of Directors has entrusted the Risk Management Committee ("RMC") with the responsibility of risk management oversight. We adopted Enterprise Risk Management Framework to identify, evaluate and manage principal risks for the Company.

The RMC is supported by the Executive Management Committee. The Executive Management Committee reviews quarterly progress to ensure best practices are embedded across the Group and is responsible for approving major sustainability initiatives. Sustainability Working Group ("SWG") established since Jan 2021 , oversees the operational aspect in relation to the environment, social (including health & safety) and governance. The SWG share report to the Group COO on a quarterly basis. Please refer to Page 79 of Statement on Risk Management and Internal Control for information on accountability of risk management matters at Kelington.

The Board of Directors develops strategies to promote and strengthen sound health, safety and environment (HSE) culture across the Group and support long-term sustainability.

The Board bears the ultimate responsibility over the effectiveness of the health, safety and environment risk management practices.

Since Jan 2021, Kelington established a group-wide governance framework for sustainability that defines and guides the Company towards impact-focused targets. The table below illustrate further on the responsibilities of existing working committee: -

Working Committee	Responsibilities
Health & Safety Working Committee	Overseeing the health and safety of the working environment: • Chemical/Personal Protective Equipment Management • Hazard Identification, Risk Assessment and Risk Control • Emergency response testing • Permit/ test report • Accident complaint investigation • Workplace inspection/ audit • Machinery/ work instruction
Environmental Working Committee	Monitoring and ensuring the following aspects of environment management are upheld: • Management of scheduled waste • Emergency response drills and procedures • Legal requirements, measurement and monitoring of waste • Promotion, Training and Consultation • Environmental Management System, to ensure it is in accordance with ISO14001:2015 Standard
Management Systems Working Committee	• Overseeing the systems and controls in place that support the tasks of the other committees. • Monitor updates in applicable laws, regulations and customer requirements, including requirements of the Responsible Business Alliance (RBA) Code of Conduct. • Establish and periodically assess objectives, targets and improvement programmes for social and environmental performance. • Communicate policies and practices at Kelington. • Conduct self-assessments and internal audits.
Human Rights Working Committee	Monitoring and ensuring the following aspects of human rights are upheld: • Child labour & forced labour prohibition • Working hours • Wages and benefits • Humane treatment • Non-discrimination • Diversity & Inclusion • Communication and Managing Grievances • Community right
Corporate Compliance and Integrity Department ('CCID")	• to ensure adequate policies and procedures are in place to prevent corruption and bribery. • to ensure business processes follow all relevant legal and internal guidelines. • to review internal process, developing company policies, and responding to policy violations.

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	2020 Highlights/ Issues raised
Customer	• Customer satisfaction surveys • Customer visit • Strategic alliance and regular meetings	• Quality assurance and reliable products and services. • Competitive pricing and on-time delivery. • Safe, humane working environment, respect human rights • *Continuous improvement i.e Customer's RBA expectation*	• Customer service and Experience. • Customer's Expectation on Supplier's Risk & Control Programme. • Customer's Sharing of RBA Expectations. • Environment, social and governance practices and commitments. • Health, safety and environment ("HSE") practices. • Product/service quality and support. • Anti-Bribery & Corruption.
Contractors, Industry Partners, and Suppliers	• Supplier briefings. • Conduct of Self-Assessment Questionnaires. • Annual Performance Evaluation • Ad-hoc tender exercises and meetings. • Email communications. • Ethics queries/Whistle Blower	• Fair tender practices • Competitive prices • Business continuity • Quality materials and services • Forced Labour avoidance • Fair wages • Timeliness of payments • Zero tolerance policy to bribery and corruption.	• HSE practices. • Legal compliance and contractual commitments. • New equipment/ technology reliability and performance. • Product/service quality and delivery. Workers' welfare and well-being. • Anti-Bribery & Corruption • Supplier's Integrity Pledge

Sustainability Statement (cont'd)

Key Stakeholders	**Engagement Approach**	**Sustainability Concerns**	**2020 Highlights/ Issues raised**
Shareholders / Investors	• General meetings. • Annual reports. • Analyst briefings. • Company's website • Investor conferences. • Scheduled site visits. • Press Release	• Continuous business growth. • Recognized Corporate Responsibility Practice. • Timely and transparent disclosure.	• Business outlook and strategy. • Covid-19 impact on business. • Environment, social and governance practices and commitments. • Financial and operational Performance. • Impact of new government policies and regulations. • Risk management.
Employee	• Annual Staff Meeting • Annual Dinner and Festive Celebrations • Annual Performance Evaluation • Open Communication • Informal communication • Safety Briefing & Toolbox Meeting • Training Workshops and Seminars	• Create a diverse and inclusive workplace. • Safe and humane working environment. • Provide learning and development opportunities along career path. • Competitive compensation and benefit packages for employee.	• Changes in operations arising from Covid-19 pandemic which include employee welfare and health concerns, as well as new working arrangements due to government-imposed movement restrictions. • Regular health and safety Tool-box meeting. • Anti-Bribery and Corruptions.
Regulators and Government Authorities	• Annual reports. • Bursa Announcements. • Compliance and certification exercises. • Consultations, briefings and trainings. • Periodic site visits and Audits	• Adherence to relevant laws and regulations. • Benchmarks of the FTSE Bursa Malaysia Index Series. • Corporate governance and compliances.	• Certifications and awards. • Compliance with laws and regulations. • Corporate governance. • HSE practices. • Industry updates and best practices • Anti-Bribery and Corruptions.

Key Stakeholders	Engagement Approach	Sustainability Concerns	2020 Highlights/ Issues raised
Local Community, Industry Associations, Non-Governmental Organisations	• Annual reports. • Community Investment Programme. • Company's website. • Educational briefings and site visits.	• Provide hopes to the underprivileged and build a fairer society. • Leave a lasting and positive impact on our communities and environment. • Attract and retain like-minded employees who wants to make a difference in the community.	• 2021 Community investment Programmes. • Industry related knowledge sharing.

Materiality Assessment

To gauge which sustainability matters are material to our business from both company and stakeholder perspectives, we carried out a materiality assessment in accordance to the methodology described in the Sustainability Reporting Guidelines published by Bursa Malaysia. This process allows us to align the internal and external perspectives, to identify areas of potential optimisation and to further develop the sustainability-related management approach and reporting. Based on the assessment, the materiality matrix generated in 2018 was revised to encompass a total of 19 material issues.

The annual process for determining material sustainability topics involves three steps: identification, prioritisation and validation. The SWG identify and prioritise sustainability matters on the matrix along two axes: importance to stakeholders and importance to the Kelington Group. The respective matrices are reviewed and validated by the Management of each division before being consolidated into the Kelington Group matrix and reviewed by the Group Management. The top right corner of the matrix underscores topics most material to our stakeholders and Kelington Group.

Sustainability Statement (cont'd)

MATERIALITY MATRIX

** Stakeholder Groups as part of the materiality assessment:*

1	Customer
2	Contractors, Industry Partners, and Suppliers
3	Shareholders / Investors
4	Employee
5	Regulators and Government Authorities
6	Local Community, Industry Associations, Non-Governmental Organisations

Our Sustainability Topics:
^ Key Sustainability Matter

ENV1	Greenhouse Gas Emissions / Carbon Footprint Reduction / Pollution Prevention	**S1**	^Safety & Health	**G1**	^Providing High Quality Products & Services
ENV2	Protecting Land & Biodiversity Preservation	**S2**	^A Skilled Workforce for Strong, Sustainable and Balanced Growth	**G2**	Governance and Responsible Business Practice
ENV3	Energy Management	**S3**	Customer Satisfaction	**G3**	Technology and Operational Innovation
ENV4	Water Management	**S4**	Committing to a sustainable Supply Chain	**G4**	^Risk Management
ENV5	Waste Management	**S5**	Community Investment	**G5**	^Economic Growth & Profitability
		S6	Human Rights (Eliminating Child & Compulsory Labour)	**G6**	^Asset Integrity and Reliability
		S7	Employee Volunteerism & Supporting Charities		
		S8	Provide a Diverse & Inclusive Workplace		

Supporting Sustainable Development Goals ("SDGs")

The SDGs are a universal call to action to end poverty, protect the planet and improve the lives as well as the prospects of everyone, everywhere. The 17 Goals were adopted by all United Nations Member States in 2015, as part of the 2030 Agenda for Sustainable Development.

In FY2020, the significant issues faced by the Group were in relation to the Covid-19 pandemic and its economic consequences as well as changes in the Malaysian Government that created policy uncertainty. Following this, the top 6 most material topics identified were under the **Marketplace** and **Workplace** pillars as depicted in the top right corner of the materiality matrix.

The following table summarises the Goals that we believe align with our material issues

	Top 6 Material Topics and Supporting SDGs	**SDGs**	**Reference**
S1	Safety & Health	**3,8**	Page 48-50
S2	A Skilled Workforce for Strong, Sustainable and Balanced Growth	**5,8**	Page 50-51
G1	Providing High Quality Products & Services	**9**	Page 40-41
G4	Risk Management	**8,16**	Page 79-84
G5	Economic Growth & Profitability	**1,8,17**	Page 8-17
G6	Asset Integrity and Reliability	**8,9**	Page 43-44

Adapt to a Changing MARKETPLACE

For 20 years we deliver excellence to our business partners
Driven by *innovation, continuous improvement, safety,* and *building relationships* with customer and stakeholders

Smart chips and programmable microchip sensors are making our daily lives easier.

They are common in our everyday household and electronic gadgets to make them a little bit smarter and also used in a variety of medical and biotechnology applications. These non-intrusive and often non-visible items are constantly evolving as new technology requires better and smaller components. This demand creates and ongoing need for high purity manufacturing processes as even a microscopic speck of dust on the surface of a wafer would result in the failure of the circuit.

Since 2000 Kelington has been engineering and installing highly specialised **Ultra High Purity (UHP)** systems for semi-conductor and biotechnology manufacturing industries. Including wafer fabrication, LCD TFT, Biotechnology, Pharmaceutical, Solar Cell, and industrial gas companies amongst others. Throughout the production line in different parts of the manufacturing facility, chip making requires gas and chemicals which are as pure as the source of supply.

Constantly striving to raise our capacity for knowledge, creativity and innovation, we address high expectations in the value chain of various semi-conductor and biotechnology industries. In this aspect, Kelington prides ourselves as more than just an engineering company, we bring together specialised engineering skills and in-depth knowledge of gas and chemicals.

Initially providing Ultra High Purity Delivery Systems, Kelington grew year after year. We expanded our product lines to include Industry Turnkey Solutions such as **Process Engineering** and **General Contracting** to provide solutions for the Semi-Conductor, Healthcare, Oleochemical, Solar Industries and more. We see opportunity in possibilities and with that we started our **Industrial Gases** division to address a new market niche.

G1 Providing High Quality Products and Services

UHP • Process Engineering • General Contracting

When we say our processes and products are exceptionally excellent in quality and build, we don't take this lightly.

As each project is different, every solution is unique, tailored to our client's needs.

We are meticulous and careful in everything that we do from UHP systems to construction management. We ensure that each project complies with the pre-defined objectives of our clients and have tight control over project costs, delivery time, accurate specifications and prioritising safety.

Quality and safety is at the core of the way we do business and is constantly verified by renowned certification authorities. Our working philosophy of "Safety First, Quality Always" underlines the high working standards we place through implemented policies and is reflected in our zero lost time records

Our team in Kelington comprise of designers, engineers, technician and quality controllers who work together to supply engineering solutions that meet the highest standards of quality.

Operating in a business with endless possibilities and constantly evolving cutting edge technology, Kelington's commitment to safety and quality has been fully tested and is well recognised by its clients worldwide.

Industrial Gases

At present, the Industrial Gases Business, specifically the manufacturing of liquid CO2. The Group had obtained the Food Safety System Certification (FSSC 22000) particularly for food safety/ quality management system certification for its manufacturing, storage and distribution of liquid CO2 activities for food and beverage industries in October 2020.

ISO 9001: 2015 Certified Quality Management System -- Work toward to improve the Company

This international standard promotes the adoption of a process approach, using the Plan-Do- Check-Act cycle with an overall focus on risk-based thinking aimed at taking advantage of opportunities and preventing undesirable results.

All our business divisions (except our branch operated in Taiwan) implement management systems and are certified in accordance with relevant local and international benchmark standards. We build a culture of excellence by providing clear principles, unified standards and guidance for our processes and activities. This empowers our employees to take ownership and drive results through commitment and competency.

We are dedicated to exceeding industry standards for the quality and reliability of our products and services. In April 2020, Gas Cabinet manufactured by Kelington in China was certified according to SEMI Standards S2-0810E & S8-0218.


SEMI STANDARDS
semi
Test Standards
SEMI S2-0818 SEMI S8-0218
Certificate

G2 Governance and Responsible Business Practice

Sound corporate governance is a sustainability issue to Kelington and it is critical to ensure long-term viability and business growth. Kelington Group is committed to delivering sustainable value to our stakeholders. We are guided by the Malaysian Code on Corporate Governance in ensuring the principles and best practices of good corporate governance are applied throughout the Group. The corporate governance framework and practices, as in the Corporate Governance Overview Statement on pages 64 to 78 of the Annual Report, demonstrate the robust board and management accountability to our stakeholders.

Business Ethics and Policies

In keeping with the principles of sound corporate governance, the Board is committed to promote a culture of integrity and ethical values. Kelington has put in place its set of Code of Ethics and Conduct, which includes the Whistleblowing Policy and the No Gift Policy. The Code of Ethics and Conduct is applicable to all Directors and employees within the Group as well as third parties performing works or services for and on behalf of the Company. It governs the desired standard of behaviour and ethical conduct expected from each individual to whom the Code of Ethics and Conduct applies.

Kelington Group has in place a number of Company codes and policies that establish the rules of conduct within the organisation; representing the main points of reference for all who work for and with us. These codes and policies can be found on the Company's website.

Board Policy	Corporate Code and Policies	Sustainability Policies
• Board Diversity Policy • Remuneration Policy	• Anti-Bribery and Corruption Policy • Code of Ethics and Conduct for Employees and Third Parties • Corporate Disclosure Policy • Whistleblowing Policy • External Auditors Policy	• Sustainable Development Position Statement • Environmental Policy • Community Investment Policy • Diversity and Inclusion Policy • Human Rights Policy • Responsible Supply Chain Policy • Safety and Health Policy • Quality Policy • Drug Free Environment Policy • Sexual Harassment Policy

Anti-Bribery and Corruption

We remain committed to behaving professionally and with integrity in our business dealings with our customers, shareholders, business associates, third parties as well as towards one another. The Group practices a zero-tolerance approach against all forms of bribery and corruption, and upholds all applicable laws in relation to anti-bribery and corruption.

In FY2020, the Board had approved the adoption of an Anti-Bribery and Corruption Policy ("ABC Policy") which applies to all Directors and employees of the Group as well as the Group's agents and contractors. The ABC Policy supplements the Code of Ethics and Conduct and provides the basis on which the Company will be able to defend itself against any corruption charges that may be brought by any parties against the Company.

In FY2020, an internal awareness training on ABC Policy was conducted for all employees. Relevant information in relation to antibribery and corruption is available at our company webpage. Where applicable, relevant employees were sent for external training on corporate liability and corruption risk management. Each employee is expected to read, familiarise and strictly comply with the ABC Policy in carrying out their duties.

Third parties performing work or services for or on behalf of Kelington are also required to acknowledge conformity to the Code of Ethics and Conduct s as well as comply with all applicable laws and our ABC Policy by signing an Integrity Pledge. All major transactions are reviewed for anti-bribery and corruption risk with appropriate due diligence conducted on the counter party and owners of the counter party, where relevant.

The Board has established Corporate Compliance and Integrity Department ("CCID") whose roles and responsibilities include:-

Roles of CCID
- To ensure adequate policies and procedures are in place to prevent corruption and bribery.
- To ensure business processes follow all relevant legal and internal guidelines.
- To review internal process, developing company policies, and responding to policy violations.

Responsibilities of CCID
- Implement and manage and effective compliance and integrity programme.
- Develop and review company policies and standard operating procedures.
- To review company procedures, practices, and documents to identify possible weaknesses or risk.
- To monitor and follow up on effective action plans in response to audit discoveries and compliance violations.
- Ensure all/relevant personnel are educated on the latest regulations and processes.
- Resolve personnel's concerns about legal or compliance.

We have in place control measures for compliance and to mitigate corruption risks which are assessed and monitored. To ensure that our control environment is effective, ongoing testing and monitoring programmes would be performed. Kelington Group continues to take all necessary measures and promote a culture of integrity through awareness campaigns and regular communications.

In FY 2020, there were no cases of non-compliance with our Anti-Corruption and Bribery Policy as well as laws and regulations against acts of corruption. In addition, Kelington does not make charitable contributions to political parties in FY2020.

G3 Technology and Operational Innovation

We understand that digitalisation is not an IT topic but an overall organisational transformation that impacts every part of the business and, therefore, needs to be managed by the entire workforce. When used intelligently, we believe the digitalization of business can lead to a significant increase in productivity and cost reduction.

The implementation of our digital backbone with Pronto for Enterprise Resource Planning is ongoing with phased rollouts continuing until the end of 2021. While a few of our businesses have started using some components of the Pronto system, fine tuning of processes across all businesses are expected to continue into 2022.

With the new Pronto system go-live in Jan 2021, the Management get better insights with reports generated through real-time data. We expect there would be an improved operational efficiency as information is sharing across the business functions and the top management is able to controlled business with advanced operations tracking and management features.

On the other hand, our industrial gas operation used associated IT platform to enable technology licensor and plant manufacturer's support from overseas. It facilitates remote viewing and troubleshooting of plant operations especially under the current travel restriction due to Covid-19 pandemic.

At our operation in China, we have set up a Research and Development team for UHP equipment fabrication and we have submitted two applications in FY2020 to obtain patent rights for our new innovation of high-low temperature-controlled exchanger and specialty gas cabinet together with its exhaust system.

Kelington Group has been undertaking digital transformation and innovation initiatives to enable and integrate technology into all areas of our businesses.

G4 Economic Growth & Profitability

Refer to the Management Discussion and Analysis at pages 8 to 17 for more information.

G5 Risk Management

Refer to Statement of Risk Management and Internal Control at pages 79 to 87 for more information.

G6 Asset Integrity and Reliability

Highlight of Asset Integrity element activities at Kerteh

To produce food grade quality liquid CO2, we remain vigilant in ensuring that our manufacturing facilities are safe, reliable and in the best operating condition. We ensure that our assets conform to national and international standards as well as our Quality, Health and Safety, and Environment policies. This is also a testament of our efforts towards a safer and more sustainable workplace.

Our liquid CO2 gas purification plant located at Kerteh are properly designed, fabricated and installed in year 2019.

In year 2020, the plant is operated within the design limits of the equipment. Inspection, Testing, and Preventive Maintenance (ITPM) tasks are conducted by trained and qualified individuals using approved procedures and completed as scheduled.

In year 2020, all repair work conforms to design codes, engineering standards, and manufacturer's recommendations. appropriate actions are taken to address deficiencies, regardless of how they are discovered.

At Kerteh, the asset integrity element activities are an integral part of day-to-day operation involving our plant operators, maintenance employees, inspectors, contractors, engineers, and others involved in designing, specifying, installing, operating, and maintaining equipment.

Inspections and tests are necessary to ensure that our liquid CO2 gas purification plant will be suitable to produce quality liquid carbon dioxide to be sold to the end users throughout its life.

Kelington's subsidiary, Ace Gases has implemented and maintains a Quality Management System to control plant start up and shut down procedure, maintenance work, repair parts to help ensure that equipment remains fit for service. which fulfils the requirements of ISO 9001:2015 Standard since 2019. Operations Manager shall be responsible on the Standard Operation Procedure compliance by plant engineers, supervisor and/or operators; and all plant personnel shall be obliged to safeguard against any indiscriminate operations of the equipment which may potentially give rise to damage or unsafe conditions.

Summary of asset integrity element activities in 2020
- Reports and data from initial inspections, tests, and other activities to verify that equipment is fabricated and installed in accordance with design specifications and is fit for service at start-up.
- Inspections, tests, preventive maintenance, predictive maintenance, and repair activities at Kerteh.
- Technical meetings involving experts in equipment design, inspection, testing, or reliability.
- Plant operator on routine rounds spotting leaks, unusual noises or odors, or detecting other abnormal conditions.
- Controlled repairs and adjustments to equipment by trained personnel using appropriate written procedures and instructions provided by the plant manufacturer.
- Quality assurance processes including procedures and training that helps prevent equipment failures from use of faulty parts / improper operation

S3 Ensuring Customer Satisfaction

The satisfaction of our customers is paramount to the continuity of our business. Customer satisfaction determines our ability to secure new and repeated business as well as fortify our ongoing relationships to achieve economic success. We strive to fulfil our customer needs and exceed their expectations.

The annual customer survey is designed to measure the critical factors that influence customers in their choice of a business partner or long-term supplier. KE's annual customer survey measure a number of performance benchmark skills including:

(1) Timeliness & Reliability of Product / Services Delivery
(2) Quality of Product & Services
(3) Responsive to Customer Needs
(4) Communication with Customer
(5) Safety & Environment Compliance

Client Satisfaction Survey

	2019		2020	
	No. of Customer Satisfaction Survey Conducted	Average Rating (Overall Performance)	No. of Customer Satisfaction Survey Conducted	Average Rating (Overall Performance)
UHP /Process Engineering/ General Construction	17	86%	12	90%
Industrial Gases	3	100%	5	100%

Highlight of Successful Projects Completed in year 2020



Design and build Bulk Storage Tanks, Malaysia

Supply of Process & Mechanical Services Equipment & Piping installation, Vietnam

Gas Piping Installation, Taiwan

Construction of Cleanroom, Malaysia

Supply, Install and Project Management of Process Exhaust Ductwork & Hook-up

S4 Committing to a sustainable Supply Chain

Due to our business nature, KGB has a vast customer base across different geographies and most of them are multinational corporations who are committed to high social and environmental standards and practices. We are expected to comply with those standards and applies the same to our next tiers of suppliers and subcontractors. The ultimate aim is to create a cascade of sustainable practices that flows smoothly throughout the supply chain.

While we recognize the importance of setting the right standards for our suppliers and subcontractors, there are practical challenges while implementing these sustainable practices, especially to the smaller and less established companies in our supply chain.

Identifying the weak points in our supply chain

Most of KGB's lower-tier suppliers are small private companies, relatively unknown with little direct pressure from our customers. The majority are much smaller than the multinational corporations and tier-one suppliers and, thus, have more limited resources and lack of sustainability expertise. As a result, most of them do not disclose their social and environmental practices on their websites or in their annual reports nor do they adopt any standard for sustainability reporting. Some of them even view that complying to social and environmental standards will result in higher operating costs and may jeopardize their competitiveness in the market place.

lower-tier suppliers of Kelington, especially labour supply may constitute the riskiest member of the supply network.

Due to our business nature, the construction material and plant machinery we used are very specialized items and they are usually manufactured or produced by large multinational corporations, which normally will have the right set up of complying to social and environmental standards.

Our main issue in having a sustainable supply chain lies with the small subcontractors that we used for labor for construction and maintenance work supply for industrial gases plants.

Kelington's Sustainable supply chain

In order to promote suppliers' social and environmental responsibility, Kelington would have a process which require our first-tier suppliers to set their own long-term sustainability goals as part of vetting criteria as Kelington's approved suppliers.

Kelington recognise environmentally managing the construction site before, during, and after construction can help to avoid environmental pollution due to illegal waste disposal. Append below the current approach of Kelington adopted environmentally manage our subcontractors/ lower tier suppliers:

- We hire approved subcontractor that we trust, and who has already proven to be knowledgeable of hazardous material and hazardous waste minimization and management practices. We include issues involving environmental conditions in subcontractor prequalification questionnaire.
- Review the subcontract's current protocol in the event waste or other hazardous materials are encountered. Do they have anything that looks like an environmental management program?

In year 2021, Kelington would invite suppliers' procurement and/or environmental, health, and safety personnel) to attend KE's sustainability training sessions and encourage them to participate in industrywide sustainability training.

From there, we would engage the top executives of our first-tier suppliers and explain the importance of building a sustainable supply network, with the goal of motivating them to catalyse the dissemination of sustainability requirements to lower-tier suppliers.

As one of our long term sustainable supply chain efforts, Kelington would assign a full-time person (with titles such as supply chain social responsibility manager or sustainability procurement director) to extend Kelington's sustainability agenda and expectations to suppliers. This person shall serve as a liaison across internal functions (e.g., risk management, purchasing, and sustainability) and has primarily a boundary-spanning role (e.g., working with tier-one suppliers to engage lower-tier suppliers).

Cascading the practices to lower tiers suppliers

Kelington is at the stage of "Building sustainability capability", the following activities involving assessing sustainability practices would be considered at a later stage:

- conducting supplier sustainability assessment;
- managing supplier sustainability scorecard; and
- closing correcting action plans of our tier-one suppliers.

Caring for our COMMUNITIES

S5 Community Investment

Community investment is part of the Corporate Social Responsibilities that KGB holds strong belief in and we strive to play a positive role and build mutually beneficial relationships with the local community and society we operate. Our community investment programs are guided by our Community Investment Policy which focus on three main areas:

T	The Underprivileged
E	Education
E	Environment

Our objectives are to provide hopes to the underprivileged and build a fairer society, leave a lasting and positive impact on our communities and environment and at the same time we can attract and retain like-minded employees who wants to make a difference in the community.

The underprivileged

We believe adequate education is an important element to maximize the achievement of an individual in life and we also believe that no-one should be denied the opportunity for education when a family member is affected by major illnesses.

In FY 2020, we participate in Project Sambung Sekolah, which is a project initiated by the Hematology Department of Hospital Ampang, The Max Foundation and Max Family Society Malaysia. The key purpose is to support the school children whose parent(s) are suffering from catastrophic illness like cancer. The donations will allow the school children to continue their education despite the financial constraints caused by the major illness of the parents.

Education

Kelington believes practical and hand-on experience is as important as the theoretical knowledge that we receive from schools and universities. With this objective in mind, we provide internship placements to the undergraduates especially those who study in related technical and engineering field to expose them to the real-life work environments which they will face upon graduation.

Kelington's paid Internships offered in years 2018 – 2020:

	Malaysia	Singapore	China	Taiwan	Total
2018	2	1	4	0	7
2019	2	2	1	0	5
2020	2	0	3	0	5
Total	6	3	8	0	17

Environment

No effort is too small if we are working toward a healthier environment. Our plan to organize a recycling fair in Y2020 was affected by the pandemic and Government's Movement Control Orders declared in Y2020. We would arrange more environmental improvement activities if conditions allowed i.e: tree planting activities and recycling campaign.

S7 Employee Volunteerism & Supporting Charities

Recognising the importance to contribute to the community we operate in, we started strategising our initiatives to be more sustainable and not only a one-time programme. We aim to conduct initiatives that can bring benefits to our community over the years and involve our employees as much as possible to instill volunteerism and the spirit of helping others. In year 2021, Kelington would allocate resource to encourage volunteerism in the workplace.

Promoting a Safe, Inclusive and Rewarding WORKPLACE

A workplace is where a company's employees and other stakeholders work together to deliver a product or services and it is a place where they spend most of the time at. Therefore, it is crucial to make the workplace a conducive place where the full potentials of the workers can be harnessed.

In Kelington, we ensure that our workplace promotes meritocracy and reward our employees based on performance and dedication. We endeavor to establish an inclusive culture with equal opportunity and fair treatment given to all the people who work with us.

We are committed to provide a safe and healthy working environment so that our people can come to work safely and go home safely too.

We do all this with one simple objective: we want our people to feel comfortable working for the company, stay motivated and give their best to the company.

S1 Safety & Health

Providing a safe and healthy environment

Kelington recognizes that safety and health is paramount at the workplace and requires constant attention and efforts. The company's Safety and Health Policy outlines our principles and commitment to provide a safe and healthy working environment to our employees and stakeholders. We extend the same principles to our suppliers, subcontractor and service providers and expect them to maintain the same standards at the workplace too. We do not tolerate any unsafe practices at the workplace and appropriate action shall be taken on any violations of safety and health practices set by the company.

We dedicate significant resources to ensure our employees are protected at all times. We protect them from work-related illnesses and injuries as we firmly believe in creating a healthy work environment to nurture a productive and healthy workforce. We comply with all applicable health and safety laws and regulations.

The requirements, measures, work rules and standard operating procedures set out in manuals, handbooks, documents issued by the Company are reviewed and updated regularly. Our commitment in ensuring the occupational safety of our people are signified with the OHSAS 18001: 2015 Occupational Health & Safety Management System in place and we achieved the certification of ISO 45001: 2018 Occupational Health & Safety Management System in 2020.

Drill/Emergency Response

Emergency preparedness is crucial due to the nature of our business as we need to be ready to manage incidents and emergency situations at any time across our operations. Our Emergency Response Team (ERT) acts as the first line of defence during emergencies. Planned emergency drills would be scheduled and conducted to increase level of alertness & response of employees during emergencies. It comprises rescue and evacuation, firefighting and chemical spill.

Chemical Health Risk Assessment

Chemical Health Risk Assessment ("CHRA") is carried out in compliance with the Occupational Safety and Health (Use and Standard of Exposure Chemical Hazardous to Health) Regulations 2000 requirements, at all our industrial gases manufacturing sites.

The objective of this assessment is to determine the potential health risk to our workers who may be exposed to hazardous chemicals used or stored on sites. The outcome of the assessment will be used to decide if there is need to carry out subsequent processes such as Chemical Exposure Monitoring and Medical Surveillance at the workplace.

Health and Safety Performance Monitoring

In KGB, we keep track of all the incidents related to Health and Safety and report the statistics regularly so as to monitor our Health and Safety performance.

In FY 2020, we maintained our good safety records and registered another year with Zero Fatalities and Zero Lost Workday Case (LWC). This clean sheet record had been maintained since 2010 when we start our systematic tracking of safety performance.

FY 2020	Fatalities	LWC
Malaysia	0	0
Singapore	0	0
China	0	0
Taiwan	0	0
Total KGB Group	0	0

Definition:
1) *Fatalities = An injury leading to immediate death or death within one year from the date of the accident*
2) *Lost Workday Case (LWC) = Any work-related injury that renders the injured person temporarily unable to perform their normal work or restricted work on any day after the day on which the injury occurred.*

Figure 1 below are the total man-hours without Lost Time Injury (LTI) clocked for the different regions we operate for the years 2018-2020; and Figure 2 reflect the accumulated man-hours without LTI. The man-hours is calculated based on the total number of workers (employees and contractors) working multiple by the total number of hours worked in every year.

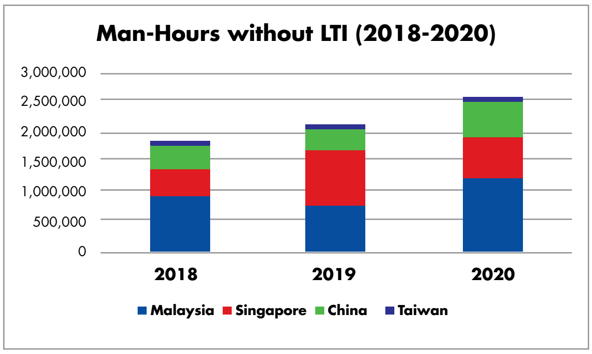


Figure 1

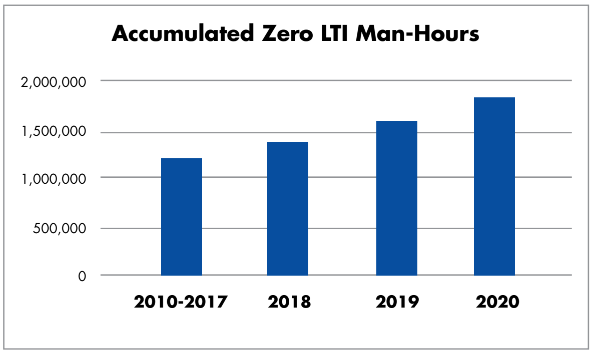


Figure 2

Despite our achievement of zero fatalities and zero LTI, the following safety-related incidents was reported in FY 2020:

No of Medical Treatment cases (MTC) per year	1.0
No of First Aid cases (FAC) per year	1.0
No of Near Miss cases (NM) per years	2.0
No of Fire Incident (FI)	1.0

Detail investigations had been carried to identify the root causes of the above incidents and follow up actions had been carried out to eliminate the safety hazards concerned.

Although we had managed to maintain our good safety records of Zero Fatality and Zero LTI in FY 2020, we are determined and will continue to pursue our targets of Zero Fatality and Zero Accidents and tackle safety issues in accordance with our Safety and Health policy as well as Standard Operating Practices (SOP). Zero Fatality and Zero Accidents targets are key performance indicators included in the Performance Appraisal for the Country Managers and Project Managers.

Developing Safety and Health awareness and competencies

Kelington recognizes the importance of developing the Safety and Health competencies among our employees and contractors. Our project sites conduct daily toolbox meeting to instill safety awareness to the workers and allow workers to bring up any safety concerns or questions they may have to the project management team. Regular safety trainings are conducted to our workers to enhance their knowledges in specific safety-related topics such as fire-fighting, first aid, working at height, chemical spills and emergency responses. The total training hours clocked in FY 2020 for all the four regions we operate are summarized as below:

	Safety-related Training hours (hrs)	Avg training hours per employee (hrs/man)
Malaysia	420	2.16
Singapore	858	9.04
China	206	1.81
Taiwan	45	5.63
Total	1,529	4.66

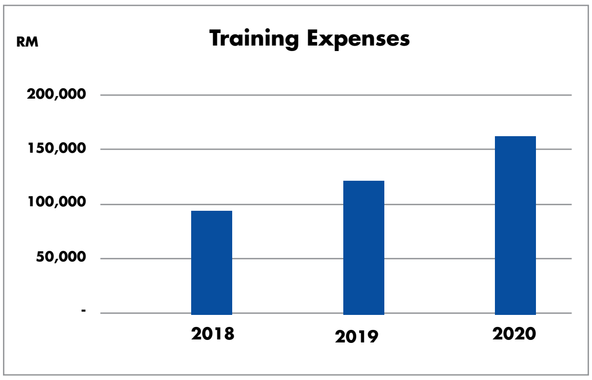
S2 A Skilled Workforce for Strong, Sustainable and Balanced Growth

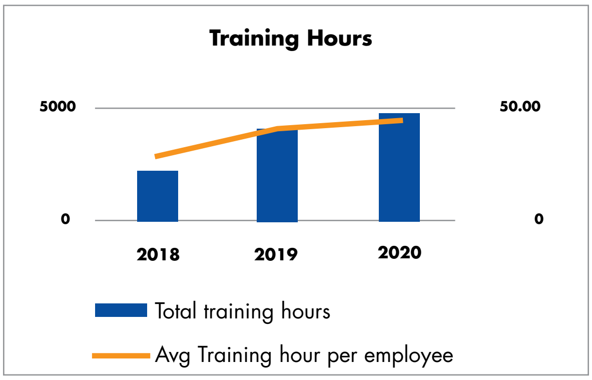
In a strengths-based workplace culture, employees often learn their roles more quickly produce better work and are more engaged. Development of our human capital has been identified as one of the strategic priorities in order to meet market demand and ensure lasting competitive success. We believe that our employees' skills and know-hows are the key assets in sustaining the business.

In FY2020, Kelington spent RM 160,128 in training and development related activities. This is an increase of 39% in training expenses as compared to the previous year despite the difficulties faced during the covid-19 pandemic period, which demonstrates the commitment we have in developing our employees.

In terms of training hours, our employees had clocked total training hours of 4,733 hours across the four regions we operate. The detail breakdown of the training hours for individual region we operate is shown below.

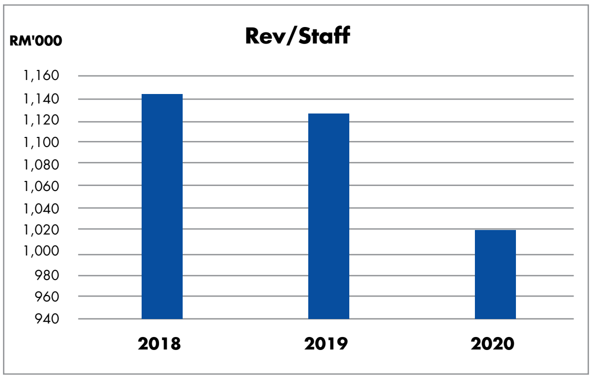
The training program we conducted for our employees covers technical & work-related training, health & safety training and personal development training. As shown by the increasing trend in training spending as well as the training hours per employee on the above chart, it is clearly demonstrated that Kelington is committed to develop our workforce.

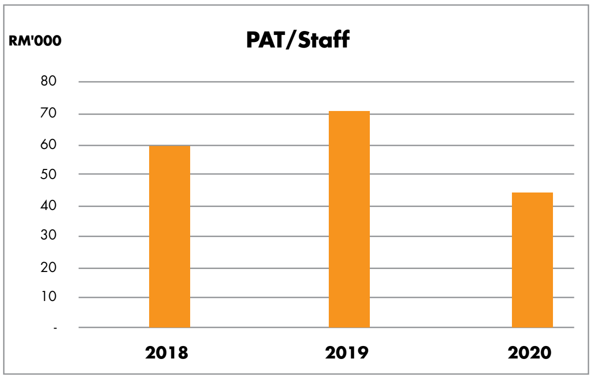




Value-adding per Employee Index

We believe with the development program in place, we can develop our employees and improve the productivity of the workforce in general. We track our progress in this via Value-Adding per Employee index and below is our performance for the last three years across the four regions we operate.





For Revenue/staff, the above chart shows that KGB has observed a bit of downtrend in 2018 and 2019, this is due to the project mix that we took in 2019 are more labor intensive as compared to 2018. The significant drop in 2020 is mainly due to the Covid-19 pandemic which we experienced lockdowns and complete activity halt for a few months in some of the regions we operate.

As for the PAT/staff, the above chart shows an improvement in trend from 2018 to 2019. That shows our employee efficiency has improved in 2019 as compared to 2018. The 2020 drop is again due to the business activity interruption as a result of the covid-19 pandemic.

S8 Provide a Diverse and Inclusive Workforce

As of 31 December 2020, we had 411 employees. Kelington believes that employees are our vital assets. We respect and promote diversity and offer equal opportunities to all employees. We recognise the contributions of each individual employees through various performance-based pay. We aim to provide reliable work environment that guarantees equal opportunities for all on the basis of merit and without discrimination.

Valuing the importance and need to act and to be recognised as a partner in the sustainable social and economic development of the communities and regions where we operate in, we are committed in providing local employment opportunities. In 2020, we had 82%, represent 336 employees are local employees.

In 2020, we had 90 female employees which was equivalent to 22% of our total workforce. Currently, one (1) out of ten (10) Directors on the Board is female. The female director's appointment is based on merit and capability though our industry has been traditionally male-dominated. Female are represented well in different employment categories in Kelington and they have the highest percentage of representation at the Executive level.

	2020 Number of Employee	%
Number of Employee by job type		
Permanent	358	87%
Contract	53	13%
Total	411	100%
Permanent employee turnover rate (Group)	32	8.9%
Employee turnover rate by operations		
Malaysia	4	2.7%
Singapore	9	9.9%
China	19	16.7%
Taiwan	0	0%
Percentage of employees by Gender		
Female	90	22%
Male	321	78%
Numbers of women employees category		
Board of Directors	1	10%
Management	12	22%
Engineer/Executive	36	24%
Operators/Technicians/Officers	42	22%
Employee by age group		
<18	0	0%
18-25	68	16.5%
26-35	200	48.7%
36-45	92	22.4%
46-55	40	9.7%
>56	11	2.7%
Length of Service		
< 2 years	171	41.6%
2-5 years	133	32.4%
6-10 years	61	15.0%
11-15 years	35	8.5%
Length of Service		
16-20 years	9	2.0%
> 20 years	2	0.5%
Local Employment rate		
Local Employment	336	82%
Foreigners	75	18%

S6 Human Rights (Eliminating Child & Compulsory Labour)

Respecting Human Rights is one of the core beliefs held strongly by the KGB Group. Our Human Rights Policy disclosed on our website lays out clearly the guiding principles we adopt to protect the human rights of our employees and stakeholders, covering areas from diversity and inclusion, child labor, forced labor, health and safety, sexual harassment, and community rights at the locations where we conduct our business activities.

We do not tolerate any child labor or forced labor in our direct business. We are committed not to employ any labor who is below 18 years old and who does not turn out to work voluntarily. We respect the rights of our employees to freedom of association and collective bargaining in accordance to the local government law and regulations. Due to our relatively small operations, we do not have trade unions in our Group at this moment, nevertheless the company management has been keeping close communication with our workforce to understand their needs and address their concerns constantly. We believe we have a happy and secured workforce as demonstrated by our low employee turnover rate as shown in the earlier chapter.

Apart from the basic human rights above, KGB is also committed to comply with all the labor law and regulations set by the local government where we operate, which includes but not limited to minimum wage, excessive working hours and overtime. For example in Malaysia, we comply fully to the Employment Act 1955 and the Minimum Wage Order 2020 which states RM 1,200 as the minimum wage for all employees. Apart from the wage package, we also look after our employees' family members by buying additional life insurance for our employees. In FY2020, we have an employee who passed away naturally at home, the company had paid out RM 83,200 to his direct family members, which is equivalent to his 24 months salary. This will provide a good economic relief to the family members for the sudden loss of an income source.

As stated in our Responsible Supply Chain Policy, we expect our subcontractors to give fair treatments to their foreign workers, in areas such as wages, working hours, overtime, medicals, accommodations, access to complaint mechanisms and other established human rights protection policies.

In FY2020, KGB Group did not have any incident of human rights violation reported and we did not receive any fine pertaining to human rights violation from the local authorities where we operate.

Managing our ENVIRONMENTAL IMPACTS

We are determined to conduct our business in a responsible manner and endeavor to minimize the potential impacts of our operation and activities to the environment. We are committed to meet all our environmental compliance obligations such as relevant environmental legislations, regulations and standards to which the group subscribed. Through our environmental management program, we monitor and manage our emissions, optimize energy and water use, reduce waste and pollution generation and minimize biodiversity and ecosystems impacts in our business activities.

Anticipate to achieve 95% ISO 14001:2015 certification by 3rd Quarter of 2021

Our Business Operations at	Group Operating Revenue (%)	Environmental Management System
Singapore	32%	ISO 14001:2015 certified since year 2018 Singapore Green and Gracious Builder (SMC) certification since 2020
China	32%	ISO 14001:2015 certified since year 2019
Malaysia	31%	Target to obtained ISO 14001:2015 certification by July 2021
Taiwan	4%	Adopting general rules and standards to address their environmental impact and target to obtain ISO 14001:2015 certification by Y2023.
Others	1%	-

ENV 1 Greenhouse Gas Emissions / Carbon Footprint Reduction / Pollution Prevention

To determine the carbon footprint of Kelington, we tackle our carbon footprint in Scope 1, Scope 2 and Scope 3 GHG emissions in accordance with the Greenhouse Gas Protocol. Our calculation of the Scope 1, Scope 2 and Scope 3 emissions are based on the *Guidance on how to measure and report your Greenhouse Gas Emissions* published by the Department for Environment, Food and Rural Affairs, UK (www.defra.gov.uk).

We have mapped out the activities connected with Kelington's operations that could have Greenhouse Gas Emission (carbon dioxide) and the boundary of direct carbon footprint are as Figure 1 below. Carbon dioxide is emitted whenever coal, oil, natural gas and other carbon-rich fossil fuels are burned.

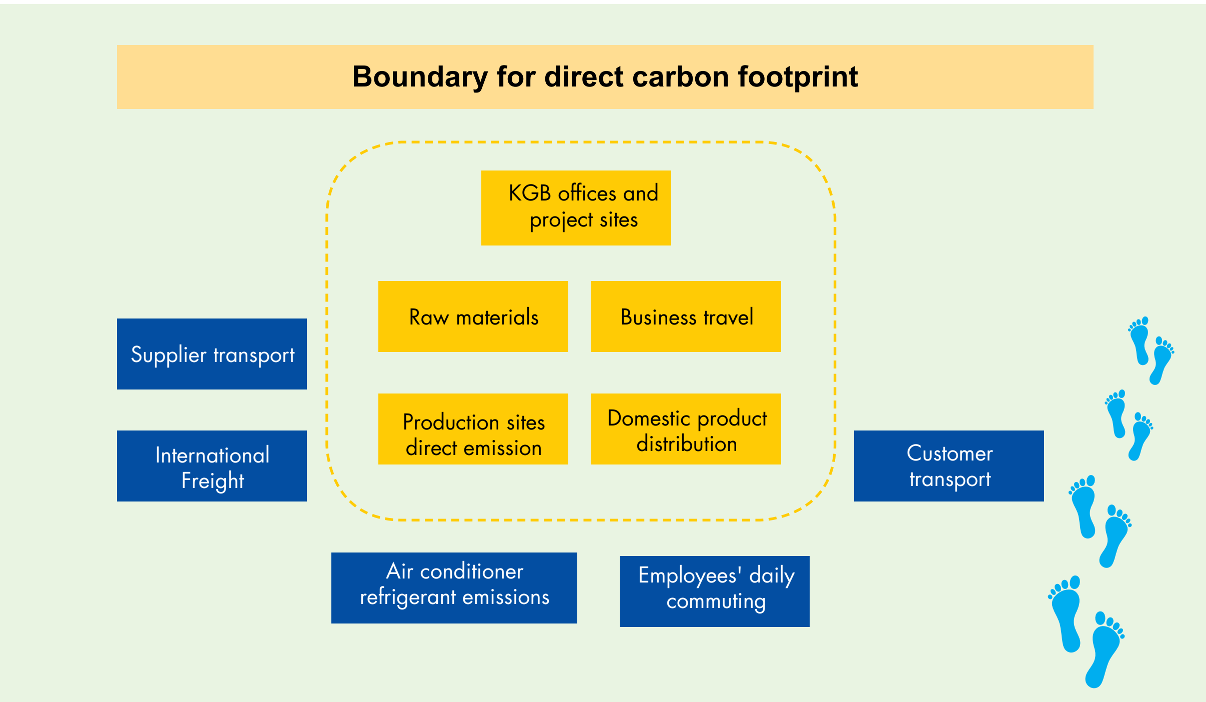


Figure 1 Kelington's boundary for direct Carbon Footprint

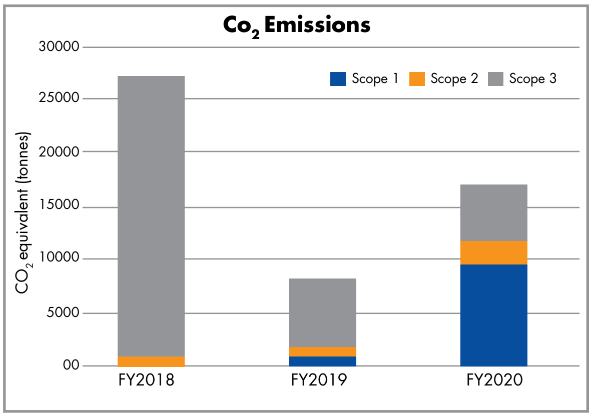
What is GHG Protocol?		
GHG Protocol establishes comprehensive global standardized frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions.		
What are Scope 1, 2, and 3 GHG Emissions?		
Scope 1	**Scope 2**	**Scope 3**
covers direct emissions from owned or controlled sources.	covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company.	includes all other indirect emissions that occur in a company's value chain.
Sources of Kelington's activities release GHG emissions under **Scope 1** Note 1 **Carbon Dioxide CO2**	Source of Kelington's activities release GHG emissions under **Scope 2**	Sources of Kelington's activities release GHG emissions under **Scope 3**
• Direct Gas Emissions from Production Sites • Fuel used by owned transport • Fuel used in construction projects	• Consumption of purchased electricity	• Purchased Construction Materials • Business Travels (Land and Air) • Waste Disposal • Water Consumption

Note 1:
Except for the Carbon Dioxide (CO_2), the current operation activities of Kelington Group do not have other Scope 1 GHG emissions i.e Methane (CH_4); Nitrous Oxide (N2O); Chlorofluorocarbons (CFCs); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); and sulfur hexafluoride (SF_6) in FY 2020.

Based on the above categorization, the GHG (Co_2) Emission of Kelington Group for years 2018 to year 2020 are computed and shown as below.

The uptrend in GHG (Co_2) emission under Scope 1 is mainly due to the commissioning of a major gas plant in late 2019 and the starting up a tanker fleet which are used to deliver our products to the customers in Malaysia and Singapore.

Kelington's GHG (Co_2) emission under Scope 3 in FY2018 was recorded high as our operation in Malaysia involved in a few major civil and structural projects with high usage of cement and concreate as project materials. There is a reduce trend in our GHG (Co_2) emission under Scope 3 due to project mix and reduction in the quantity of using cement and concreate as project materials.



Carbon dioxide Intensity ratio

	Y2018 CO_2 equivalent (Tonnes)	Y2019 CO_2equivalent (Tonnes)	Y2020 CO_2 equivalent (Tonnes)
Scope 1	138	801	9,349
Scope 2	682	977	2,281
Total	820	1,778	11,630
Group Revenue (million)	350	380	390
CO_2 Intensity Ratio	2.34	4.68	29.8

GHGs warm the Earth by absorbing energy and slowing the rate at which the energy escapes to space. They act like a blanket insulating the Earth. Different GHGs can have different effects on the Earth's warming. Since year 2020, Kelington initiated an emissions monitor and report process in our organization and we aim to reduce our total carbon footprint of at least 10% by Y2025 and 30% by Y2030.

Nitrogen Oxide (NOx), Sulphur Oxides (SOx), Particular Matter (PM) and Volatile Organic Compounds (VOC) Emissions

The operation activities on Kelington Group (included manufacturing and construction processes) are not likely to cause SOX, NOX, and VOC emissions or air pollution.

Pollution Prevention

Manufacturing industries have the highest potential for pollution risks. KGB views the prevention of pollution seriously in carrying out our business activities and we implement rigorous monitoring activities to ensure we comply to all local and international environment standards.

In order to minimize our pollution risk for our manufacturing activities at Kerteh, Kelington engage an independent company to monitor the key parameters of the surrounding environment (water quality of the nearby rivers, air quality and noise level of the amenity as detailed below) on a monthly basis to ensure strict compliance to the standards set by Department of Environment (DOE) Malaysia. The sampling locations are listed as below and the details of the data collected are available for inspection upon request.

	Sampling Locations	Reference Standards
Water Quality	1. Sungai Labohan (Upstream)	Class IIB of the National Water Quality Standards of Malaysia
	2. Sungai Labohan (Midstream)	
	3. Sungai Labohan (Downstream)	
	4. Sungai Kerteh (Point 1)	
	5. Sungai Kerteh (Point 2)	
Air Quality	1. Boundary of Factory	Malaysian Recommended Ambient Air
	2. Masjid Kampung Labohan	Quality Guidelines, 1989
Noise	1. Boundary of Factory	Guidelines for Environmental Noise Limits
	2. Masjid Kampung Labohan	and Control by DOE Malaysia 2007

All data collected would be reviewed by the Management on a monthly basis and immediate actions will be taken if the test result of sampling is approaching to the alert points.

A quarterly Environmental Monitoring and Auditing Reports would be prepared and submitted to the local DOE office.

In FY2020, there was no reported case of non-compliance against the local government rules and standards and there was no penalty imposed in relation to environmental pollution.

ENV 2 Protecting Land & Biodiversity Preservation

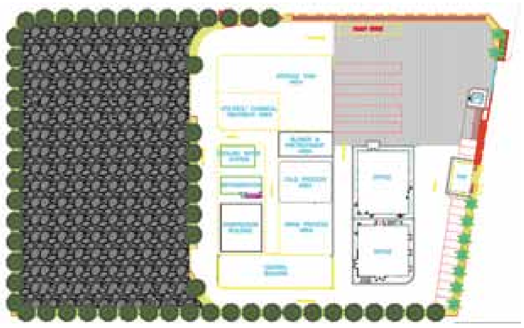
We acknowledge that pollution, climate change, and population growth are all threats to biodiversity, and economic activities continue to have a significant negative impact on biodiversity. Healthy biodiversity enables ecosystems to function effectively, which in turn ensures that they provide key services which affect human livelihood.

None of our operational sites are owned, leased managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.

Kelington are committed to preserve biodiversity of the locations and surrounding environment where we operate. Except for major gas plant located at Kerteh, Kemaman District, Terengganu, Malaysia, Kelington carrying out its business activities at Customer's premises or within developed industrial areas.

Before construction of our major gas plant at Kerteh, an Environmental Impact Assessment (EIA) was conducted by appointed consultant to assess our activities and likely implications for the environment.

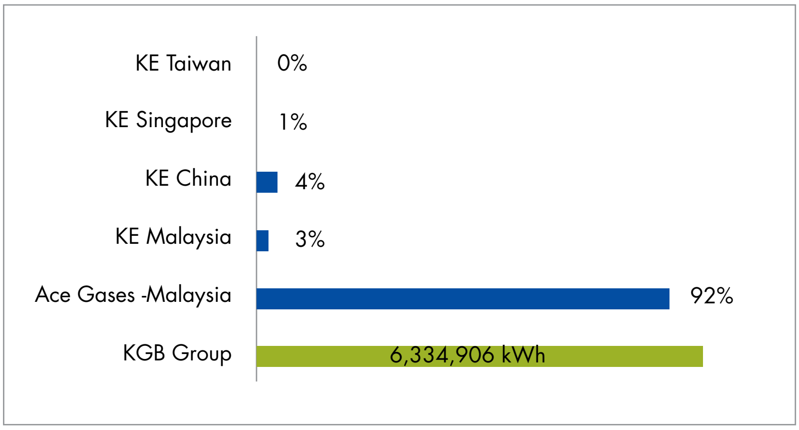
As part of landscaping for beautification purpose, a number of trees and various plants were planted at surrounding of the gas plant. We plan to carry out more tree planting activities in future to help to maintain a well-balanced biodiversity environment.



ENV 3 Energy Management

Our Core Businesses	Electricity Consumption Level
UHP / Process Engineering/ General Construction *-Most of the activities carried out at Customers' sites* *-UHP Fabrication Facility at Suzhou-Chuzhou Modern Industrial Park* Geographical coverage: KGB's operations in Malaysia, Singapore, China and Taiwan.	Minimum
Industrial Gases Manufacturing We produce industrial gases at our premises. Geographical coverage: All manufacturing facilities in Malaysia.	Substantial

FY2020 Electricity Consumption of Kelington Group



In view that our Industrial Gases manufacturing business consumes substantial amount of electricity, improving the power efficiency of our manufacturing facilities would be the key for KGB to manage Greenhouse gases ("GHG") emission as a mean to tackle climate change.

Illustration 1 below shows the electricity consumption by the Industrial Gases division for the last three years; and *Illustration 2* below reflects a reduction trend in Specific Power of gas produced.

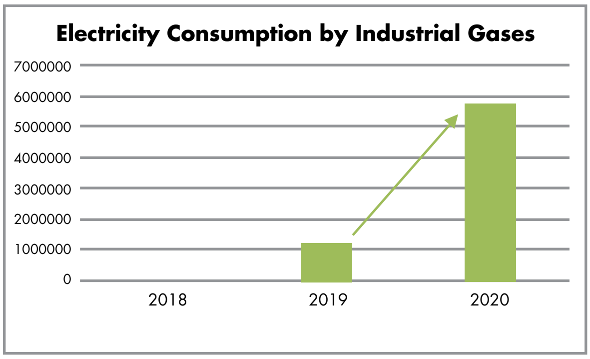


Illustration 1

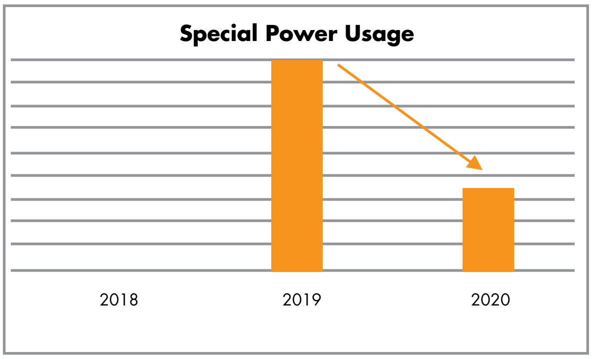


Illustration 2

The increasing trend in electricity consumption as shown in Illustration 1 was mainly due to the commissioning of a major gas plant in late 2019. As part of our operational management, the power efficiency was reviewed by the Management on a monthly basis. In view that the data of specific power of gas produced (kWh/kg) is considered commercial sensitive, the actual number of specific power would never be disclosed. According to our records (reduction trend of specific power as shown in illustration 2), there was an improvement in efficiency of electricity consumption in Y2020.

Kelington committed to strive for energy efficiency via continuing effort in identifying energy reduction opportunities and exploring cost effective practices and technologies.

Our Energy Management Checklist:

Understand our Energy Use	√
Set Goals	√
Assess Plant for energy savings	√
Set a plan for improvement	√
Develop good operations and maintenance practices	√
Track and Benchmark energy use	√
Encourage behavior changes and engage employees	√
Recognize and reward energy achievements	√

Renewable energy generation

Our commitment to sustainability as a company includes our physical working environment. It is our desire to minimize the negative environmental impacts of our operations and buildings.

Since 2011, we installed and maintained photovoltaic solar panels on top of our office building in Shah Alam, for the primary purpose of power generation. In 2020, we managed to improve the efficiency of solar PV generation by 65%. The knowledge we gain from tracking solar power generation performance provides us with practical expertise to help our customers choose and implement energy solutions.

	Y2018	Y2019	Y2020
Solar Power generated	13,622 kWh	12,455 kWh	20,538 kWh

ENV 4 Water management

Clean water is a scarce resource on earth and the Sustainable Development Goal (SDG) No. 6 has pointed out the importance of clean water and sanitation for all. Kelington committed to help millions of people to gain two of life's most fundamental necessities: clean water to drink and a safe, private toilet to use via strictly implementation of our water management plan.

Our water management plan consists of the following actions:

1) Monitor our water consumption on monthly and react instantly if water consumption is found higher than the normal trend.
2) We monitor our plant process parameters closely to ensure all water discharges meet the local government regulations. We also conduct monthly water quality test at the nearby rivers which receive our water discharges to confirm it meets the standards set.
3) We treat our cooling tower water regularly to maintain water quality and prevent growth of Legionella bacteria which may affect the workers' health.

In FY2020, there were no reported incident of non-compliance against the local government rules and standards and there was no penalty imposed in relation to water supply and discharge issue.

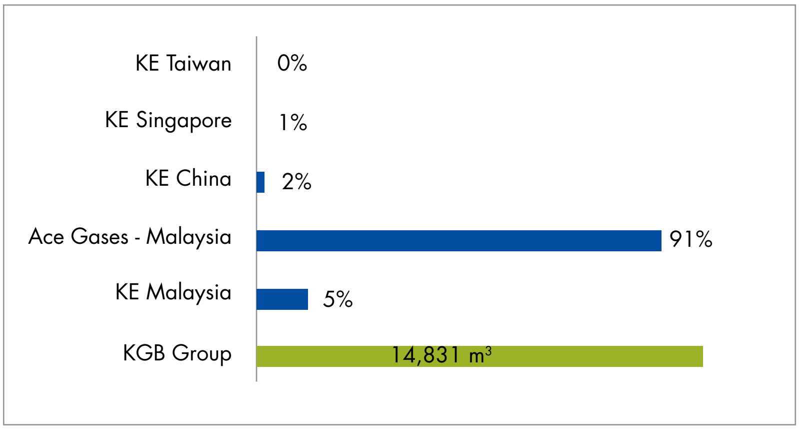


Figure E2 Water Consumption of Kelington Group FY2020

The Figure E2 shows water consumption of Kelington Group in FY 2020 breakdown by geographical segments. Kelington's operation in Malaysia was further breakdown by two business units, namely KE Malaysia (Engineering and Construction) and Ace Gases Malaysia (Industrial Gases). The chart clearly demonstrates that the major portion of the Group's water consumption was derived from Ace Gases – the LCO2 manufacturing plant located at Kerteh, which representing 91% of the total water consumption in FY2020.

The table below shows the water consumption breakdown by geographical segments from FY2018 to FY2020. The increase in water consumption can be observed since FY2019 due to the commencement of operation of the new liquefied carbon dioxide (LCO2) plant in late 2019.

Water Consumption (m^3)			
	FY2018	**FY2019**	**FY2020**
Malaysia	495	2,022	14,338
Singapore	150	55	95
China	-	157	269
Taiwan	157	127	129
Total	802	2,461	14,831

Water Sources

The water consumed by the Group mainly comes from the Municipal water supply which comes from the water reservoir (surface water). We do not use any other water source such as underground water, sea water or external wastewater. The detail breakdown of Kelington's water sources from FY2018 to FY2020 is as below:

Water Consumption (m^3)			
	FY2018	**FY2019**	**FY2020**
Surface Water (rivers, lakes, natural ponds)	802	2,461	14,831
Groundwater from wells, boreholes	0	0	0
Used quarry water collected in the quarry	0	0	0
Municipal potable water	0	0	0
External wastewater	0	0	0
Harvested rainwater	0	0	0
Sea/ Ocean water	0	0	0
Total water consumed	802	2,461	14,831

On the other hand, the total water recovered from rainwater harvest system installed at our gas plant would be disclosed in future.

Water Discharge

Our water discharges mainly go to the drains and subsequently go to the rivers and sea. Especially for our gas manufacturing process, we monitor our discharges and ensure that it meets the standards set up by the local government where we operate. The amount of water discharge from our operation was not recorded in the past. and we have started the data compilation since FY2021 and will report the amount of water discharge in future.

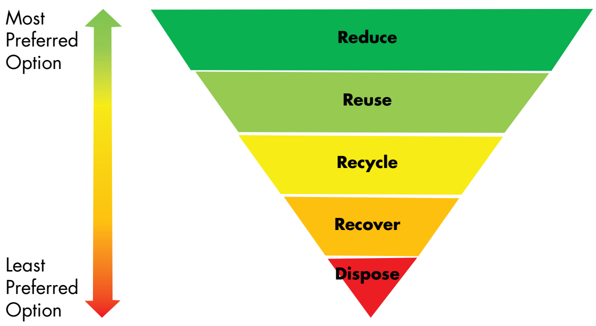
We do not have any business operating in a water-stressed or scarce region. Nevertheless, we still view water as a valuable resource and has included water management plan in our plant to optimize the water usage and monitor the water discharge quality constantly

ENV 5 Waste management and reduction

KGB aims to reduce the amount of waste generation when we carry out our business activities.

Our Environmental Working Committee monitor the Group's waste management plan to minimise the impact of waste on the environment through reduce, reuse, recycle and disposal hierarchy of waste management. For those materials that cannot be recycled, we will ensure that they are disposed in accordance to the local environmental regulations and standards.

Reduce means to prevent and eliminate waste products, whereas reuse is to find a secondary use for the waste product. Recycle implies an alternative use for the waste product which may include reprocessing of the product, whereas disposal includes treatment of the product, incineration or deposit at a landfill site.



The Waste Hierarchy

The waste generated by Kelington Group can be segregated into three main categories: Construction Waste, Scheduled Waste and E-waste.

Construction waste

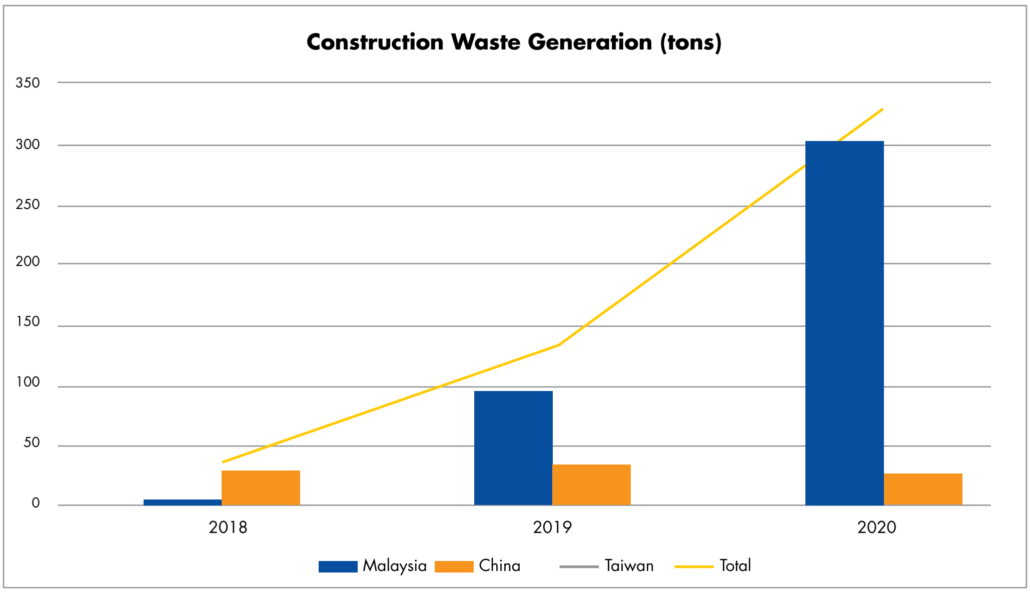
The construction waste usually consists of metal/steel, wood, concrete/cement and other paper/cardboard. In FY 2020, the total construction waste generated by Kelington Group was recorded at 329.4 tons and it was mainly generated by our general contracting division in Malaysia.

All construction wastes were segregated at the designated waste collection areas at the work sites. We engage licensed waste collector to collect and dispose the wastes to the approved dumpsite and landfill areas. Moving forward, we aim to implement resource efficiency program to reduce waste via identification and implementation of waste minimisation at detailed design as well as maximising waste prevention on-site.

	Construction Waste	How we manage construction waste
KE Malaysia - General Contracting Division	302.9 tons	Manage waste in accordance to The Solid Waste and Public Cleansing Management Act 2007 as well as the local government rules and regulations.
KE Singapore	0 tons	Refer to Note 1 below
KE China	26 tons	Refer to Note 1 below
KE Taiwan	0.5 tons	Refer to Note 1 below
Ace Gases - Malaysia	0 tons	The amount of solid waste generated by Industrial Gases division is insignificant.
Total Construction Waste	329.4 tons	

Note 1:
Kelington's operations in Singapore, China, and Taiwan focus more on mechanical engineering works and as a contractor, we may only be on-site for a period to fulfil a specific role and will use the wider sites waste management facilities and comply with the site rules. In this case, Kelington produce waste but do not track and account for it. Since FY2021, waste data would be collected to record the quantity of waste and the type of waste that are being sent out of construction site.

The breakdown of construction waste generation by regions in operations, in the last three years is shown as below:



Our Continuous Improvement Programme Towards Waste Reduction

"Waste reduction and recycling is the environmental and social responsibility of the Customer and the Contractor"

Our manufacturing processes are designed not only to minimize our use of natural resources, but also to minimize waste.

	Our approach to sustainable waste management/ reduction
UHP/ Process Engineering/ General Contracting Divisions	• Prevention of waste: Careful coordination between all parties involved in the design and construction process, in order to avoid any miscommunication. • Value Engineering: Maximize value and minimize waste • Encourage our employees participation in recycling program. • Practice segregation of solid waste and recycling during or after completion of general construction project. • Ensure the site induction to staff and sub-contractors includes awareness of good waste management and the specific measures used at the site
	Our approach to sustainable waste management/ reduction
Industrial Gases Division	• Reuse waste gas supplied by Petronas as the key raw material in our LCO2 production. • Improve Lco2 Production yield and minimize ready stocks wastages. • We strive for continuous improvement in dry ice manufacturing efficiency by minimize production waste/ max gas recovery.

Our major gas plant at Kerteh is a Liquid Carbon Dioxide manufacturing plant, where we take the part of the CO2 waste gas stream vented by Petronas Gas Processing Plant (GPP) and turn it into a pure Liquid CO2 product. Therefore, we are indirectly helping Petronas GPP to improve their carbon footprint by absorbing some of the CO2 which was supposedly to be vented to atmosphere. The total amount of CO2 raw gas which we had taken from Petronas GPP for the past three years is as per Figure 1 below.

We are monitoring our raw gas consumption constantly via production yield, one of the KPI to monitor our production efficiency. The production yield shall be the conversion of input (waste gas/kg) to total output (LCO2/kg) at the end of production process. In FY2020, we had managed to maintain the efficiency of our process and optimized the raw material usage.

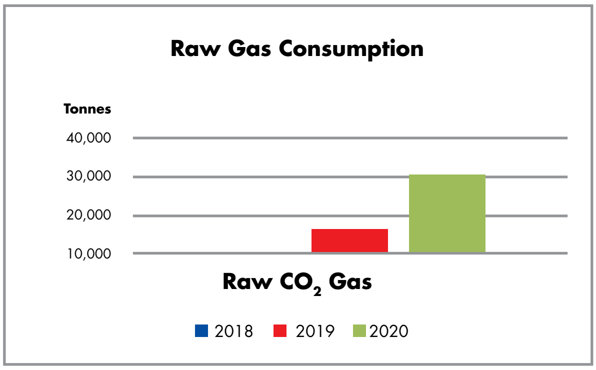


Figure 1 Raw Gas Consumption
Note: the plant was commissioned in late 2019

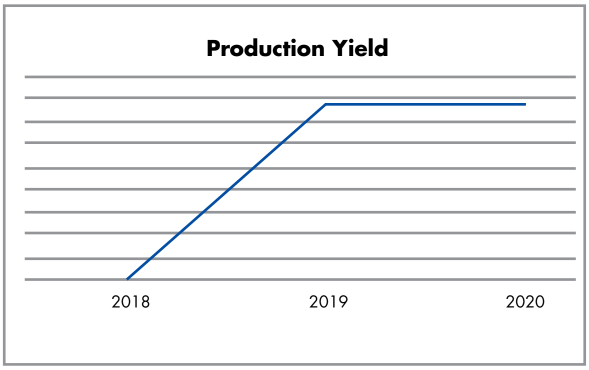


Figure 2 Production Yield
Note: actual value would not be disclosed due to the commercial and confidentiality issue

Scheduled waste

A small percentage of hazardous waste has been regarded for a long time as intractable, or difficult to safely dispose of, without special technologies and facilities. These wastes are known as scheduled wastes. To ensure adequate protection of human health and the environment, Kelington committed to handle scheduled waste strictly according to specific guidelines and regulations.

UHP/ Process Engineering Division	Industrial Gases Division
We disposed scheduled waste in accordance with the Environmental Quality (Scheduled Wastes) Regulations 2005. Only licensed contractors are allowed to transport these schedules wastes offsite to a suitable treatment facility	We endeavor to reduce the generation of the scheduled wastes so that we can minimize the handling process. Regular monitoring and maintenance work are carried out at our plant site to reduce the chance of leakage. Emergency response plan is in place to handle the unlikely event of a spillage of hazardous materials. No scheduled waste was generated since the commencement of operation in October 2019. Since Y2018, we did not carry out any major plant maintenance nor replace any adsorbents or catalysts used in our manufacturing process.

Electronics waste (E-waste)

Electronics waste or E-wastes are mainly the old IT equipment used in our business operations which has reached their lifespan and beyond repair as a whole. KGB aims to recycle the components of these E-waste and we engage contractors to dismantle and reuse them as much as possible. For the parts that are confirmed non-recyclable, we will arrange contractors registered with Department of Environment (DOE) Malaysia to dispose them in accordance with the Environmental Quality (Scheduled Wastes) Regulations 2005. The breakdown of the E-waste for last three years are as shown below:

E-Waste Type	2018	2019	2020
Monitors	-	1	-
Notebook Computer	6	5	5
Printers	1	-	-
Servers	-	-	1
Others i.e. typewriter, desk phone, wireless mouse, laptop battery, laptop adapters & cables	2	3	11

In FY2020, there were no cases of non-compliance of environmental laws and/or regulations and the Group did not receive any summon or penalty from the local authorities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of KGB remains committed to continually striving for the highest standard of corporate governance to be applied throughout KGB and its subsidiaries. The commitment from the top paves the way for Management and all employees to ensure the Group's businesses and affairs are effectively managed in the best interest of all stakeholders.

This Corporate Governance Overview Statement ("CG Overview Statement") sets out the Group's corporate governance processes and practices applied during the financial year, in compliance with the requirements of corporate governance set out in the Main Market Listing Requirements ("MMLR") of Bursa Securities and guided by the principles and recommendations set out in the Malaysian Code on Corporate Governance 2017 ("MCCG") along with the Companies Act 2016 and Corporate Governance Guide (3rd Edition) issued by Bursa Malaysia Berhad.

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 2020 of the Company which is available online at ***www.kelington-group.com.***

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 risk management framework internal controls and mitigation measures;
- Succession planning;
- Ensuring effective communication with stakeholders;
- Overseeing Anti-Bribery Function and reporting activity; and
- Formulation of strategies to promote sustainable development in areas covering economics, environment and social development.

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)

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 their clearly defined Terms and Reference approved by the Board and report to the Board on matters considered and their recommendations thereon. The ultimate responsibility of the final decision on all matters however lies with the Board.

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 and 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.

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.

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

Part I – Board Responsibilities (Cont'd)

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

1.5 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 the Board's affairs and businesses. In addition, the Directors may seek independent professional advice at the Company's expenses to enable the Board to discharge their duties with adequate knowledge 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, and to ensure that the deliberations at Board and Board Committees meetings are well documented. The minutes of the previous Board and Board Committees 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 so as to enable them to make informed decisions to discharge their duties and responsibilities.

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 26 February 2021 and a copy of which is available on the Company's website.

3. Promoting Good Business Conduct and Corporate Structure

3.1 Ethics and Compliance

In keeping with the principles of sound corporate governance, the Board is committed to promote a culture of integrity and ethical values. KGB has put in place its set of Code of Ethics and Conduct (CoEC).

The CoEC is applicable to all Directors and employees within the Group as well as third parties performing works or services for and on behalf of the Company. It governs the desired standard of behaviour and ethical conduct expected from each individual to whom the CoEC applies.

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

Part I – Board Responsibilities (Cont'd)

3. Promoting Good Business Conduct and Corporate Structure (Cont'd)

3.1 Ethics and Compliance (Cont'd)

In 2020, the Board had approved the adoption of an Anti-Bribery and Corruption Policy ("ABC Policy") includes No Gift Policy and the amended Whistleblowing Policy which applies to all Directors and employees of the Group as well as the Group's agents and contractors. The ABC Policy supplements the CoEC and serve as control measures to address and manage the risk of fraud, bribery, corruption, misconduct and unethical practices for the benefit of long-term success of the Company and provides the basis on which the Company will be able to defend itself against any corruption charges that may be brought by any parties against the Company.

Meanwhile, the Company's Whistleblowing 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.

Additional details on these codes and policies can be found in the Sustainability Statement on pages 30 to 63 of the Annual Report.

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.

The Board consists of members with a balance of skills, attributes, knowledge and experience. They are industry leaders and professionals who possess the background and expertise in specialised fields such as strategic planning, engineering and construction, corporate finance and accounting, industrial gases industry, risk management which are critical to the Group's business and sustainability. Each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

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 2020 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 during the review of Directors' independence as part of the annual assessment carried out by the Nomination Committee.

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 (Cont'd)

The Board, through the Nomination Committee, had assessed Mr Chan Thian Kiat and Mr Tan Chuan Yong, the two (2) Senior 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 check and balances 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 21st Annual General Meeting ("AGM") 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 will seek shareholders' approval through a two- tier voting process.

4.4 Diverse Board and Senior Management

While the Board supports the philosophy of gender diversity in the Board Composition and Senior Management and recognises the benefits that it can bring, the Board believes that any new appointments of Directors and Senior Management should be based on their merit, skills and experiences and not driven by age, cultural background and gender.Currently, KGB has one (1) female Director on the Board.

The Board had on 26 February 2021 approved a board diversity policy for KGB that states among others the commitment to ensure the requisite diversity of our Board members, encompassing for example, age, ethnicity and gender and leveraging on differences in thought, perspective, knowledge, skill, regional and industry experience and background. These will provide the necessary perspectives, experience and expertise required to achieve effective stewardship and management of the Company by the Board.

The Board will endeavor to meet its target of 30% women directors in line with the country's aspirational target of 30% representation of women directors.

The board diversity policy which is embedded in the Board Charter can be accessed at www.kelington-group.com

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

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 (Cont'd)

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 the size, mix and the composition of the Board and Board Committees and assessed 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 ("CFO"); and
- Assessed and evaluated the training needs of the Directors.

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 Managements, Director and/or major, 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.

The Board is aware of the guidance to utilise independent sources for future appointment of Non-Executive 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. For Individual Assessment, the assessment criteria include contribution to interaction, quality of inputs, and understanding of role.

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.

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

Part II – Board Composition (Cont'd)

5. Overall Board Effectiveness (Cont'd)

5.1 Annual Evaluation (Cont'd)

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.

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 Ir. Gan Hung Keng, Mr Soo Yuit Weng and Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman are subject to retirement by rotation at the forthcoming 21st AGM and they have expressed their willingness to seek for re-election at the 21st AGM.

5.3 Board Commitment

The Directors allocate sufficient time to discharge their responsibilities effectively and attend Board Meeting and Board Committees 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 Committees meetings during the financial year under review is set out as follows:-

Meeting Attendance	Board	Audit Committee	Risk Management 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	5/5	5/5	–	1/1	1/1	1/1
Vice Admiral (Retired) Datuk Haji Jamil Bin Haji Osman	5/5	–	–	1/1	1/1	1/1
Soo Yuit Weng	5/5	5/5	–	1/1	1/1	1/1
Ng Lee Kuan	5/5	–	1/1	–	–	1/1
Cham Teck Kuang	5/5	–	1/1	–	–	1/1
Hu Keqin	5/5	–	1/1	–	–	1/1
Soh Tong Hwa	5/5	–	1/1	–	–	–

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 2020, 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	Anti Bribery & Corruption Policy Awareness	18 July 2020
Ong Weng Leong	Anti Bribery & Corruption Policy Awareness	18 July 2020
Chan Thian Kiat	KPMG Captains' Forum: Transformation towards recovery, Session 1: Financial Resilience.	25 September 2020
	KPMG CEO webinar series | Captains' Forum: Transformation towards recovery | Session 2: Operational Resilience |	9 October 2020
	KPMG CEO webinar series | Captains' Forum: Transformation towards recovery | Session 3: Technology and Data	19 October 2020
	KPMG Webinar Series | Audit Committee Institute Virtual Roundtable 2020 |	12 November 2020
	Fraud Risk Management Workshop	4 November 2020
Tan Chuan Yong	Malaysia's Temporary Measures for Reducing the Impact of Coronavirus Disease 2019 (COVID-19) Act 2020 ("COVID Act")	25 November 2020
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	ICAO &EASA Safety Management System Requirements - Workshop	20-24 April 2020
	Helicopter ground operations leadership & management	22-24 June 2020
Soo Yuit Weng	Companies Act 2016. Practical guide for Company Secretary	10 September 2020
	Violation of the Companies Act 2016	2 September 2020
	Latest PUBLIC RULING	7 September 2020
Ng Lee Kuan	Anti Bribery & Corruption Policy Awareness	20 May 2020
Soh Tong Hwa	Anti Bribery & Corruption Policy Awareness	18 July 2020
Hu Keqin	Anti Bribery & Corruption Policy Awareness	18 July 2020

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)

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.

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.

6.2 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.

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

Part III - Remuneration (Cont'd)

7. Remuneration of Directors and Senior Management

7.1 Detailed Disclosure of Directors' Remuneration

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

The remuneration for Non-Executive Directors who are Non-Independent and are representatives of the KGB Group are not paid by the Company but are paid by KGB Group.

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.

Details of the Directors' remuneration (including benefits-in-kind) of each Director during the financial year 2020 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	–	599,723	71,856	501,103	15,833	41,890	11,000	1,241,405
Ong Weng Leong	–	569,723	68,256	475,957	16,667	41,890	10,000	1,182,493
Total	–	1,169,446	140,112	977,060	32,500	83,780	21,000	2,423,898
Non-Executive Directors								
Chan Thian Kiat	48,400	–	–	–	–	1,702	2,800	52,902
Tan Chuan Yong	48,400	–	–	–	–	1,702	2,000	52,102
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	44,000	–	–	–	–	1,440	1,200	46,640
Soo Yuit Weng	48,400	–	–	–	–	1,440	3,600	53,440
Ng Lee Kuan	44,000	–	–	–	–	–	1,200	45,200
Cham Teck Kuang	–	–	–	–	–	–	–	–
Hu Keqin	–	–	–	–	–	–	–	–
Soh Tong Hwa	–	–	–	–	–	–	–	–
Total	233,200	–	–	–	–	6,284	10,800	250,284
Total Directors' Remuneration	233,200	1,169,446	140,112	977,060	32,500	90,064	31,800	2,674,182

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

Part III - Remuneration (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 2020 are as follows: (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	–	599,723	71,856	501,103	15,833	41,890	11,000	1,241,405
Ong Weng Leong	–	569,723	68,256	475,957	16,667	41,890	10,000	1,182,493
Total		1,169,446	140,112	977,060	32,500	83,780	21,000	2,423,898
Non-Executive Directors								
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Tan Chuan Yong	48,400	–	–	–	–	1,702	2,000	52,102
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	44,000	–	–	–	–	1,440	1,200	46,640
Soo Yuit Weng	48,400	–	–	–	–	1,440	3,600	53,440
Ng Lee Kuan	44,000	–	–	–	–	–	1,200	45,200
Cham Teck Kuang	–	342,449	28,014	136,710	–	32,591	–	539,764
Hu Keqin		420,224	40,284	164,052	–	32,591	–	657,151
Soh Tong Hwa		450,113	75,975	201,400	21,250	32,591	–	781,329
Total	233,200	1,212,786	144,273	502,162	21,250	104,057	10,800	2,228,527
	233,200	2,380,386	286,231	1,479,222	53,750	187,837	31,800	4,619,925

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. However, 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 B : EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I – Audit Committee

8. Audit Committee

Composition of 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 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 2020, are set out in the Audit Committee Report on pages 88 to 91 of this Annual Report.

Relationships with the External Auditors

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 CFO, 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.

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

Part I – Audit Committee (Cont'd)

8. Audit Committee (Cont'd)

Relationships with the External Auditors (Cont'd)

In this regard, the Audit Committee had on 28 April 2021, 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 2020. 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 for the financial year 2020 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 External Auditors 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 21st AGM.

The details of the External Auditors Policy established in February 2021 are available for reference at our corporate website.

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.

To assist the Board in maintaining a sound system of internal control, the Board has established a Risk Management Committee comprising wholly Non- Executive Directors and 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 process of the Group, reviews the Group's risk management framework and major risk policies and makes relevant recommendations to Management to update the Group Risk Profiles.

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 system of risk management and internal controls to safeguard shareholders' interest and the Group's assets.

Details of the main features of the Company's risk management and internal controls framework are further elaborated in the Audit Committee Report on pages 88 to 91 and Statement on Risk Management and Internal Control on pages 79 to 87 of this Annual Report.

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

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

10. Governance, Risk Management and Internal Control Framework

The Board has outsourced the internal audit function to an independent assurance provider, namely GRC Consulting Services 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 79 to 87 of this Annual Report provides the overview of the internal control framework adopted by the Company during the financial year ended 31 December 2020.

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 was 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 at 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, CFO and External Auditors will be in attendance to respond to the shareholders' queries.

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

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

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

All Directors of the Company (except for Mr Soh Tong Hwa) attended the 20th AGM held on 10 July 2020. The Directors, CFO and External Auditors were in attendance to answer questions raised by the shareholders.

Moving forward, 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 2.19 of the MMLR and Clause 88 of the Company's Constitution, the Notice of AGM, Proxy Form and Circular to Shareholders can be downloaded from the Company's website at www.kelington-group.com.

This Corporate Governance Overview Statement together with the Corporate Governance Report was approved by the Board on 28 April 2021.

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

The Board of Kelington Group Berhad ("KGB") is pleased to present its Statement on Risk Management and Internal Control for the financial year ended ("FYE") 31 December 2020, which has been prepared pursuant to paragraph 15.26 (b) of Bursa Securities' 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 has received assurance from the Group CEO and CFO 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 and up to the date of issuance of this statement.

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.

During the FY2020, the Risk Management Committee ("RMC") reviewed, appraised and assessed the controls and actions in place to mitigate and manage the overall Group's risk exposure, as well as raised issues of concerns and recommended mitigating actions.

The RMC reports to the Board on a biannually basis, and as part of its monitoring activity ensures key risks are deliberated and mitigating actions are implemented.

During the financial year, the adequacy and effectiveness of the system of internal controls was reviewed by the Audit Committee in relation to the internal audits conducted by the GRC Consulting Services Sdn Bhd.

Key Features of the Risk Management and Internal Control Frameworks

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 has a well-defined organisational structure with clearly delineated lines of accountability, authority and responsibility to the Board, its committees and business units. Key processes have been established in reviewing the adequacy and effectiveness of the risk management and internal control systems.

Authority and Responsibility

- The Executive Management Committee supports the Board in the operations of the Group and manages all the Group's business divisions in accordance with corporate strategies and business objectives, policies, key performance indicators and annual budgets as approved by the Board.

- The Audit Committee, with the assistance of RMC, has oversight over the Group's risk management framework, and obtains assurance through the independent consultant appointed, on the adequacy and effectiveness of the risk management and internal control systems.

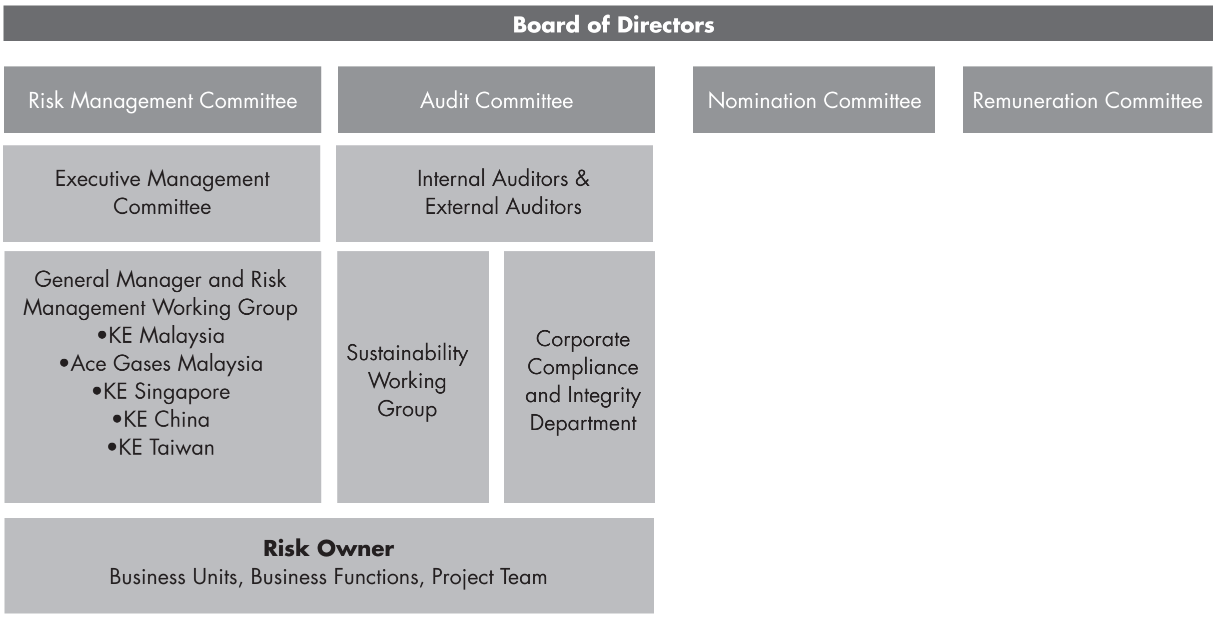
- The RMC oversees and perform regular reviews on the risk management processes of the Group's business and operations to ensure prudent risk management.

- The Nomination Committee and Remuneration Committee assist the Board including but not limited to reviewing and recommending appropriate remuneration policies for Directors, reviewing succession plans, recommending candidates to the Board, and evaluating the performance of the Board as a whole and the contribution of each individual Director (including Board Committees) on an annual basis.

- The General Manager of the respective business divisions of the Group manage their operations and report to the Executive Management Committee at the Group Level.

- Corporate Compliance and Integrity Department ("CCID") to ensure business processes follow all relevant legal and internal guidelines; and to review internal process, developing company policies, and responding to policy violations.

- Sustainability Working Group oversees the operational aspect in relation to the environment, social (including health & safety) and governance .



Statement On Risk Management And Internal Control (cont'd)

Risk Management Policy

The Group adopts risk management policy in identifying, assessing, treating and monitoring the ever-changing risks facing the Group and take specific measures to mitigate these risks in order to minimise foreseeable disruption to operations, prevent harm to our people and avoid damage to the environment and property. The policy stresses the importance of protecting the interests of stakeholders and to comply with all statutory and legal requirements as well as effectively responding to crisis.

In the event of prolonged disruption, business continuity practices shall be adopted to restore and ensure continuity of key business activities.

Enterprise Risk Management Process

The Board places strong dedication and commitment of the highest standards towards effective enterprise risk management in-line with best practices in corporate governance guided by the MCCG. An enterprise risk management approach aligns strategy, processes, people, technology and knowledge with the purpose of evaluating and managing potential risks to the company that may be exposed to. It enhances and encourages the identification of opportunities through continuous improvement and innovation.

The Group's established risk management practice is guided by ISO 31000 and the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) *Enterprise Risk Management Framework 2017*. The key elements of this risk management process are as follows:

Establish Context
- Know your business and environment.
- Establish strategic and organisational objectives by considering internal and external environment within which the risks are considered.

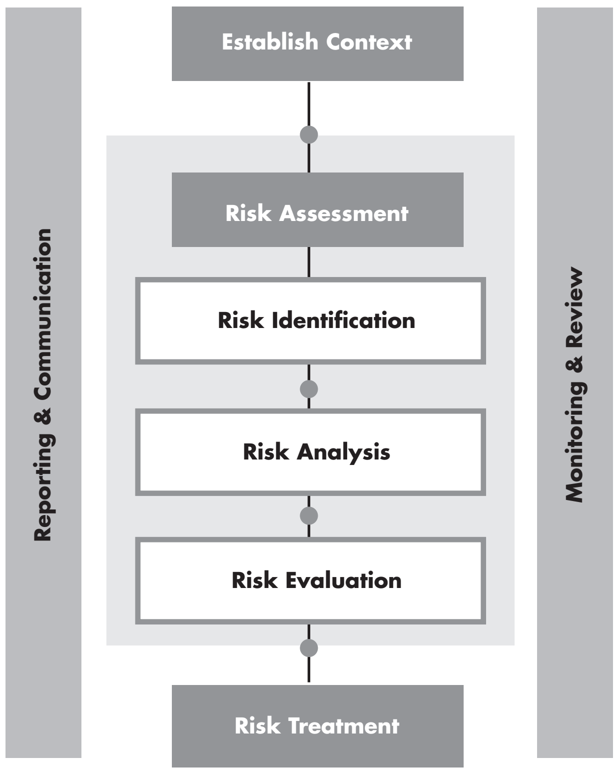
Risk Analysis
- Consequences and likelihood are expressed and combined to determine level of risk that is consistent with the risk criteria.
- Existing controls should be taken into account.

Evaluate Risk
- Analyse risk in terms of impact and probability and plot the risk using the risk matrix
- To assist in making decisions about which risks need treatment and the priority for treatment implementation.

Treat Risk
- Identify mitigating controls to manage inherent risk to an acceptable residual risk level which is aligned with risk appetite.
- There are 4 primary risk treatment options to be considered:
  Accept the risk by informed decision; Avoid the risk; Reduce the risk; and Transfer/Share the risk with other parties.
- The key mitigating control is recorded in the risk register and its effectiveness is assessed.

Monitoring & Review
- Track the current status and changes in the risk register and perform a separate evaluation of the performance of the risk management system and changes that might affect it.

Reporting & Communication
- Communicate and consult with internal and external stakeholders, as appropriate at each stage of the risk management process and concerning the process as a whole



Enterprise Risk Management Process (Cont'd)

The above risk management process is carried out annually and has been in place for the year under review and up to the date of the approval of this Statement. The Risk Profile Analysis was last presented to the RMC on 25 August 2020. The RMC reviewed the risk management process and the status of implementation of risk mitigation plan on 25 February 2021. The risk management reviews cover responses to significant risks identified which would ensure the achievement of the corporate strategies and business objectives; effectiveness and efficiency of operations; integrity of information and reporting; and compliance with the relevant laws, regulations, policies and procedures.

Risk Assessment

Risk management processes require the identification of risks arising from internal and external factors, including but not limited to environmental risks. The risks are assessed in terms of likelihood and impact as well as to identify and evaluate the adequacy of mechanisms in place to manage risks.

In May 2020, a corruption risk assessment was conducted to identify, assess, measure and rank corruption risk areas in KGB that have high potential or likely influence over operations and management of KGB at all levels by using a structured and measured approach in line with the size of KGB. The Corruption Risk Assessment ("CRA") forms the basis of Anti-bribery and Corruption Policy and it shall be conducted periodically (as and when directed by the Board) or at least one full scale assessment and review every 3 years. The completed corruption risk register was presented to the RMC on 25 February 2021.

During the FY2020, an updated risk register was established at group level with seven top risks being identified which could significantly impact the achievement of KGB's strategies and objectives that may require Group wide initiatives to mitigate. The Group identified significant risk areas of concern and mitigating actions were undertaken within appropriate timeframes.

Risk Management

The management of the Group's significant risks identified for the financial year 2020 is outlined below:

	Key Risk & Impact	Mitigation
1	**Intense Competition**	
1a	The level of competition in the UHP delivery systems industry in which we operate is medium and our direct competitors are mainly from Taiwan and China. We have limited direct competition in Malaysia as we are one of the few companies in Malaysia (apart from gas /chemical companies) which have the capabilities and technical competencies to provide design and installation of UHP delivery systems, as well as the ability to provide total UHP solution packages.	• Improve price competitiveness through price submission consistency and strategic sourcing of materials. • Developing and exploring new markets that complement our base capabilities that will bring in recurring income.
1b	Competition from existing competitors and/or new entrants in the Industrial Gases Business. Despite the intense competition, KGB continues to achieve strong replenishment of orders in the FY2020.	• Take proactive measures to remain competitive in this business by amongst others, constantly keeping abreast with the latest market conditions, and continuing efforts in maintaining a competitive edge in terms of cost competitiveness, service quality, product quality and service reliability. • Expansion of products/services to increase customer base.

Risk Management (Cont'd)

The management of the Group's significant risks identified for the financial year 2020 is outlined below: (Cont'd)

	Key Risk & Impact	Mitigation
2	**Uncertainties of Economy**	
	In the current economic climate of geopolitical tensions, trade wars and the coronavirus ("Covid-19") pandemic, the slowdown in the local and global economy may affect the construction and manufacturing industry. The Government's response to the Covid-19 pandemic has adversely impacted the industry, primarily due to the MCO, which has imposed restrictions on manufacturing and construction industries, thereby hindering them from operating at full capacity. Project deliveries were impacted by the additional safe work procedure for prevention of Covid-19 at workplace ("SOP"). During FY2020, the Group has faced with longer project timeline due to the additional SOP across all the key markets.	• Regularly reviewing the business plans against performances to address any shortfalls; • Maintaining existing customers and winning new customers; • Enhancing efficiency and productivity in the operations.
3	**Litigation Risk**	
	Contractual dispute occurred in the event that such delays are for an extended period of time, variation orders or due to project failures. Although we have legal avenues to seek for recovering of disputed amount, during the interim period, our financial performance and cashflow position may be adversely affected. As at FYE 2020, there are three on-going legal cases involved contractual disputes with a Customer and two Sub-Contractors. The dispute amount was fully impaired and reflected in the audited financial statements as at 31 December 2020.	• Engaged legal consultants in pursuit of legal cases. • Engaged contract management consultant to reduce litigation risk. • Close monitoring of site progress to prevent major delays and ensuring proper documentation are in place to seek extension of time, where necessary.
4	**Investment Risks - Industrial Gases**	
	In July 2016, KGB had subscribed 90% equity interest in Ace Gases Sdn Bhd ("AGSB"), mainly involved in the operations in construction of gas plants, engineering and installation of gas delivery systems and manufacturing of gases, marking the commencement of the Group's Industrial Gases Business. As at 31 December 2020, AGSB's paid-up share capital was recorded at RM25,500,000 and KGB is holding 24,783,000 shares (97.19%) in AGSB. In FY2020, the Industrial Gases Business division was not able to achieve the budgeted revenue due to the global pandemic.	• A management with specialist expertise and commercial experience. • Continuously identify market opportunity for business growth.

Risk Management (Cont'd)

The management of the Group's significant risks identified for the financial year 2020 is outlined below: (Cont'd)

	Key Risk & Impact	Mitigation
5	**Slow recoverability of debts/ bad debts**	
	The balance of trade receivables amounted to approximately RM74.2 million of which approximately RM15.6 million exceeded their credit terms. The Management has put in efforts by giving directive to Project & Finance department to expedite progress claim as well as outstanding payments from overdue clients. The overdue payments will not cause financial constraint to KGB group at this point of time as all existing project costs are financed by project claims. However, recoverability of overdue payments could enhance cashflow position of the Group.	• Persistent and close monitoring of collections and overdue debts. • Assessing the creditworthiness of potential Customers. • Payment Reminders. • Resolve overdue client's issue. • Take appropriate actions (including but not limited to legal actions) to recover long overdue balances.
6	**Ability to achieve strategic plan**	
	External forces such as emerging competition, uncertainties of global economics, and over expansion may cause inability to achieve strategic plan.	• To evaluate our success at reaching targets , a set of key performance indicators was set and linked to annual performance assessment. • Continuously identify and evaluate overall risk within the strategic plan allows Kelington to develop more effective strategy management plans that concurrently managing the impact of risk on strategic outcomes.
7	**Ability to achieve Key Performance Indicators**	
	In FY2020, the global COVID-19 pandemic and uncertainties of economy affected the Group's ability to achieve some of the key performance indicators for year 2020. The impacts were mainly on project delivery timeline and the manufacturing operations. However, the impacts were manageable and the Group was quick to rebound from the temporary setbacks as evidenced in the revenue performance in the 2nd quarter of 2020 onwards. The overall growth prospect of the Group remains intact.	• During the Covid-19 pandemic, the Group activated crisis management teams in all divisions and implemented emergency response systems to ensure business continuity and compliance with the stringent directives from the governments.

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 pages 90 to 91 of this Annual Report.

Other Key Elements of Internal Control

The process of governing the effectiveness and integrity of the internal control systems is carried throughout the various areas as follows:

(a) Management Structure

The Group maintains a formal management 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) Major Projects and Investment

There is a standard operating procedure for pre-tendering evaluation and investment appraisal for major projects and Capital Expenditure ("CAPEX")/investments. For major projects/CAPEX/investments, a specific review will be conducted by Major Projects and Investment Committee to deliberate the commercial feasibility of the expenditure/investment, whilst the technical aspects and risks will be deliberated by the technical team before seeking approval according to the delegation of authority table.

(e) ISO Quality Management System

Our Business Operations at	Group Operating Revenue (%)	Quality Management System
Singapore	32%	ISO 9001:2015 Quality Management System certified since November 2018
China	32%	ISO 9001:2015 Quality Management System certified since June 2019
Malaysia	31%	ISO 9001:2015 Quality Management System certified since March 2018
Taiwan	4%	Operated as a branch of KGB in Taiwan. Target to obtain ISO 9001:2015 Quality Management System certification by Y2023.

Yearly surveillance audits and periodic re-assessments are carried out to ensure its adherence and application of the ISO quality policies and procedures.

Other Key Elements of Internal Control (Cont'd)

(f) Health, Safety and Environment ("HSE")

The Health and Safety Working Committee and Environmental Working Committee are responsible for setting the overall direction on Health, Safety and Environment ("HSE") vision, mission, values, objectives, strategies, action plans, goals and resources; to continuously meet legal compliance, client expectations, standards alignment and industry best practices.

All KGB's employee is obligated to work safely, to co-operate and act responsibly to prevent injury to himself/herself and to others and to the environment.

In pursuance of Health and Safety Policy, Environmental Policy and in adherence to all legislative and other requirements with the commitment to achieve continuous improvement, KGB will endeavour to:

- Prevent all accidents, occupational diseases and fire,
- Prevent damage to plant, equipment and property,
- Protect and preserve the environment,
- Prevent any environmental pollution
- Implement a safe system of work,
- Promote HSE awareness and provide training to KGB employees to achieve our HSE objectives,
- Provide forum to employees, customers and contractors to actively participate in our HSE programmes,
- Safeguard the interest of the general public and the surrounding community; and
- Put in place appropriate contingency measures to deal with emergencies, e.g. pandemic, severe environmental pollution etc.

Our Business Operations at	Group Operating Revenue (%)	Occupational Health & Safety Management System
Singapore	32%	ISO 45001:2018 certified since December 2020
China	32%	Certified to OHSAS 18001:2007 from June 2019 to June 2020 ISO 45001:2018 certified since August 2020
Malaysia	31%	Certified to OHSAS 18001:2007 from July 2014 to Sept 2019 ISO 45001:2018 certified since July 2020
Taiwan	4%	Operated as a branch of KGB in Taiwan. Target to obtain ISO 45001:2018 certification by Y2023.

(g) Internal Policies and Procedures

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

(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 Auditor, 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

As required by paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3 ("AAPG 3"), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control Included in the Annual Report, issued by Malaysian Institute of Accountants.

Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that caused them to believe that the Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is it factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and Management thereon. The External Auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

This Statement on Risk Management and Internal Control was approved by the Board on 28 April 2021.

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 2020.

During the financial year, the AC carried out its duties and responsibilities in accordance with its terms of reference and held discussions with the internal auditors, external auditors and relevant members of Management. The AC is of the view that no material misstatements or losses, contingencies or uncertainties have arisen, based on the reviews made and discussions held.

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 2020 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	5/5
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.

AUTHORITY AND DUTIES

The terms of reference of the AC have been revised to incorporate the additional duties of the AC in relation to the implementation of the antibribery and corruption system across the Group. The details of the terms of reference are available for reference at www.kelington-group.com.

REVIEW OF THE AC

An annual assessment and evaluation on the performance and effectiveness of the AC was undertaken by the Nomination Committee for the financial year ended 31 December 2020. The AC was assessed based on three keys areas, namely quality and composition, skills and competencies, and meeting administration and conducts, to determine whether the AC had carried out its duties in accordance with its terms of reference.

As of the appropriate level of knowledge, skills, experience and commitment of its members being critical to the AC's ability to discharge its responsibilities effectively, an assessment of the AC members (self and peers) was also carried out for the financial year ended 31 December 2020.

The Board is satisfied that the AC and its members have discharged their functions, duties and responsibilities in accordance with the AC's terms of reference, and supported the Board in ensuring that the Group upholds appropriate standards of corporate governance.

SUMMARY OF ACTIVITIES OF THE FINANCIAL YEAR

The AC held five (5) meetings in the year 2020 and the Chief Financial Officer and 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 one (1) out of five (5) AC meetings to table the Internal Audit ("IA") report. Management were invited to brief the AC on specific issues arising from the audit report.

The AC met with the External Auditors two (2) times in the year 2020 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 2020, 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.

During the financial year 2020, the AC carried out the following activities:

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 2019. 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 the 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 report 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 approved the annual internal audit plan as proposed by the Internal Auditors to ensure the adequacy of the scope and coverage of work;

(b) Reviewed and discussed the IA report 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 report; and

(c) Reviewed the adequacy of the scope, functions and competency of the IA function, and the results of the internal audit process to ensure the appropriate actions are taken of the recommendations of the Internal Auditors.

IA FUNCTION

The Group's IA function is outsourced to GRC Consulting Services 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. Affeiz Abdul Razak who has diverse professional experience in internal audit, risk management and corporate governance advisory. He is currently one of the Governors in The Institute of Internal Auditors Malaysia's (IIAM) Board and had served previously as the Honorary Treasurer and Honorary Secretary of IIAM. He is a Chartered Member of Institute of Internal Auditors Malaysia – CMIIA, Certified Financial Services Auditor – CFSA (US) and has Accreditation in Internal Audit Function Assessment Validation by IIA (US), Associate Member of Association of Certified Fraud Examiners (US), Member of Business Continuity Institute (UK) – MBCI (UK), Affiliate Member of Institute of Risk Management (UK), Certified Business Continuity Institute (UK) Professional - CBCI with Merit (UK), Member of Institute of Corporate Directors Malaysia and Associate Member of Asian Institute of Chartered Bankers.

The number of staff deployed for the IA reviews ranges from 3 to 4 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 IIAM. 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").

IA FUNCTION (CONT'D)

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 at the AC meetings.

During the FYE 31 December 2020, the outsourced IA function undertook review on the following business of the Group: -

Entity	Scope of Internal Audit
• Ace Gases Sdn. Bhd. • Ace Gases Marketing Sdn Bhd	Pandemic Risks Business Sustainability Market Risks Failure in Production Facilities Contract Risks Non-Compliance to rules and regulations Compliance risk & testing of internal controls.

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. 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 a number of 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 RM16,281.75 for the FYE 31 December 2020.

The AC Report was approved by the Board on 28 April 2021.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

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

2. AUDIT AND NON-AUDIT FEES

The auditors' remuneration including non-audit fees for the Company and the Group for the FYE 31 December 2020 is as follows:-

Details of Auditors' Remuneration	**Group (RM)**	**Company (RM)**
- Statutory Audit Fees	465	154
- Non-Audit Fees	5	5
Total	470	159

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 2020 or entered into since the end of the previous financial year.

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

The Company did not enter into any RRPT during the FYE 31 December 2020.

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 2020, the Company has granted 11,164,350 shares under the ESS to the eligible Directors and employees.

6. EMPLOYEES' SHARE SCHEME ("ESS") (CONT'D)

Brief details on the number of ESS Shares offered, granted and outstanding during the FYE 31 December 2020 is set out in the table below:-

Total number of ESS Shares outstanding as at 1 January 2020	Total number of ESS Shares offered during the FYE 31 December 2020	Total number of ESS Shares granted during the FYE 31 December 2020	Total ESS Shares outstanding as at 31 December 2020
11,164,350	Nil	(11,164,350)	Nil

ESS Shares Offered and Granted to the Directors and Chief Executive

Total number of ESS Shares outstanding as at 1 January 2020	Total number of ESS Shares offered during the FYE 31 December 2020	Total number of ESS Shares granted during the FYE 31 December 2020	Total ESS Shares outstanding as at 31 December 2020
3,248,000	Nil	3,248,000	Nil

ESS Shares Offered to Directors and Senior Management

	During the FYE 31 December 2020	Since commencement of the ESS on 19 June 2017
Aggregate maximum entitlement under ESS (%)	56.500%	56.500%
Actual ESS Shares offered (%)	37.74%	53.78%

The breakdown of the ESS shares offered and granted to Non-Executive Directors pursuant to ESS during the FYE 31 December 2020 are as follows:

Name of Directors	Balance as at 1 January 2020	Number of ESS Shares Offered during the FYE 31 December 2020	Number of ESS Shares granted during the FYE 31 December 2020	Balance as at 31 December 2020
Chan Thian Kiat	45,500	–	(45,500)	Nil
Tan Chuan Yong	45,500	–	(45,500)	Nil
Soo Yuit Weng	38,500	–	(38,500)	Nil
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	38,500	–	(38,500)	Nil
Soh Tong Hwa	280,000	–	(280,000)	Nil
Cham Teck Kuang	280,000	–	(280,000)	Nil
Hu Keqin	280,000	–	(280,000)	Nil
Ng Lee Kuan	–	–	–	–
Total	**1,008,000**	**-**	**(1,008,000)**	**Nil**

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 2020.

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	17,591	8,549
Attributable to:-		
Owners of the Company	17,504	8,549
Non-controlling interests	87	–
	17,591	8,549

DIVIDENDS

Dividends paid or declared by the Company since 31 December 2019 are as follows:-

Ordinary Share	**RM'000**
In respect of the financial year 31 December 2019	
An interim dividend of 1 sen per ordinary share, paid on 3 August 2020	3,213
In respect of the financial year 31 December 2020	
An interim dividend of 0.5 sen per ordinary share, paid on 2 November 2020	1,607

On 28 April 2021, the Company declared an interim dividend of 1 sen per ordinary share amounting to RM3,226,235 in respect of the current financial year, payable on 11 June 2021, to shareholders whose names appeared in the record of depositors on 20 May 2021. 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 2021.

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 RM71,275,860 to RM73,291,772 by an issuance of 11,164,350 new ordinary shares from the exercise of options under the Company's Employee Share Scheme ("ESS") at the exercise prices as disclosed in Note 17(a) to the financial statements which amounted to RM2,015,912.

    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 2020, the Company held a total of 1,119,900 treasury shares out of the total 322,623,476 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 18 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 19(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
Cham Teck Kuang
Ng Lee Kuan
Hu Keqin

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 Share			-------------------- >
	At 1.1.2020	**Bought**	**Exercise of ESS Offered**	**Sold**	**At 31.12.2020**
Direct Interests					
Gan Hung Keng	1,228,166	–	1,120,000	–	2,348,166
Ong Weng Leong	1,075,900	–	1,120,000	–	2,195,900
Chan Thian Kiat	112,866	–	45,500	–	158,366
Tan Chuan Yong	286,166	–	45,500	–	331,666
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	16,500	–	38,500	–	55,000
Soo Yuit Weng	815,166	20,000	38,500	(493,600)	380,066
Soh Tong Hwa	507,766	–	280,000	(50,000)	737,766
Cham Teck Kuang	120,000	–	280,000	(400,000)	–
Hu Keqin	120,000	–	280,000	(400,000)	–

DIRECTORS' INTERESTS (CONT'D)

	< ------------------- Number of Ordinary Share				------------------- >
	At 1.1.2020	**Bought**	**Exercise of ESS Offered**	**Sold**	**At 31.12.2020**
Indirect Interests					
Gan Hung Keng *	67,533,490	–	–	–	67,533,490
Ong Weng Leong *	67,533,490	–	–	–	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 1.1.2020	**Exercised**	**At 31.12.2020**
ESS of the Company			
Direct Interests			
Gan Hung Keng	1,120,000	(1,120,000)	–
Ong Weng Leong	1,120,000	(1,120,000)	–
Chan Thian Kiat	45,500	(45,500)	–
Tan Chuan Yong	45,500	(45,500)	–
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	38,500	(38,500)	–
Soo Yuit Weng	38,500	(38,500)	–
Soh Tong Hwa	280,000	(280,000)	–
Cham Teck Kuang	280,000	(280,000)	–
Hu Keqin	280,000	(280,000)	–

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 39 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 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 38(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 AND AFTER THE FINANCIAL YEAR

The significant events during and after the financial year are disclosed in Note 43 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 30 to the financial statements.

Signed in accordance with a resolution of the directors dated 28 April 2021

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 107 to 212 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 2020 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 28 April 2021

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 107 to 212 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 28 April 2021

Jong Yu Huat

Before me

Datin Hajah Raihela Wanchik (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 2020 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 107 to 212.

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 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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 10 and 26 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 12 to the financial statements

Key Audit Matter

The balance of trade receivables amounted to approximately RM74.2 million of which approximately RM15.6 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 2020 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

28 April 2021

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

		The Group		The Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	–	–	48,672	47,460
Property, plant and equipment	6	59,691	52,959	3,203	2,881
Right-of-use assets	7	4,366	4,299	–	–
Goodwill	8	6,356	6,360	–	–
Deferred tax assets	9	308	1,350	–	–
		70,721	64,968	51,875	50,341
CURRENT ASSETS					
Contract assets	10	61,798	49,496	3,008	907
Inventories	11	2,801	552	–	–
Trade receivables	12	74,208	90,915	1,479	1,715
Other receivables, deposits and prepayments	13	8,609	13,103	1,633	1,783
Amount owing by subsidiaries	14	–	–	9,634	7,788
Current tax assets		227	303	172	150
Fixed deposits with licensed banks	15	26,226	28,088	21,264	21,997
Cash and bank balances	16	105,753	57,096	4,374	8,210
		279,622	239,553	41,564	42,550
TOTAL ASSETS		350,343	304,521	93,439	92,891

Statements of Financial Position (cont'd)

	Note	The Group 2020 RM'000	The Group 2019 RM'000	The Company 2020 RM'000	The Company 2019 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	73,292	71,276	73,292	71,276
Treasury shares	18	(534)	(534)	(534)	(534)
Reserves	19	95,261	84,519	10,126	9,143
Equity attributable to the owners of the Company		168,019	155,261	82,884	79,885
Non-controlling interests	5	310	273	–	–
TOTAL EQUITY		168,329	155,534	82,884	79,885
NON-CURRENT LIABILITIES					
Deferred tax liabilities	9	218	92	–	–
Lease liabilities	20	2,134	2,545	–	–
Term loans	21	27,203	23,327	71	506
		29,555	25,964	71	506
CURRENT LIABILITIES					
Contract liabilities	10	29,772	31,128	96	264
Amount owing to subsidiaries	14	–	–	3,789	6,608
Trade payables	22	71,524	43,287	2,026	1,910
Other payables and accruals	23	17,600	28,302	1,891	2,382
Provisions	24	984	1,028	114	66
Lease liabilities	20	922	738	–	–
Short-term borrowings	25	28,255	12,197	2,568	1,270
Current tax liabilities		3,402	6,343	–	–
		152,459	123,023	10,484	12,500
TOTAL LIABILITIES		182,014	148,987	10,555	13,006
TOTAL EQUITY AND LIABILITIES		350,343	304,521	93,439	92,891

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 2020

		The Group		The Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
REVENUE	26	394,599	379,768	13,305	6,906
COST OF SALES	27	(335,805)	(316,163)	(11,320)	(7,378)
GROSS PROFIT/(LOSS)		58,794	63,605	1,985	(472)
OTHER INCOME	28	8,662	5,257	13,529	17,466
		67,456	68,862	15,514	16,994
SELLING AND DISTRIBUTION EXPENSES	29	(1,630)	(1,322)	(124)	(232)
ADMINISTRATIVE EXPENSES	30	(35,114)	(31,450)	(6,085)	(7,116)
OTHER EXPENSES	31	(2,310)	(2,153)	(439)	(231)
FINANCE COSTS	32	(2,476)	(1,312)	(186)	(302)
NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS	33	(4,981)	(1,046)	(62)	–
PROFIT BEFORE TAXATION		20,945	31,579	8,618	9,113
INCOME TAX EXPENSE	34	(3,354)	(7,659)	(69)	(92)
PROFIT AFTER TAXATION		17,591	23,920	8,549	9,021
OTHER COMPREHENSIVE (EXPENSES)/INCOME					
<u>Item that Will be Reclassified Subsequently to Profit or Loss</u>					
Foreign currency translation differences		(338)	(558)	(1,149)	(258)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		17,253	23,362	7,400	8,763
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		17,504	24,418	8,549	9,021
Non-controlling interests		87	(498)	–	–
		17,591	23,920	8,549	9,021

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

	Note	The Group 2020 RM'000	The Group 2019 RM'000	The Company 2020 RM'000	The Company 2019 RM'000
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
Owners of the Company		17,166	23,862	7,400	8,763
Non-controlling interests		87	(500)	–	–
		17,253	23,362	7,400	8,763
EARNINGS PER SHARE (SEN)					
- Basic	35	5.5	8.2		
- Diluted	35	5.5	7.9		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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 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	36	–	–	–	–	–	(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	–
- Share-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 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 31.12.2019/ 1.1.2020		71,276	(534)	9,311	1,597	4,040	69,571	155,261	273	155,534
Profit after taxation for the financial year		–	–	–	–	–	17,504	17,504	87	17,591
Other comprehensive expenses for the financial year:										
- Foreign currency translation differences		–	–	–	–	(338)	–	(338)	–	(338)
Total comprehensive income for the financial year		–	–	–	–	(338)	17,504	17,166	87	17,253
Contributions by and distributions to owners of the Company:										
- Dividends	36	–	–	–	–	–	(4,820)	(4,820)	–	(4,820)
- Changes in ownership interests in subsidiaries that do not result in a loss of control		–	–	–	–	–	(7)	(7)	7	–
- Share-based payment		–	–	–	419	–	–	419	–	419
- Employee share scheme exercised		2,016	–	–	(2,016)	–	–	–	–	–
- Transfer of non-distributable reserve funds by a subsidiary		–	–	423	–	–	(423)	–	–	–
- Liquidation of a subsidiary		–	–	–	–	–	–	–	(57)	(57)
Total transactions with owners		2,016	–	423	(1,597)	–	(5,250)	(4,408)	(50)	(4,458)
Balance at 31.12.2020		73,292	(534)	9,734	–	3,702	81,825	168,019	310	168,329

Statements of Changes In Equity (cont'd)

The Company	Note			← Non-distributable		→	Distributable	
		Share Capital RM'000	Treasury Shares RM'000	Capital Reserve RM'000	Employee Share Scheme Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
Balance at 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	36	–	–	–	–	–	(5,456)	(5,456)
- Share-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

Statements of Changes In Equity (cont'd)

The Company	Note	Share Capital RM'000	Treasury Shares RM'000	Capital Reserve RM'000	Employee Share Scheme Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
				← Non-distributable		→	Distributable	
Balance at 31.12.2019/ 1.1.2020		71,276	(534)	1,044	1,597	(594)	7,096	79,885
Profit after taxation for the financial year		–	–	–	–	–	8,549	8,549
Other comprehensive expenses for the financial year:								
- Foreign currency translation differences		–	–	–	–	(1,149)	–	(1,149)
Total comprehensive income for the financial year		–	–	–	–	(1,149)	8,549	7,400
Contributions by and distribution to owners of the Company:								
- Dividends	36	–	–	–	–	–	(4,820)	(4,820)
- Share-based payment		–	–	–	419	–	–	419
- Employee share scheme exercised		2,016	–	–	(2,016)	–	–	–
Total transactions with owners		2,016	–	–	(1,597)	–	(4,820)	(4,401)
Balance at 31.12.2020		73,292	(534)	1,044	–	(1,743)	10,825	82,884

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit before taxation	20,945	31,579	8,618	9,113
Adjustments for:-				
Bad debts written off	4	80	–	–
Current tax assets written off	30	–	–	–
Deposits written off	–	312	–	–
Depreciation of property, plant and equipment	4,440	2,637	177	102
Depreciation of right-of-use assets	698	426	–	–
Impairment losses on financial assets and contract assets	4,981	1,046	62	–
Interest expense on lease liabilities	205	91	–	–
Other interest expenses	2,271	1,221	186	302
Loss on liquidation of a subsidiary	236	–	–	–
Property, plant and equipment written off	47	5	24	–
Provision for warranty costs	143	173	150	67
Share-based payments	419	840	(272)	396
Unrealised (gain)/loss on foreign exchange	(1,224)	85	(1,102)	(436)
Dividend income	–	–	(8,505)	(12,069)
Gain on disposal of property, plant and equipment	(2)	(1)	–	–
Interest income	(729)	(969)	(655)	(716)
Reversal of provision for foreseeable losses	–	(749)	–	–
(Reversal of provision)/Provision for unutilised leave	(10)	31	–	–
Write back of contract assets	(517)	–	–	–
Operating profit/(loss) before working capital changes	31,937	36,807	(1,317)	(3,241)
Increase in inventories	(2,218)	(382)	–	–
(Increase)/Decrease in contract assets/liabilities	(13,273)	5,587	(2,288)	58
Decrease/(Increase) in trade and other receivables	17,953	(7,375)	509	3,547
Increase/(Decrease) in trade, other payables and provisions	15,874	(6,300)	(611)	(2,763)
Decrease/(Increase) in amount owing by subsidiaries	–	–	354	(3,491)
Decrease in amount owing to subsidiaries	–	–	(3,401)	(666)
CASH FROM/(FOR) OPERATIONS	50,273	28,337	(6,754)	(6,556)
Income tax paid	(5,113)	(7,924)	(91)	(102)
Interest paid	(145)	(272)	(104)	(217)
Interest received	729	969	655	716
NET CASH FROM/(FOR) OPERATING ACTIVITIES	45,744	21,110	(6,294)	(6,159)

Statements of Cash Flows (cont'd)

	Note	The Group 2020 RM'000	The Group 2019 RM'000	The Company 2020 RM'000	The Company 2019 RM'000
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Additional investment in subsidiaries		–	–	(1,150)	(23,337)
Dividends received		–	–	8,505	9,443
Purchase of property, plant and equipment		(11,130)	(33,506)	(514)	(383)
Addition to right-of-use assets	37(a)	(74)	–	–	–
Proceeds from disposal of property, plant and equipment		92	80	–	–
Proceeds from issuance of shares to non-controlling interests		–	347	–	–
Advances to subsidiaries		–	–	(2,200)	–
Repayment from a subsidiary		–	–	–	9,500
Repayment from subsidiaries for employee share scheme		–	–	629	348
Placement of fixed deposits and bank balance pledged with licensed banks		–	–	–	(677)
Increase in pledged fixed deposits and bank balances with licensed banks		(1,237)	(1,859)	(662)	–
Withdrawal/(Placement) of fixed deposits with original maturity of more than 3 months		304	(304)	–	–
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(12,045)	(35,242)	4,608	(5,106)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Repayment of lease liabilities	37(b)	(918)	(498)	–	–
Net drawdown/(repayment) of invoice financing	37(b)	8,659	27	(643)	671
Net repayment of revolving credits	37(b)	–	(3,038)	–	–
Net drawdown/(repayment) of term loans	37(b)	8,530	23,114	1,425	(1,286)
Net drawdown of bankers' acceptances	37(b)	2,140	–	–	–
Proceeds from issuance of shares pursuant to:					
- Warrants		–	20,226	–	20,226
Dividends paid		(4,820)	(8,111)	(4,820)	(8,111)
Interest paid	37(b)	(2,331)	(1,083)	(82)	(133)
NET CASH FROM/(FOR) FINANCING ACTIVITIES		11,260	30,637	(4,120)	11,367

Statements of Cash Flows (cont'd)

		The Group		The Company	
		2020	**2019**	**2020**	**2019**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		44,959	16,505	(5,806)	102
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		831	(710)	575	(225)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		67,997	52,202	18,311	18,434
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	37(c)	113,787	67,997	13,080	18,311

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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 28 April 2021.

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)
Amendments to MFRS 3: Definition of a Business
Amendments to MFRS 4: Extension of the Temporary Exemption from Applying MFRS 9
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108: Definition of Material
Amendments to References to the Conceptual Framework in MFRS Standards

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.

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 2023
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendment to MFRS 16: Covid-19-Related Rent Concessions	1 June 2020
Amendment to MFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendment to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022

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

The outbreak of the COVID-19 has brought unprecedented challenges and added economic uncertainties in Malaysia and markets in which the Group operates. While the Group has considered the potential financial impact of the COVID-19 pandemic in the preparation of these financial statements, the full financial impact to the Group remains uncertain. Accordingly, there is a possibility that factors not currently anticipated by management could occur in the future and therefore affect the recognition and measurement of the Group's assets and liabilities at the reporting date.

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:-

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(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.

(c) 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 including changes in the customer payment profile in response to the COVID-19 pandemic 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 10 and 12 to the financial statements.

(d) 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. It also requires the Group to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. 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 and forward-looking information incorporating the impact of COVID-19 pandemic. The carrying amounts of other receivables and amount owing by subsidiaries as at the reporting date are disclosed in Notes 13 and 14 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)

(e) 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 10 to the financial statements.

(f) 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**	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Current tax assets	227	303	172	150
Current tax liabilities	3,402	6,343	–	–

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)

(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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

(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.

(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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

(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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Debt Instruments (Cont'd)

(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.

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).

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(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.

4.6 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%

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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.

4.8 LEASES

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group 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 Group 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 Group 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 Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group 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 Group 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

4.12 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 IMPAIRMENT (CONT'D)

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

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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).

(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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

4.19 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 potential dilutive ordinary shares, which comprise share options granted to employees.

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 is recognised at a point in time when the services have been rendered to the customers and coincides with the delivery of services and acceptance by customers.

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.

(e) Government Grant

Government grants are recognised at their fair value when there is reasonable assurance that they will be received and all conditions attached will be met.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis over the period necessary to match them with the related expenses which they are intended to compensate for. These grants are presented as other income in profit or loss.

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2020	**2019**
	RM'000	**RM'000**
Unquoted shares, at cost:		
- in Malaysia	26,224	26,493
- outside Malaysia	22,618	21,137
	48,842	47,630
Accumulated impairment losses	(170)	(170)
	48,672	47,460

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

	The Company 2020 RM'000	2019 RM'000
Unquoted shares, at cost:-		
At 1 January	47,630	24,197
Additions during the financial year:		
- in Malaysia	–	18,411
- outside Malaysia	1,150	4,926
Employee Share Scheme ("ESS") granted to employees of subsidiaries:		
- ESS granted	691	444
- ESS repayment	(629)	(348)
At 31 December	48,842	47,630

Included in the investments in subsidiaries is an amount of approximately RM1,139,000 (2019 - RM1,077,000) relating to the share scheme granted by the Company to the employees of the subsidiaries.

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 2020 %	2019 %	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 Of China ("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 general trading. #
Kelington Nawik Sdn. Bhd. ("KNSB")	Malaysia	90	90	Providing engineering consultancy and services, construction, engineering process and installation. #
Kelington Analytical Services Sdn. Bhd. ("KASSB")	Malaysia	55	55	Provision of scientific and technical researches, laboratory testing service and experiments.

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 2020 %	2019 %	Principal Activities
Subsidiaries of the Company (Cont'd)				
Ace Gases Sdn. Bhd. ("AGSB")	Malaysia	97.2	97.2	Construction of gas delivery system and manufacturing facilities, production, distribution, supply, import and trading of gases.
Hiti Engineering (M) Sdn.Bhd. ("HITI")	Malaysia	100	100	Provision of engineering services.
Puritec Technologies (M) Sdn. Bhd. ("PTM")	Malaysia	100	100	Provision of engineering services and general trading.
Cryotech Logistics Sdn.Bhd. ("CLSB")	Malaysia	82	82	Provision of skid tank renting and industrial gases transportation and logistics arrangement and general trading of industrial gases.
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	100	Providing business of fabrication of gas and liquid delivery equipment and mechanical parts for semiconductor industry.

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 2020 %	2019 %	Principal Activities
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	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 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	77.8	77.8	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	87.5	97.2	Wholesaling of chemicals and chemical products, manufacturing of industrial gases and dry ice. #

Notes:-
* - These subsidiaries were audited by other firms of chartered accountants.
\# - These subsidiaries did not carry out any business activities during the financial year.

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

	Effective Equity Interest		The Group	
	2020 %	2019 %	2020 RM'000	2019 RM'000
KNSB Group	10	10	(88)	(87)
KASSB	45	45	101	80
AGSB Group	2.8	2.8	248	175
KESG Group:				
- PT Mitracon	–	20	–	57
- KSP	10	10	44	49
CLSB	18	18	5	(1)
			310	273

(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 9 January 2020, the Company has injected USD277,000 to KESH, a wholly-owned subsidiary of the Company. The paid-up share capital of KESH increased from USD2,013,000 to USD2,290,000.

(d) On 26 August 2020, AGMS, a subsidiary AGSB, increased its paid-up capital from SGD1 to SGD30,000 by allotment of 29,999 shares. AGSB subscribed for the additional 26,999 ordinary shares. Following the subscription, AGMS became an 90% owned subsidiary of AGSB.

(e) The member's voluntary winding up process for PT Mitracon, an 80% owned subsidiary of KESG, had been completed and was deemed fully dissolved under the Laws of the Republic of Indonesia. As a result, the Group derecognised its interest in PT Mitracon and recorded a loss on liquidation of RM236,000 during the financial year.

6. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.1.2020 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 31.12.2020 RM'000
2020								
Carrying amount								
Freehold land	1,300	–	2,730	–	–	–	–	4,030
Building	924	–	750	–	–	–	(43)	1,631
Motor vehicles	700	–	542	(89)	(8)	3	(189)	959
Office and computer equipment	1,148	20	985	–	(36)	15	(400)	1,732
Tools and equipment	5,208	21	764	(1)	–	58	(1,246)	4,804
Furniture, fittings and renovation	3,510	–	187	–	(3)	103	(390)	3,407
Plant and machinery	40,076	3,057	1,067	–	–	–	(2,172)	42,028
Capital work-in-progress	93	(3,098)	4,105	–	–	–	–	1,100
	52,959	–	11,130	(90)	(47)	179	(4,440)	59,691

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

The Group	< ------ 1.1.2019 ------ >									
	At 1.1.2019 RM'000	Initial Application of MFRS 16 RM'000	As 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

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

	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
The Group			
2020			
Freehold land	4,030	–	4,030
Building	2,150	(519)	1,631
Motor vehicles	2,444	(1,485)	959
Office and computer equipment	3,693	(1,961)	1,732
Tools and equipment	13,015	(8,211)	4,804
Furniture, fittings and renovation	5,037	(1,630)	3,407
Plant and machinery	45,365	(3,337)	42,028
Capital work-in-progress	1,100	–	1,100
	76,834	(17,143)	59,691
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

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

The Company	At 1.1.2020 RM'000	Additions RM'000	Written Off RM'000	Exchange Fluctuation Difference RM'000	Depreciation Charges RM'000	At 31.12.2020 RM'000
2020						
Carrying Amount						
Freehold land	1,300	–	–	–	–	1,300
Building	924	–	–	–	(28)	896
Motor vehicles	17	–	–	1	(6)	12
Office and computer equipment	154	505	(24)	2	(58)	579
Tools and equipment	113	9	–	5	(40)	87
Furniture, fittings and renovation	373	–	–	1	(45)	329
	2,881	514	(24)	9	(177)	3,203

The Company	At 1.1.2019 RM'000	Additions 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
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

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

The Company	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
2020			
Freehold land	1,300	–	1,300
Building	1,400	(504)	896
Motor vehicles	158	(146)	12
Office and computer equipment	939	(360)	579
Tools and equipment	709	(622)	87
Furniture, fittings and renovation	905	(576)	329
	5,411	(2,198)	3,203
2019			
Freehold land	1,300	–	1,300
Building	1,400	(476)	924
Motor vehicles	151	(134)	17
Office and computer equipment	530	(376)	154
Tools and equipment	670	(557)	113
Furniture, fittings and renovation	900	(527)	373
	4,951	(2,070)	2,881

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.

7. RIGHT-OF-USE ASSETS

The Group	At 1.1.2020 RM'000	Additions RM'000	Depreciation Charges RM'000	Exchange Fluctuation Differences RM'000	At 31.12.2020 RM'000
2020					
Carrying Amount					
Office premises	224	–	(158)	–	66
Warehouse	–	192	(80)	–	112
Motor vehicles	4,075	573	(460)	–	4,188
	4,299	765	(698)	–	4,366

	1.1.2019 As Previously Reported RM'000	1.1.2019 Initial Application of MFRS 16 RM'000	1.1.2019 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

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

	The Group	
	2020	**2019**
	RM'000	**RM'000**
Analysed by:-		
Cost	5,909	5,144
Accumulated depreciation	(1,543)	(845)
	4,366	4,299

(a) The Group leases various office premises, warehouse and motor vehicles of which the leasing activities are summarised below:-

(i)	Office premises	The Group has leased a number of office premises between 1 and 2 (2019 - 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)	Warehouse	The Group has leased a warehouse for 2 years, with an option to renew the lease after that date.
(iii)	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.

(b) Extension options in the lease of office premises and warehouse have not been included in the related leased liability as at the reporting date because the Group could replace the assets without significant cost or business disruption. The undiscounted future lease payments that have not been included in the lease liabilities is an amount of approximately RM285,000 (2019 - RM88,000).

8. GOODWILL

	The Group	
	2020	**2019**
	RM'000	**RM'000**
At 1 January	6,360	6,348
Foreign exchange adjustments	(4)	12
At 31 December	6,356	6,360

8. GOODWILL (CONT'D)

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

	The Group	
	2020	**2019**
	RM'000	**RM'000**
PTS:		
- provision of engineering services in cleanenergy system	6,126	6,130
Other cash-generating units without significant goodwill	230	230
	6,356	6,360

(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	
2020	**2019**	**2020**	**2019**	**2020**	**2019**
15%	15%	3% to 18%	-22% to 2%	8.88%	5.51%

(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. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group	
	2020	**2019**
	RM'000	**RM'000**
Deferred Tax Assets		
At 1 January	1,350	630
Recognised in Profit or Loss (Note 34)	(1,093)	749
Effect of foreign exchange translation	51	(29)
At 31 December	308	1,350
Deferred Tax Liabilities		
At 1 January	92	92
Recognised in Profit or Loss (Note 34)	126	–
At 31 December	218	92

The components of deferred tax assets/(liabilities) as at the end of the reporting period are as follows:-

	The Group	
	2020	**2019**
	RM'000	**RM'000**
Contract liabilities	308	1,350
Accelerated capital allowances	(218)	(92)

10. CONTRACT ASSETS/(LIABILITIES)

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Contract Assets				
Contract assets relating to construction contracts	62,787	49,859	3,059	907
Allowance for impairment losses	(989)	(363)	(51)	–
	61,798	49,496	3,008	907
Allowance for impairment losses:-				
At 1 January	(363)	(116)	–	–
Addition during the financial year (Note 33)	(619)	(250)	(52)	–
Effect of foreign exchange translation	(7)	3	1	–
At 31 December	(989)	(363)	(51)	–
Contract Liabilities				
Contract liabilities relating to construction contracts	(29,772)	(31,128)	(96)	(264)

(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 and of the Company are retention sum receivables amounting to approximately RM3,218,000 and RM334,000 (2019 - RM14,724,000 and nil) 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.

10. 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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
At 1 January	18,368	24,143	643	696
Revenue recognised in profit or loss during the financial year*	369,881	370,758	13,305	6,906
Billings to customers during the financial year	(356,064)	(375,423)	(10,995)	(7,099)
Impairment losses on contract assets (Note 33)	(619)	(250)	(52)	–
Write back of contract assets (Note 28)	517	–	–	–
Foreign exchange adjustments	943	(860)	11	140
At 31 December	32,026	18,368	2,912	643
Represented by:-				
Contract assets	61,798	49,496	3,008	907
Contract liabilities	(29,772)	(31,128)	(96)	(264)
	32,026	18,368	2,912	643

* - Included amount of approximately RM30,515,000 and RM257,000 (2019 - RM21,462,000 and RM485,000) of the Group and the Company that were included in contract liabilities at the beginning of the financial year.

(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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Within 1 year	243,404	218,070	4,025	5,252
Between 1 and 2 years	23,068	32,964	215	2,113
	266,472	251,034	4,240	7,365

10. 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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Direct contract costs	293,195	284,848	10,809	6,936
Depreciation of property, plant and equipment	987	982	54	20
Staff costs:				
- salaries, wages, bonuses, allowances and others	23,922	24,142	457	422
- defined contribution plan	2,245	2,326	–	–
Total contract costs (Note 27)	320,349	312,298	11,320	7,378

11. INVENTORIES

	The Group	
	2020 RM'000	**2019 RM'000**
Materials for contracts	2,183	343
Industrial gases	618	209
	2,801	552
<u>Recognised in profit or loss:-</u>		
Inventories recognised as cost of sales	14,508	368

12. TRADE RECEIVABLES

	The Group 2020 RM'000	The Group 2019 RM'000	The Company 2020 RM'000	The Company 2019 RM'000
Trade receivables	85,389	97,575	1,509	1,733
Allowance for impairment losses	(11,181)	(6,660)	(30)	(18)
	74,208	90,915	1,479	1,715
Allowance for impairment losses:-				
At 1 January	(6,660)	(7,357)	(18)	(65)
Additions during the financial year (Note 33)	(4,763)	(2,639)	(11)	–
Reversal during the financial year (Note 33)	401	1,843	1	–
Written off during the financial year	–	1,411	–	46
Effect of foreign exchange translation	(159)	82	(2)	1
At 31 December	(11,181)	(6,660)	(30)	(18)

(a) The Group's normal trade credit terms range from 30 to 120 (2019 - 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 RM942,000 and RM24,000 (2019 - RM4,310,000 and RM23,000), being project retention sums to be received from customers in accordance with the terms of respective contracts.

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	The Group 2020 RM'000	The Group 2019 RM'000	The Company 2020 RM'000	The Company 2019 RM'000
Other receivables:-					
Third parties		1,718	2,602	8	14
Advances paid to a supplier	(a)	3,561	63	–	–
Advances to employees	(b)	–	110	–	–
Goods and Services Tax ("GST") recoverable		80	942	–	165
		5,359	3,717	8	179
Deposits		1,815	2,986	904	1,551
Prepayments		1,435	6,400	721	53
		8,609	13,103	1,633	1,783

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

(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) In the previous financial year, the advances to employees of the Group were unsecured, repaid within 12 months and bore interest rates ranging from 0.5% to 3% per annum.

14. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	The Company	
	2020	**2019**
	RM'000	**RM'000**
Amount owing by:-		
Non-trade balance:		
- interest-free	7,899	8,253
- interest bearing at 3.39% to 4.39% (2019 - nil)	2,200	–
	10,099	8,253
Allowance for impairment losses	(465)	(465)
	9,634	7,788
Amount owing to:-		
Non-trade balance:		
- interest-free	(3,789)	(6,608)

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

15. FIXED DEPOSITS WITH LICENSED BANKS

	The Group		**The Company**	
	2020	**2019**	**2020**	**2019**
Effective interest rates (%)	1.25 - 3.50	1.30 - 3.50	1.25 - 3.00	1.30 - 3.35
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 RM15,466,000 and RM12,558,000 (2019 - RM14,767,000 and RM11,896,000) respectively which have been pledged to licensed banks as security for banking facilities granted to the Group and the Company as disclosed in Notes 21(a) and 25(b) to the financial statements.

16. 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 RM2,537,761 (2019 - RM2,000,000) which has been pledged to a licensed bank as security for banking facilities granted to the Group.

17. SHARE CAPITAL

	The Group/The Company			
	2020	2019	2020	2019
	Number Of Shares		RM'000	RM'000
Issued And Fully Paid-Up				
Ordinary shares				
At 1 January	311,459,126	267,453,062	71,276	50,422
Issuance of new shares for cash:				
- ESS (Note 19(c))	11,164,350	3,553,480	2,016	628
- Warrants (Note 19(d))	–	40,452,584	–	20,226
At 31 December	322,623,476	311,459,126	73,292	71,276

(a) During the financial year, the Company undertook an issuance of 11,164,350 new ordinary shares from the exercise of options under the Company's ESS at the exercise price of approximately RM0.18 amounting to RM2,015,912.

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

(b) In the previous 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.

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

(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.

18. TREASURY SHARES

Treasury shares relate 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 2020, 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 322,623,476 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.

19. RESERVES

		The Group		The Company	
		2020	**2019**	**2020**	**2019**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Non-distributable reserves:-	Note				
Capital reserve	(a)	9,734	9,311	1,044	1,044
Exchange fluctuation reserve	(b)	3,702	4,040	(1,743)	(594)
ESS reserve	(c)	–	1,597	–	1,597
		13,436	14,948	(699)	2,047
Distributable reserve:-					
Retained profits		81,825	69,571	10,825	7,096
		95,261	84,519	10,126	9,143

(a) Capital Reserve

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Capital reserve is represented by:-				
Transfer of non-distributable reserve funds by a subsidiary	1,488	1,065	–	–
Bonus shares issued by:				
- branch	1,044	1,044	1,044	1,044
- subsidiaries	7,202	7,202	–	–
	9,734	9,311	1,044	1,044

According to the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiary in the PRC, non-distributable reserve funds, which includes a general reserve fund and an enterprise expansion fund, should be appropriated from net profit of the subsidiary. The percentage of net profit to be appropriated to the non-distributable reserve funds is not less than 10% of the net profit. With the balance of the non-distributable reserve funds reaches 50% of the registered capital, such transfer does not need to be made.

The Board of Directors of the subsidiary determines the amount of the annual allocations to the non-distributable reserve funds. 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.

19. RESERVES (CONT'D)

(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;

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	
	2020	**2019**
Share price on grant date (RM)	0.67*	0.67*
Exercise price (RM)	Not applicable	Not applicable
Expected volatility (%)	43.28	43.28
Expected tenure (years)	3	3
Risk-free rate (%)	3.27	3.27
Expected dividend yield (%)	1.49	1.49

19. RESERVES (CONT'D)

(c) ESS Reserve (Cont'd)

The expenses recognised for employee services received during the financial year are as follows:-

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Expenses arising from equity-settled share-based payment transaction	419	840	(272)	396

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 1.1.2020**	**Allotted**	**At 31.12.2020**
20 June 2017	Not applicable	11,164,350	(11,164,350)	–

		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

19. RESERVES (CONT'D)

(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.

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.

20. LEASE LIABILITIES

	The Group	
	2020 RM'000	2019 RM'000
At 1 January	3,283	–
Initial application of MFRS 16	–	1,891
Addition during the year (Note 37(a))	691	1,883
Interest expense recognised in profit or loss (Note 32)	205	91
Repayment of principal	(918)	(498)
Repayment of interest expenses	(205)	(86)
Effect of foreign exchange translation	–	2
At 31 December	3,056	3,283
Analysed by:-		
Current liabilities	922	738
Non-current liabilities	2,134	2,545
	3,056	3,283

21. TERM LOANS

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current liabilities (Note 25)	6,869	2,165	2,496	586
Non-current liabilities	27,203	23,327	71	506
	34,072	25,492	2,567	1,092

(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 15 and 16 to the financial statements;
viii. 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.

21. TERM LOANS (CONT'D)

(b) The interest rate profile of the term loans are summarised below:-

	Effective Interest Rate		The Group	
	2020	2019	2020	2019
	%	%	RM'000	RM'000
Fixed rate term loans	3.32 - 6.53	5.25 - 6.53	4,633	3,860
Floating rate term loans	4.84 - 4.95	4.84 - 5.67	29,439	21,632
			34,072	25,492

	Effective Interest Rate		The Company	
	2020	2019	2020	2019
	%	%	RM'000	RM'000
Fixed rate term loans	3.32 - 3.45	5.25	2,567	1,092

22. TRADE PAYABLES

The normal trade credit terms granted to the Group and the Company range from 30 to 90 (2019 - 30 to 60) days.

23. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Other payables:-				
Third parties	3,456	6,287	396	582
Goods and services tax payables	2,253	663	–	3
	5,709	6,950	396	585
Accruals	11,891	21,352	1,495	1,797
	17,600	28,302	1,891	2,382

24. PROVISIONS

		The Group		The Company	
		2020	**2019**	**2020**	**2019**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Provision for foreseeable losses	(i)	–	–	–	–
Provision for warranty costs	(ii)	889	923	114	66
Provision for unutilised leave	(iii)	49	59	–	–
Provision for decommission liability	(iv)	46	46	–	–
		984	1,028	114	66

		The Group		The Company	
		2020	**2019**	**2020**	**2019**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Provision for foreseeable losses:-	(i)				
At 1 January		–	750	–	–
Reversal during the financial year		–	(749)	–	–
Effect of foreign exchange translation		–	(1)	–	–
At 31 December	(a)	–	–	–	–
Provision for warranty costs:-	(ii)				
At 1 January		923	1,172	66	225
Addition during the financial year		304	173	150	67
Utilised during the financial year		(184)	(418)	(105)	(225)
Reversal during the financial year		(161)	–	–	–
Effect of foreign exchange translation		7	(4)	3	(1)
At 31 December	(b)	889	923	114	66
Provision for unutilised leave:-	(iii)				
At 1 January		59	28	–	–
Addition during the financial year		49	59	–	–
Reversal during the financial year		(59)	(28)	–	–
At 31 December		49	59	–	–
Provision for decommission liability:-	(iv)				
At 1 January		46	–	–	–
Addition during the financial year		–	46	–	–
At 31 December	(c)	46	46	–	–
		984	1,028	114	66

24. PROVISIONS (CONT'D)

(a) In the previous financial year, provision for foreseeable losses was 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 (2019 - 2 to 6) years. The discount rate used to determine the obligation as at the reporting date was 3.05% (2019 - 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.

25. SHORT-TERM BORROWINGS

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Term loans (Note 21)	6,869	2,165	2,496	586
Invoice financing	19,058	9,916	72	684
Bankers' acceptances	2,140	–	–	–
Bank overdraft	188	116	–	–
	28,255	12,197	2,568	1,270

(a) The invoice financing, bankers' acceptances and bank overdraft of the Group and of the Company bore the following effective interest rates as at the end of the reporting period:-

	The Group		The Company	
	2020 %	2019 %	2020 %	2019 %
Invoice financing	2.36 - 3.60	3.30 - 4.82	3.30	3.30
Bankers' acceptances	3.47 - 3.51	–	–	–
Bank overdraft	6.35	7.60	–	–

25. SHORT-TERM BORROWINGS (CONT'D)

(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 15 to the financial statements;
iii. a first and third party master security agreement; and
iv. a corporate guarantee of the Company.

(c) The bankers' acceptances and bank overdraft are secured by corporate guarantee of the Company.

26. REVENUE

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Revenue from contracts with customers				
Recognised over time				
Contract revenue	369,881	370,758	13,305	6,906
Recognised at a point in time				
Sale of goods	23,943	8,476	–	–
Services	775	534	–	–
	24,718	9,010	–	–
	394,599	379,768	13,305	6,906

(a) The information on the disaggregation of revenue by geographical market is disclosed in Note 40.2 to the financial statements.

(b) The information on the unsatisfied performance obligations is disclosed in Note 10(d) to the financial statements.

27. COST OF SALES

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Contract costs (Note 10)	320,349	312,298	11,320	7,378
Depreciation of property, plant and equipment	2,523	963	–	–
Depreciation of right-of-use assets	188	39	–	–
Staff costs:				
- salaries, wages, bonuses, allowances and others	2,368	540	–	–
- defined contribution plan	115	49		
Others	10,262	2,274	–	–
	335,805	316,163	11,320	7,378

28. OTHER INCOME

Included in other income are the following items:-

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Bad debt recovered	–	2,080	–	–
Dividend income from subsidiaries	–	–	8,505	12,069
Management fees	–	–	2,937	3,701
Gain on foreign exchange:				
- realised	169	–	50	–
- unrealised	1,264	–	1,102	436
Gain on disposal of property, plant and equipment	2	1	–	–
Interest income on financial assets measured at amortised cost:				
- financial institutions	729	969	503	637
- a subsidiary	–	–	152	79
Lease income from property	–	–	226	254
Reversal of provision for foreseeable losses	–	749	–	–
Government subsidy	4,409	795	22	–
Write back of contract assets	517	–	–	–

29. SELLING AND DISTRIBUTION EXPENSES

Included in selling and distribution expenses are the following items:-

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Entertainment	654	473	68	92
Travelling expenses	401	849	56	140
Staff costs:				
- salaries, wages, bonuses, allowances and others	439	–	–	–
- defined contribution plan	29	–	–	–

30. ADMINISTRATIVE EXPENSES

Included in administrative expenses are the following items:-

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Auditors' remuneration:				
- audit fees:				
- Crowe Malaysia PLT:				
- statutory audit for the financial year	258	227	125	109
- underprovision in the previous financial year	2	12	–	7
- overseas affiliates of Crowe Malaysia PLT	29	27	29	27
- other auditors:				
- statutory audit for the financial year	177	151	–	–
- non-audit fees:				
- auditor of the Company	5	5	5	5
Directors' remuneration (Note 38(a))	4,598	3,258	2,641	2,934
Provision for unutilised leave	49	59	–	–
Reversal of provision for unutilised leave	(59)	(28)	–	–
Lease expenses:				
- short-term leases	945	1,024	214	221
- low-value assets	8	13	–	–
Legal and professional fee	3,915	121	–	–
Research and development expenses	4,158	–	–	–

30. ADMINISTRATIVE EXPENSES (CONT'D)

Included in administrative expenses are the following items (Cont'd):-

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Staff costs (including other key management personnel as disclosed in Note 38):				
- salaries, wages, bonuses, allowances and others	14,658	19,168	2,036	1,772
- defined contribution plan	927	979	122	90
- share-based payments	231	659	(362)	215

31. OTHER EXPENSES

Included in other expenses are the following items:-

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Bad debts written off	4	80	–	–
Current tax assets written off	30	–	–	–
Deposits written off	–	312	–	–
Depreciation:				
- property, plant and equipment	930	692	123	82
- right-of-use assets	510	387	–	–
Loss on liquidation of a subsidiary	236	–	–	–
Loss on foreign exchange:				
- realised	372	322	142	6
- unrealised	40	85	–	–
Property, plant and equipment written off	47	5	24	–
Provision for warranty costs	304	173	150	67
Reversal of provision for warranty cost	(161)	–	–	–

32. FINANCE COSTS

	The Group 2020 RM'000	The Group 2019 RM'000	The Company 2020 RM'000	The Company 2019 RM'000
Interest expense on financial liabilities that are not at fair value through profit or loss:				
- bank overdraft	21	21	–	8
- bankers' acceptances	43	–	–	–
- invoice financing	389	562	–	–
- revolving credits	6	23	6	13
- term loans	1,688	364	76	72
- others	124	251	104	209
Interest expense on lease liabilities	205	91	–	–
	2,476	1,312	186	302

33. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS

	The Group 2020 RM'000	The Group 2019 RM'000	The Company 2020 RM'000	The Company 2019 RM'000
Impairment losses:				
- Trade receivables (Note 12)	4,763	2,639	11	–
- Contract assets (Note 10)	619	250	52	–
Reversal of impairment losses:				
- Trade receivables (Note 12)	(401)	(1,843)	(1)	–
	4,981	1,046	62	–

34. INCOME TAX EXPENSE

	The Group 2020 RM'000	The Group 2019 RM'000	The Company 2020 RM'000	The Company 2019 RM'000
Income tax:				
- Malaysian tax	3,847	4,222	157	128
- Foreign tax	119	4,442	–	–
	3,966	8,664	157	128
Overprovision in the previous financial year:				
- Malaysian tax	(269)	(218)	(88)	(36)
- Foreign tax	(1,562)	(38)	–	–
	(1,831)	(256)	(88)	(36)
	2,135	8,408	69	92
Deferred tax (Note 9):				
- Origination and reversal of temporary differences	1,219	(749)	–	–
	3,354	7,659	69	92

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 2020 RM'000	The Group 2019 RM'000	The Company 2020 RM'000	The Company 2019 RM'000
Profit before taxation	20,945	31,579	8,618	9,113
Tax at Malaysian statutory tax rate of 24% (2019 - 24%)	5,027	7,579	2,068	2,187
Tax effects of:-				
Differential in tax rates	(264)	(1,865)	(59)	64
Non-deductible expenses	2,151	3,578	380	660
Non-taxable gains	(2,581)	(1,489)	(2,319)	(2,896)
Overprovision in the previous financial year:				
- current tax	(1,831)	(256)	(88)	(36)
Deferred tax assets not recognised during the current financial year	1,192	459	127	113
Utilisation of deferred tax assets not recognised in the previous financial year	(340)	(347)	(40)	–
Income tax expense for the financial year	3,354	7,659	69	92

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019 - 24%) of the estimated assessable profit for the financial year. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

34. INCOME TAX EXPENSE (CONT'D)

The temporary differences attributable to the deferred tax assets which are not recognised in the financial statements are as follows:-

	The Group 2020 RM'000	The Group 2019 RM'000	The Company 2020 RM'000	The Company 2019 RM'000
Deferred tax assets:				
- unabsorbed capital allowances	131	135	125	19
- unabsorbed export allowances	–	327	–	–
- unused tax losses	11,314	10,026	5,162	4,571
- provision of bonus	1,517	2,115	1,232	1,567
- others	7,450	4,081	–	–
	20,412	16,864	6,519	6,157

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.

35. EARNINGS PER SHARE

	The Group 2020	The Group 2019
Profit attributable to owners of the Company (RM'000)	17,504	24,418
Number of shares in issue as of 1 January	311,459,126	267,453,062
Effects through:		
- share options exercised	5,959,732	1,749,285
- warrants exercised	–	30,959,941
- treasury shares	(1,119,900)	(1,119,900)
Weighted average number of ordinary shares for basic earnings per share computation	316,298,958	299,042,388
Effects of dilution - ESS	–	11,164,350
Weighted average number of ordinary shares for diluted earnings per share computation	316,298,958	310,206,738
Basic earnings per ordinary share attributable to owners of the Company (sen)	5.5	8.2
Diluted earnings per ordinary share attributable to owners of the Company (sen)	5.5	7.9

36. DIVIDENDS

	The Group/The Company 2020 RM'000	2019 RM'000
Paid:-		
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
Interim dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2019	3,213	–
Interim dividend of 0.5 sen per ordinary share in respect of the financial year ended 31 December 2020	1,607	–
	4,820	5,456

37. CASH FLOW INFORMATION

(a) The cash disbursed for the addition of right-of-use assets are as follows:-

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Right-of-use assets				
Cost of right-of-use assets acquired (Note 7)	765	1,883	–	–
Addition of new lease liabilities (Note (b) below)	(691)	(1,883)	–	–
	74	–	–	–

37. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows:-

	Lease Liabilities RM'000	Invoice Financing RM'000	Revolving Credits RM'000	Banker Acceptance RM'000	Term Loans RM'000	Total RM'000
The Group						
2020						
At 1 January	3,283	9,916	–	–	25,492	38,691
Changes in Financing Cash Flows						
Proceeds from drawdown	–	24,230	2,000	2,140	11,456	39,826
Repayment of principal	(918)	(15,571)	(2,000)	–	(2,926)	(21,415)
Repayment of interests	(205)	(389)	(6)	(43)	(1,688)	(2,331)
	(1,123)	8,270	(6)	2,097	6,842	16,080
Non-cash Changes						
Acquisition of new leases (Note (a) above)	691	–	–	–	–	691
Interest expense recognised in profit or loss	205	389	6	43	1,688	2,331
Foreign exchange adjustments	–	482	–	–	51	533
	896	871	6	43	1,739	3,555
At 31 December	3,056	19,057	–	2,140	34,073	58,326

37. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	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	2,000	27,864	28,917
Repayment of principal	–	(498)	(1,026)	(5,038)	(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

37. 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				
2020				
At 1 January	684	–	1,092	1,776
Changes in Financing Cash Flows				
Proceeds from drawdown	–	2,000	2,856	4,856
Repayment of principal	(643)	(2,000)	(1,431)	(4,074)
Repayment of interests	–	(6)	(76)	(82)
	(643)	(6)	1,349	700
Non-cash Changes				
Interest expense recognised in profit or loss	–	6	76	82
Foreign exchange adjustments	31	–	50	80
	31	6	126	162
At 31 December	72	–	2,567	2,638

	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

37. CASH FLOW INFORMATION (CONT'D)

(c) The cash and cash equivalents comprise the following:-

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Fixed deposits with licensed banks	26,226	28,088	21,264	21,997
Cash and bank balances	105,753	57,096	4,374	8,210
Bank overdrafts	(188)	(116)	–	–
	131,791	85,068	25,638	30,207
Less: Bank balance pledged to licensed bank (Note 16)	(2,538)	(2,000)	–	–
Less: Fixed deposits pledged to licensed banks (Note 15)	(15,466)	(14,767)	(12,558)	(11,896)
Less: Fixed deposits with original maturity of more than 3 months	–	(304)	–	–
	113,787	67,997	13,080	18,311

(d) The total cash outflows for leases as a lessee are as follows:-

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Payment of short-term leases	945	1,024	214	221
Payment of low-value assets	8	13	–	–
Interest paid on lease liabilities	205	86	–	–
Payment of lease liabilities	992	498	–	–
	2,150	1,621	214	221

38. 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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
(a) Directors of the Company:-				
Short-term employee benefits:				
- fee	233	249	233	188
- salaries, bonuses and other benefits	3,893	2,675	2,178	2,429
Defined contribution benefits	284	153	140	136
Share-based payments	188	181	90	181
	4,598	3,258	2,641	2,934

The estimated monetary value of benefits-in-kind provided by the Group and the Company to the directors of the Group and Company were RM53,750 (2019 - RM34,000) and RM32,500 (2019 - RM30,000).

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
(b) Other key management personnel:-				
Short-term employee benefits:				
- fee	–	304	–	–
- salaries, bonuses and other benefits	3,947	5,714	675	652
Defined contribution benefits	197	276	36	37
Share-based payments	262	269	59	109
	4,406	6,563	770	798

The estimated monetary value of benefits-in-kind provided by the Group and the Company to the other key management personnel were approximately RM9,000 (2019 - RM27,000) and RM9,000 (2019 - RM9,000).

39. 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	
	2020 RM'000	**2019 RM'000**
Dividend from subsidiaries	8,505	12,069
Management fees from subsidiaries	2,937	3,701
Interest charged to a subsidiary	152	79
Rental charged to subsidiaries	226	254

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

40. 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 renting of skid tank, provision of scientific and technical researches, laboratory testing service and experiments;

(ii) Manufacturing and trading segment - involved in the manufacturing and trading of industrial and specialty gases, equipment and materials; and

(iii) Construction segment - involved in the provision of engineering services and construction.

The Group Executive Committee (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.

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.

40. OPERATING SEGMENTS (CONT'D)

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, deferred tax assets and deferred tax liabilities.

The Group is organised into following geographical segments:
- Malaysia
- Singapore
- Taiwan
- China
- Vietnam
- Indonesia
- Philippines

40.1 BUSINESS SEGMENTS

	Service Segment RM'000	Manufacturing and Trading Segment RM'000	Construction Segment RM'000	The Group RM'000
2020				
Revenue				
External revenue	775	23,943	369,881	394,599
Inter-segment revenue	38	16,372	1,938	18,348
	813	40,315	371,819	412,947
Consolidated adjustments				(18,348)
				394,599
Represented by:-				
Revenue recognised at a point of time				
- Services	813	–	–	813
- Sale of goods	–	40,315	–	40,315
Revenue recognised over time				
- Contract revenue	–	–	371,819	371,819
	813	40,315	371,819	412,947
				(18,348)
				394,599

40. OPERATING SEGMENTS (CONT'D)

40.1 BUSINESS SEGMENTS (CONT'D)

	Service Segment RM'000	Manufacturing and Trading Segment RM'000	Construction Segment RM'000	The Group RM'000
2020				
Results				
Segment profit before interest and taxation	135	2,487	28,891	31,513
Interest income				729
Finance costs				(2,476)
				29,766
Consolidated adjustments				(8,821)
Consolidated profit before taxation				20,945
Income tax expense				(3,354)
Consolidated profit after taxation				17,591
Segment profit includes the following:-				
Interest income	–	11	718	729
Finance costs	(43)	(1,907)	(526)	(2,476)
Unrealised gain on foreign exchange	–	(37)	1,261	1,224
Impairment losses on financial assets and contract assets	(12)	–	(5,370)	(5,382)
Reversal of impairment losses on financial assets	1	–	400	401
Depreciation of property, plant and equipment	(62)	(2,641)	(1,737)	(4,440)
Depreciation of right-of-use assets	–	(225)	(473)	(698)

40. OPERATING SEGMENTS (CONT'D)

40.1 BUSINESS SEGMENTS (CONT'D)

	Service Segment RM'000	Manufacturing and Trading Segment RM'000	Construction Segment RM'000	The Group RM'000
2020				
Assets				
Segment assets	2,735	76,288	282,216	361,239
Unallocated assets:				
- Current tax assets				227
- Deferred tax assets				308
Consolidation adjustments				(11,431)
				350,343
Additions to non-current assets other than financial instruments and deferred tax assets are:				
- Property, plant and equipment	2,185	6,714	2,231	11,130
- Right-of-use assets	–	–	765	765
Liabilities				
Segment liabilities	2,468	50,973	136,653	190,094
Unallocated liabilities:				
- Current tax liabilities				3,402
- Deferred tax liabilities				218
Consolidation adjustments				(11,700)
				182,014

40. OPERATING SEGMENTS (CONT'D)

40.1 BUSINESS SEGMENTS (CONT'D)

	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

40. OPERATING SEGMENTS (CONT'D)

40.1 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 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)

40. OPERATING SEGMENTS (CONT'D)

40.1 BUSINESS SEGMENTS (CONT'D)

	Service Segment RM'000	Manufacturing and Trading Segment RM'000	Construction Segment RM'000	The Group RM'000
2019				
Assets				
Segment assets	604	59,531	242,733	302,868
Unallocated assets:				
- Current tax assets				303
- Deferred tax assets				1,350
				304,521
Additions to non-current assets other than financial instruments and deferred tax assets are:				
- Property, plant and equipment	4	31,957	1,545	33,506
- Right-of-use assets	–	1,883	–	1,883
Liabilities				
Segment liabilities	121	32,085	110,346	142,552
Unallocated liabilities:				
- Current tax liabilities				6,343
- Deferred tax liabilities				92
				148,987

40. OPERATING SEGMENTS (CONT'D)

40.2 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 and deferred tax assets.

	Revenue		Non-current Assets	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
The Group				
Malaysia	122,913	89,295	57,293	50,115
Singapore	127,451	176,199	9,158	9,304
Taiwan	14,816	8,546	133	210
China	124,706	100,807	3,829	3,989
Vietnam	3,601	3,488	–	–
Indonesia	729	1,425	–	–
Philippines	383	8	–	–
	394,599	379,768	70,413	63,618

The information on the disaggregation of revenue based on geographical region is summarised below:-

	At A Point InTime		Over Time		The Group	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
The Group						
Malaysia	17,118	6,395	105,834	82,901	122,952	89,296
Singapore	3,955	967	123,457	175,231	127,412	176,198
Taiwan	1,511	1,640	13,305	6,906	14,816	8,546
China	1,751	–	122,955	100,807	124,706	100,807
Vietnam	–	–	3,601	3,488	3,601	3,488
Indonesia	–	–	729	1,425	729	1,425
Philippines	383	8	–	–	383	8
	24,718	9,010	369,881	370,758	394,599	379,768

40.3 MAJOR CUSTOMERS

The following are the major customers with revenue equal or more than 10% of the Group's revenue:-

	The Group	
	2020 RM'000	2019 RM'000
Customer 1	–	61,270

41. CAPITAL COMMITMENTS

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Purchase of property, plant and equipment	1,723	1,697	–	129

42. 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.

42.1 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"), Philippine Peso ("PESO") and Euro ("EUR"). 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.

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 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	PESO RM'000	EUR RM'000
2020						
Financial Assets						
Trade receivables	9,268	660	1,479	30,686	–	–
Other receivables	1,388	–	2	198	–	–
Fixed deposits with licensed banks	–	2,537	–	–	–	–
Cash and bank balances	33,650	6,244	774	36,540	1	2
	44,306	9,441	2,255	67,424	1	2
Financial Liabilities						
Lease liabilities	–	–	–	(856)	–	–
Term loans	–	–	(2,568)	–	–	–
Invoice financing	(15,779)	–	(72)	–	–	–
Trade payables	(37,877)	(2,147)	(1,623)	(15,789)	–	–
Other payables and accruals	(5,364)	–	(249)	(4,008)	(22)	–
	(59,020)	(2,147)	(4,512)	(20,653)	(22)	–
Net financial assets/(liabilities)	(14,714)	7,294	(2,257)	46,851	(21)	2
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	12,341	–	2,257	(43,182)	21	–
Net currency exposure	(2,373)	7,294	–	3,669	–	2

42. FINANCIAL INSTRUMENTS (CONT’D)

42.1 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
2019							
Financial Assets							
Trade receivables	19,932	15,500	1,714	31,758	–	–	–
Other receivables	1,754	–	1	379	–	–	–
Fixed deposits with licensed banks	–	2,537	–	1,217	–	–	–
Cash and bank balances	13,305	8,857	708	18,682	29	1	2
	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

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 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
2020			
Financial Assets			
Trade receivables	–	1,479	–
Other receivables	–	2	–
Amount owing by subsidiaries	1,150	–	3,904
Fixed deposits with licensed banks	2,537	–	–
Cash and bank balances	1,063	774	1,686
	4,750	2,255	5,590
Financial Liabilities			
Term loans	–	(2,567)	–
Invoice financing	–	(72)	–
Trade payables	(403)	(1,623)	–
Other payables and accruals	–	(249)	–
Amount owing to a subsidiary	(3,789)	–	–
	(4,192)	(4,512)	–
Net financial (liabilities)/assets	558	(2,256)	5,590
Less: Net financial liabilities denominated in the entity's functional currency	–	2,256	–
Net currency exposure	558	–	5,590

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 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
Fixed deposits with licensed banks	2,537	–	–
Cash and bank balances	163	708	5,472
	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 liabilities denominated in the entity's functional currency	–	842	–
Net currency exposure	(3,290)	–	9,376

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Effects on profit after taxation				
CNY				
- strengthened by 10%	(237)	(138)	–	–
- weakened by 10%	237	138	–	–
USD				
- strengthened by 10%	729	1,749	56	(329)
- weakened by 10%	(729)	(1,749)	(56)	329
SGD				
- strengthened by 10%	367	566	559	938
- weakened by 10%	(367)	(566)	(559)	(938)
Others				
- strengthened by 10%	*	*	–	–
- weakened by 10%	*	*	–	–

** - 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 Notes 21 and 25 to the financial statements.

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Effects on profit after taxation				
Increase of 100 basis points	(508)	(217)	(1)	(7)
Decrease of 100 basis points	508	217	1	7

(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.

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 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:-

	2020	**2019**
The Group		
Major concentration of credit risk	29%	26%
Number of customers	2	2
The Company		
Major concentration of credit risk	80%	83%
Number of customers	3	1

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**	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Malaysia	32,115	22,011	–	–
PRC	9,268	34,389	–	–
Singapore	30,871	32,797	–	–
Taiwan	1,479	1,715	1,479	1,715
Middle East	–	3	–	–
Philippines	5	–	–	–
United States	470	–	–	–
	74,208	90,915	1,479	1,715

(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.

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 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 and assesses for their risk of loss individually.

The expected loss rates are based on the payment profiles of sales over a period of 3 years (2019 - 3 years) 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.

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 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
2020				
Current (not past due)	58,872	–	(230)	58,642
Less than 3 months past due	15,438	–	(246)	15,192
3 to 6 months past due	222	–	(115)	107
More than 6 months past due	821	–	(601)	220
Credit impaired	10,036	(9,921)	(68)	47
Trade receivables	85,389	(9,921)	(1,260)	74,208
Contract assets	62,787	–	(989)	61,798
	148,176	(9,921)	(2,249)	136,006
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)	5,938
Credit impaired	5,551	(5,125)	(224)	202
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

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 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
2020				
Current (not past due)	1,317	–	(8)	1,309
Less than 3 months past due	86	–	(15)	71
3 to 6 months past due	106	–	(7)	99
Trade receivables	1,509	–	(30)	1,479
Contract assets	3,059	–	(51)	3,008
	4,568	–	(81)	4,487
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

The movements in the loss allowances in respect of trade receivables and contract assets are disclosed in Notes 12 and 10 to the financial statements respectively.

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 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.

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 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					
2020					
Non-derivative Financial Liabilities					
Lease liabilities	3,056	3,406	970	2,436	–
Term loans	34,072	38,843	8,411	27,559	2,873
Invoice financing	19,058	19,741	19,741	–	–
Bankers' acceptances	2,140	2,156	2,156	–	–
Trade payables	71,524	71,524	71,524	–	–
Other payables and accruals	15,347	15,347	15,347	–	–
Bank overdrafts	188	188	188	–	–
	145,385	151,205	118,337	29,995	2,873
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	43,287	43,287	43,287	–	–
Other payables and accruals	27,639	27,639	27,639	–	–
Bank overdrafts	116	116	116	–	–
	109,733	123,492	86,279	33,557	3,656

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 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				
2020				
Non-derivative Financial Liabilities				
Term loans	2,567	2,615	2,544	71
Invoice financing	72	74	74	–
Amount owing to subsidiaries	3,789	3,789	3,789	–
Trade payables	2,026	2,026	2,026	–
Other payables and accruals	1,891	1,891	1,891	–
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	–	56,879	56,879	–
	10,345	67,274	67,203	71
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

42. FINANCIAL INSTRUMENTS (CONT'D)

42.2 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.

42.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial Asset				
Amortised Cost				
Trade receivables	74,208	90,915	1,479	1,715
Other receivables	1,718	2,712	8	14
Amount owing by subsidiaries	–	–	9,634	7,788
Fixed deposits with licensed banks	26,226	28,088	21,264	21,997
Cash and bank balances	105,753	57,096	4,374	8,210
	207,905	178,811	36,759	39,724
Financial Liability				
Amortised Cost				
Lease liabilities	3,056	3,283	–	–
Term loans	34,072	25,492	2,567	1,092
Invoice financing	19,058	9,916	72	684
Bankers' acceptances	2,140	–	–	–
Amount owing to subsidiaries	–	–	3,789	6,608
Trade payables	71,524	43,287	2,026	1,910
Other payables and accruals	15,347	27,639	1,891	2,379
Bank overdrafts	188	116	–	–
	145,385	109,733	10,345	12,673

42. FINANCIAL INSTRUMENTS (CONT'D)

42.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Financial Asset				
Amortised Cost				
Net gains/(losses) recognised in profit or loss by:				
- Bad debts written off	(4)	(80)	–	–
- Bad debt recovered	–	2,080	–	–
- Interest income:				
- financial institutions	729	969	503	637
- a subsidiary	–	–	152	79
- Impairment losses:				
- trade receivables	(4,763)	(2,639)	(11)	–
- contract assets	(619)	(250)	(52)	–
- Reversal of impairment losses on trade receivables	401	1,843	1	–
Write back of contract assets	517	–	–	–
Unrealised gain on foreign exchange	1,555	22	1,434	80
Financial Liability				
Amortised Cost				
Net losses recognised in profit or loss by:				
- Interest expense	(2,476)	(1,312)	(186)	(302)
Realised loss on foreign exchange	(203)	(322)	(92)	(6)
Unrealised (loss)/gain on foreign exchange	(331)	(107)	(332)	356

42. FINANCIAL INSTRUMENTS (CONT'D)

42.5 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 instruments or repayable on demand.

As the Group and the Company does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are not carried at fair value at the end of the reporting period:

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total	
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Fair Value RM'000	Carrying Amount RM'000
The Group								
2020								
Financial Liability								
Term loans:								
- fixed rate	–	–	–	–	4,832	–	4,832	4,633
- floating rate	–	–	–	–	29,439	–	29,439	29,439
2019								
Financial Liability								
Term loans:								
- fixed rate	–	–	–	–	4,071	–	4,071	3,860
- floating rate	–	–	–	–	21,632	–	21,632	21,632

42. FINANCIAL INSTRUMENTS (CONT'D)

42.5 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								
2020								
Financial Liability								
Term loan:								
- fixed rate	–	–	–	–	2,567	–	2,567	2,567
2019								
Financial Liability								
Term loans:								
- fixed rate	–	–	–	–	1,092	–	1,092	1,092

42. FINANCIAL INSTRUMENTS (CONT'D)

42.5 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 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	
	2020 RM'000 %	2019 RM'000 %	2020 RM'000 %	2019 RM'000 %
Term loans (fixed rate)	3.32 - 6.54	5.25 - 6.54	3.32 - 3.45	5.25

43. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

(a) 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.

43. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

(a) 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.

(b) On 2 March 2020, KESG has lodged with Singapore Mediation Centre ("SMC") 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.

43. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

(b) KESG had received the following adjudication determination in for both adjudication application no. SOP/AA51 and SOP/AA52 from the SMC:-

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.

   iv. On 8 May 2020, KESG has received the Adjudication Review Determination for Adjudication Review Application SOP/ARA02 in relation to Adjudication Application SOP/AA51, from the SMC. Pursuant to Section 19(4)(a) of the SOP Act, the Adjudicator substitutes the adjudicate amount determined in SOP/AA51 with the review adjudicated amount of SGD969,367.84.

   The adjudication amount in relation to Adjudication Application SOP/AA51 was deemed fully settled by KESG within 7 days after the service of the Adjudication Determination.

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. KESG submitted its ARA to SMC and requested for correction of Adjudication Determination made in Adjudication Application SOP/AA52.

   ii. On 13 April 2020, SMC had via it's Addendum to the Adjudication Determination revised the adjudicated amount from SGD1,745,079.51 to SGD1,739,893.22.

   iii. On 4 May 2020, KESG has filed a Summons to the High Court of the Republic of Singapore and made an application for set aside the Adjudication Determination dated 3 April 2020 and the Addendum to the Adjudication Determination (Collectively, "the AD") in relation to Adjudication Application SOP/AA52 or the execution or enforcement of the AD be stayed, pending the disposal of the action in an arbitration commenced by the KESG against Mutiara which is currently ongoing.

   iv. On 22 July 2020, KESG had lodged an amount of SGD1,739,893.22 in the high court of the Republic of Singapore, being the funds and securities for unpaid portion of adjudicated amount that KESG is required to pay in consequence of the AD in relation to the SOP/AA52.

43. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

(b) On 16 September 2020, KESG has filed a Statement of Claim under the Arbitration Rules of the Singapore International Arbitration Centre and sets out its claims against Mutiara ("the Respondent") as follows:-

1. Back charges and/or claims in the sum of SGD5,033,066.99 and/or any amounts to be assessed by the Tribunal;
2. Liquidated damages in the sum of SGD738,535.88 in respect of the Package 1 Subcontract and liquidated damages in the sum of SGD780,384.80 in respect of the Package 2 Subcontract and/or any amounts to be assessed by the Tribunal;
3. Further and/or in the alternative, general damages to be assessed;
4. A credit of the sum of SGD373,732.85 that was overpaid in respect of the Package 1 Subcontract and a credit of the sum of SGD693,266.00 that will be overpaid in respect of the Package 2 Subcontract and/or any amounts to be assessed by the Tribunal;
5. Costs on an indemnity basis;
6. Interest; and
7. Such further and other relief as may be deemed appropriate by the Tribunal.

On 5 January 2021, the Honourable Court has rendered its judgement and ordered that the Remitted Questions to be remitted to the Adjudicator. The Court's Decision on KESG' prayers as stated in the announcement made on 28 August 2020 are held over pending the Adjudicator Determination of the Remitted Questions.

On 19 January 2021, in the matter of Adjudication Application No. SOP/AA52/2020 between Mutiara as the Claimant and KESG as the Respondent, KESG has submitted its written submissions pursuant to the directions of the learned Adjudicator given on 14 January 2021.

By way of summary, KESG submits that the Claimant's Adjudication's Application ("AA") was lodged prematurely and that the AA is therefore invalid, with the costs to be borne by the Claimant. For avoidance of doubt, the written submissions herein relate only to Package 2 Subcontract.

On 28 January 2021, in the matter of AA No. SOP/AA52/2020, KESG, as Respondent has received the Adjudicator Determination dated 27 January 2021 for the Remission Application.

Based on the timelines in the Building and Construction Industry Security of Payment Act, the Adjudicator determined that the Claimant's adjudication application SOP/AA52/2020 was not lodged prematurely and the Respondent shall bear 100% of the costs of the Remission Application amounting to SGD4,840.68.

On 3 February 2021, KESG as Claimant has filed a Statement of Reply and Defence to Counterclaim under the Arbitration Rules of the Singapore International Arbitration Centre.

43. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

(b) The following claims against KESG as stated in the Respondent's Statement of Defence and Counterclaim dated 25 November 2020 was denied:

1. The sum of SGD5,845,018.31 (excluding GST) being the balance value of work (including variations) done under the terms of the Subcontracts or under general law or on a quantum meruit to be assessed and determined by the Tribunal;
2. Loss and expense to be assessed arising from the prolongation of the Subcontracts;
3. Costs and expenses of SGD195,725.05 (excluding GST) incurred by the Respondent in SOP process;
4. The Guaranteed Sum paid under the Performance Bond (SGD679,070);
5. The additional costs and expenses incurred by the Respondent to procure workers without man-year entitlement under the terms of the Subcontracts or under general law or on a quantum meruit to be assessed and determined by the Tribunal;
6. Financing and/or interest charges as special damages;
7. GST on all amounts to be found due to the Respondent;
8. Costs on an indemnity basis;
9. Interest; and
10. Such further or other relief as this Tribunal may deem fit or appropriate.

In addition, KESG as Claimant has provided particulars of the Respondent's failure, refusal and/or negligence to carry out and/or complete the works satisfactorily, on a timely basis and/or with due diligence, as well as the Claimant's responses to the Respondent's allegations in respect of the Claimant's alleged delay and/or acts of prevention and/or omissions. Accordingly, the Claimant avers that the Respondent has no basis to claim for the claims set out above.

On 5 March 2021, following the Adjudicator's determination that the Claimant's Adjudication Application in SOP/AA52/2020 was not lodged prematurely, a further affidavit was filed by Mutiara presenting evidence of their ongoing business/projects, its latest available financial information, the Guaranteed Sum of SGD679,070.00 has been paid out to KESG, and there is no other ongoing litigation/arbitration involving Mutiara, apart from the ongoing arbitration.

On 12 March 2021, KESG has filed an affidavit in response to the Affidavit filed on behalf of Mutiara, and humbly requested for an order to stay the enforcement of the Adjudicator's determination pending the disposal of the ongoing arbitration proceedings between KESG and Mutiara.

On 12 April 2021, KESG has received a Court Order dated 5 April 2021 from the High Court of the Republic of Singapore and the Court ordered that:

1. KESG's application for set aside the Adjudication Determination dated 3 April 2020 and the AD in relation to Adjudication Application SOP/AA52 is dismissed;
2. KESG's application for an order to stay the enforcement of the AD pending the disposal of the ongoing arbitration proceedings between KESG and Mutiara is dismissed;
3. The sum of SGD1,739,893.22 paid into court by KESG together with any interest accrued thereon, is to be paid out and released to Mutiara; and
4. KESG to pay the costs of SGD25,000 plus reasonable disbursements to Mutiara.

On 7 April 2021, KESG has made a payment amounting to SGD41,709.43 to Mutiara, being payment for the costs plus reasonable disbursements incidental to this Court application.

43. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

(c) On 25 April 2018, KTSB was appointed by JCT Industries Group Sdn. Bhd. ("JCT") as the Contractor to construct the main factory, warehouse, TNB Sub Station and infrastructural work in Kuala Muda, Kedah Darul Aman ("Works"). The Works were completed on 30 August 2019.

On 18 February 2021, as JCT failed to make payment to KTSB, KTSB has served a Payment Claim to JCT in accordance with Section 5 of Construction Industry Payment & Adjudication Act 2012 ("CIPAA") for the sum of RM8,226,943.48 together with interest on the sum from 14 February 2020 to the date full payment is received at the interest rate of 7.4% per annum.

On 5 August 2020 and after the service of Payment Response, JCT made a further payment of RM430,000.00. Therefore, the total unpaid amount for the payment certificates issued is now reduced to RM7,134,518.81.

On 14 August 2020, KTSB served a Notice of Adjudication to JCT in accordance with Section 7 and 8 of CIPAA to seek for reliefs or remedies from JCT:-

1. Payment Certificates issued and unpaid - RM7,134,518.81;
2. Variation works not certified and unpaid - RM244,800.00;
3. Interest due to late payment - RM417,624.67;
4. Interest on the unpaid amounts from 15 February 2020 to the date full payment is received at the rate of 7.40% per annum; and
5. All costs incurred by KTSB in referring the dispute to adjudication, including but not limited to our claim consultant's cost, the registration and administrative fee of Asian International Arbitration Centre, and the adjudicator's fee.

On 30 November 2020, KTSB has received a Notice of Arbitration dated 27 November 2020 served on behalf of JCT.

The Arbitration proceedings commenced under the Notice of Arbitration filed pursuant to the Arbitration Act 2005 and the PAM Arbitration Rules.

JCT has alleged that KTSB had failed to complete the Works within the stipulated completion timeframe as stipulated in the Contract and failed, refused and/or neglected to make good of its defects despite demand from JCT. JCT will be seeking against KTSB in the arbitration for the following reliefs:

1. Liquidated damages to be ascertained by the tribunal;
2. Damages for defects to be ascertained by the tribunal;
3. Such other claims as may be raised in due course in the Statement of Claim;
4. Interest;
5. Costs; and
6. Such further and/or other reliefs.

Pending outcome of the Arbitrator's decision, it is too preliminary at this stage to ascertain the potential financial gain or loss that could arise from the arbitration. In view that the arbitration process might take years, this arbitration does not have any material financial impact on the Company for the time being.

The Company will make the necessary announcements on material development in respect of this matter from time to time.

43. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

(d) On 26 February 2015, Hui Neng Mechanical & Electrical Engineering Co. ("Hui Neng") was appointed by Kelington Group Berhad - Taiwan Branch ("KTW") to perform project works for a project in Taiwan. KTW had paid a downpayment amounting to NTD36,000,000 (equivalent to RM4,571,245) upon commencement of the project. However, in carrying out the project works, Hui Neng did not fulfill certain obligations under the contract. On 18 September 2015, KTW received a Statement of Claim from Hui Neng for progress claims amounting to NTD1,182,924 (equivalent to RM150,206). KTW had terminated the contract with Hui Neng and filed a Counterclaim on 17 December 2015 to recover the NTD36,000,000 (equivalent to RM4,571,245), which was paid as a downpayment.

On 4 March 2016, Hui Neng failed to provide the total amount of the progress claims to the Court. The Judge had fixed the next hearing date on 22 April 2016 and Hui Neng was required to provide the total amount of the progress claims to be netted-off against the deposit paid by KTW in the next hearing.

On 22 April 2016, Hui Neng had submitted the total progress claims of NTD37 million (equivalent to RM4.46 million). KTW did not agree with the progress claims submitted by Hui Neng. The Court has fixed the next hearing on 1 June 2016 or 15 June 2016, and the exact date of the hearing will be decided by the Judges in due course.

On 15 June 2016, the Judge has fixed the date on 29 June 2016 for judgement after hearing from Hui Neng and KTW.

On 29 June 2016, the Judge has decided in favour of KTW and allowed KTW's claim of NTD34,234,442 (equivalent to RM4,279,305) being the net amount after deducting Hui Neng's progress claim of NTD1,765,558, plus all interest thereon since 13 March 2015 until full and final settlement and that all litigation cost shall be borne by Hui Neng.

On 25 July 2016, Hui Neng has submitted an appeal to the Court.

On 14 October 2016, Hui Neng has submitted a written plea to the High Court, Taiwan in relation to the appeal submitted by them. The Judge has requested KTW to submit its answer to the plea and fixed the next hearing on 9 December 2016.

On 9 December 2016, KTW had answered to the plea submitted by Hui Neng to the High Court, Taiwan and the next hearing has been fixed on 19 January 2017. Subsequently, the hearing has been postponed for several times and the next hearing was fixed on 15 March 2018.

On 15 March 2018, KTW had answered to the plea submitted by Hui Neng to the High Court, Taiwan and the next hearing has been fixed on 19 April 2018.

On 10 August 2018, the High Court, Taiwan has fixed the final hearing on 29 August 2018.

On 29 August 2018, the High Court, Taiwan has fixed the final hearing on 12 September 2018 for judgement.

43. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

(d) On 12 September 2018, the High Court, Taiwan has delivered its court decision and ordered that Hui Neng shall pay KTW the sum of NTD 29,328,814 (equivalent to RM3,946,129) plus interest of 5% per annum thereon since 10 October 2015.

On 11 January 2021, the Company has received a judgement from the Supreme Court of Taiwan which in response to Hui Neng's petition made on 23 October 2018 that the original court judgement made on 12 September 2018 was set aside except for the provisional execution, and the case shall re-submit to the Taiwan High Court in Kaohsiung.

(e) On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as global pandemic. Following the declaration, the Government of Malaysia has on 18 March 2020 imposed the Movement Control Order ("MCO") and subsequently entered into various phases of the MCO until 31 December 2020 to curb the spread of the COVID-19 pandemic in Malaysia.

The Group's operations have been disrupted by a series of precautionary and control measures taken by the government and private corporations in response to the emergency of the COVID-19 pandemic.

Although the Group's operations have been disrupted, its financial performance and cash flows for the current reporting period had not been materially impacted by the COVID-19 pandemic. Nevertheless, the Group has taken and will continue to take necessary steps to safeguard and preserve its financial condition, emphasising on liquidity management to meet its continuing financial commitments and liquidity needs.

Given the dynamic nature of the COVID-19 pandemic, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, operating results and cash flows at the date on which these financial statements are authorised for issue.

(f) On 6 April 2021, the Company proposed to undertake the following:-

(i) a bonus issue of 322,623,476 new ordinary shares ("Bonus Share(s)") on the basis of 1 Bonus Share for every 1 existing ordinary share held on an entitlement date to be determined and announced later ("Bonus Entitlement Date") ("Proposed Bonus Issue of Shares"); and

(ii) an issuance of 215,082,317 free warrants ("Warrant(s)") on the basis of 1 Warrant for every 3 shares held on an Entitlement Date, which will be after the Bonus Entitlement Date, to be determined and announced later ("Warrants Entitlement Date") ("Proposed Issuance of Free Warrants").

On 23 April 2021, the listing application in relation to the Proposals has been submitted to Bursa Malaysia Securities Berhad.

44. 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):-		
Deferred tax assets	–	1,350
Cash and bank balances	56,980	57,096
Trade payables	(40,349)	(43,287)
Other payables and accruals	(31,240)	(28,302)
Short-term borrowings	(12,081)	(12,197)
Current tax liabilities	(4,993)	(6,343)
Consolidated Statement of Cash Flows (Extract):-		
Net cash from operating activities	20,027	21,110
Net cash from financing activities	31,720	30,637
Statement of Cash Flows (Extract):-		
Net cash for operating activities	(6,292)	(6,159)
Net cash from financing activities	11,500	11,367

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2021

Issued and Paid-up share capital : RM 73,291,770.85 comprising of 322,623,476 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	143	2.36%	5,599	0.00%
100-1,000	1,086	17.96%	789,090	0.25%
1,001-10,000	3,354	55.46%	15,886,025	4.92%
10,001-100,000	1,230	20.34%	36,560,230	11.33%
100,001- less than 5%	233	3.85%	181,861,309*	56.37%
5% and above	2	0.03%	87,521,223	27.13%
TOTAL	**6,048**	**100.00%**	**322,623,476**	**100.00%**

*Including 1,119,900 treasury shares.

LIST OF SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2021

	Direct Interest		Indirect Interest	
Names	No. of Shares	%	No. of Shares	%
Palace Star Sdn. Bhd.	67,703,490	21.06	–	–
Sun Lead International Limited	19,817,733	6.16	–	–
Gan Hung Keng	2,348,166	0.73	67,703,490 (1)	21.06 (1)
Ong Weng Leong	2,195,900	0.68	67,703,490 (1)	21.06 (1)
Cham Teck Kuang	–	–	67,703,490 (1)	21.06 (1)
Hu Ke Qin	–	–	67,703,490 (1)	21.06 (1)
Soh Tong Hwa	737,766	0.23	68,908,889 (2)	21.43 (2)
Fortune Dragon Holding Inc.	–	–	19,817,733 (3)	6.16 (3)
Lien Hwa Industrial Corp.	–	–	19,817,733 (4)	6.16 (4)
Aberdeen Standard Investments (Malaysia) Sdn. Bhd.	–	–	18,164,700 (5)	5.65 (5)
Standard Life Aberdeen Plc	–	–	19,058,300 (6)	5.93 (6)
Aberdeen Asset Management Plc	–	–	19,058,300 (6)	5.93 (6)

LIST OF DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2021

	Direct Interest		Indirect Interest	
Names	**No. of Shares**	**%**	**No. of Shares**	**%**
Gan Hung Keng	2,348,166	0.73	67,703,490 [1]	21.06 [1]
Ong Weng Leong	2,195,900	0.68	67,703,490 [1]	21.06 [1]
Chan Thian Kiat	108,366	0.03	–	–
Tan Chuan Yong	231,666	0.07	–	–
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	40,000	0.01	–	–
Soo Yuit Weng	570,066	0.18	–	–
Cham Teck Kuang	–	–	67,703,490 [1]	21.06 [1]
Soh Tong Hwa	737,766	0.23	68,908,889 [2]	21.43 [2]
Hu Keqin	–	–	67,703,490 [1]	21.06 [1]
Ng Lee Kuan	–	–	–	–

Notes:-

(1) Deemed interested under Section 8 of the Companies Act 2016 by virtue of their direct 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.

(3) Deemed interested under Section 8 of the Companies Act 2016 by virtue of its direct interests in Sun Lead International Limited.

(4) Deemed interested under Section 8 of the Companies Act 2016 by virtue of its direct interest in Fortune Dragon Holding Inc.

(5) Deemed interested through the Registered Holder which is custodian appointed by one or more funds managed by Aberdeen Standard Investments (Malaysia) Sdn Bhd

(6) Deemed interest by virtue of its shareholding in its subsidiaries pursuant to Section 8(4)(c) of the Act

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 31 MARCH 2021

(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	67,703,490	21.06%
2	SUN LEAD INTERNATIONAL LIMITED	19,817,733	6.16%
3	CARTABAN NOMINEES (TEMPATAN) SDN BHD ICAPITAL.BIZ BERHAD	14,191,600	4.41%
4	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	13,309,200	4.14%
5	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD – KENANGA GROWTH FUND	10,699,700	3.33%
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)	10,351,700	3.22%
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERISLAMIC)	6,051,200	1.88%
8	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (PF)	5,801,000	1.80%
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	4,440,500	1.38%
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (ABERDEEN 2)	4,181,100	1.30%
11	AMANAHRAYA TRUSTEES BERHAD PB ISLAMIC SMALL CAP FUND	3,635,200	1.13%
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND	3,384,800	1.05%
13	LEE BEE SENG	3,238,700	1.01%
14	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (FM-ABERDEEN)(419500)	3,158,400	0.98%
15	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT PROGRESS FUND (4082)	2,988,800	0.93%
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM KENANGA) (410196)	2,375,700	0.74%
17	GAN HUNG KENG	2,348,166	0.73%
18	ONG WENG LEONG	2,195,900	0.68%

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 31 MARCH 2021 (CONT'D)
(Without aggregating the securities from different securities account belonging to the same Depositor) (Cont'd)

No.	Name of Shareholders	No. of Shares	%
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR PRINCIPAL DALI EQUITY GROWTH FUND (UT-CIMB-DALI) (419455)	1,880,200	0.58%
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR PRINCIPAL DALI EQUITY FUND	1,750,500	0.54%
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	1,733,500	0.54%
22	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG	1,708,900	0.53%
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PRINCIPAL SMALL CAP OPPORTUNITIES FUND (240218)	1,685,300	0.52%
24	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	1,521,900	0.47%
25	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	1,470,133	0.46%
26	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (PRINCIPAL 2)	1,450,000	0.45%
27	AMANAHRAYA TRUSTEES BERHAD PUBLIC EMERGING OPPORTUNITIES FUND	1,400,000	0.44%
28	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR PRINCIPAL LIFETIME BALANCED INCOME FUND	1,216,400	0.38%
29	SOH WOEI JUAN	1,209,100	0.38%
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR MANULIFE INVESTMENT CM SHARIAH FLEXI FD (270785)	1,205,600	0.37%

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-First Annual General Meeting ("21st 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 Tuesday, 15 June 2021 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 2020 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) Gan Hung Keng **(Ordinary Resolution 1)**
   (ii) Vice Admiral (Retired) Datuk Haji Jamil Bin Haji Osman **(Ordinary Resolution 2)**
   (iii) Soo Yuit Weng **(Ordinary Resolution 3)**

3. To approve the payment of Directors' remuneration payable to the Board of the Company amounting to RM249,000 for the period from 1 July 2021 until 30 June 2022. **(Ordinary Resolution 4)**

4. 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 5)**

Special Business

To consider and if thought fit, pass the following resolutions with or without any modifications:-

5. **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 6)**

   (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 7)**

Notice of Annual General Meeting (cont'd)

6. **Authority to Issue and Allot Shares**

(Ordinary Resolution 8)

"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."

7. **Proposed Renewal of Authority for Purchase of Own Shares by the Company**

(Ordinary Resolution 9)

"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."

8. 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 30th day of April 2021

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) 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
   BSR.Helpdesk@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 8 June 2021 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 2020.

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 4*

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 21st AGM on the Directors' remuneration in Resolution 4 on payment of Directors' remuneration for the period from 1 July 2021 until 30 June 2022 ("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)	**Independent 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 4 has been passed at the 21st 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 6 & 7*
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.

Explanatory notes on Ordinary and Special Business (Cont'd)

(d) *Ordinary Resolution 8*
Authority to Issue and Allot Shares

The proposed Ordinary Resolution 8, 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 the renewal of the mandate obtained from the members at the last AGM ("the previous mandate"). 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 accordingly no proceed was raised.

(e) *Ordinary Resolution 9*
Proposed Renewal of Authority for Purchase of Own Shares by the Company

The proposed Ordinary Resolution 9, 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 30 April 2021.

IMPORTANT NOTICE:

In view of the constant evolving COVID-19 situation in Malaysia, the Company has in place rules and control for the 21st AGM in order to safeguard the health of attendees at 21st AGM.

You are requested to read and adhere to the Administrative Guide which is published in the Company's website at www.kelington-group.com together with this Notice of 21st AGM. Members are also reminded to monitor the Company's website and announcements from time to time for any changes to the 21st AGM arrangement.

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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 Twenty-First 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 Tuesday, 15 June 2021 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:

Ordinary Business		For	Against
1	To re-elect Gan Hung Keng as Director		
2	To re-elect Vice Admiral (Retired) Datuk Haji Jamil Bin Haji Osman as Director		
3	To re-elect Soo Yuit Weng as Director		
4	To approve the payment of Directors' remuneration payable to the Board of the Company for the period from 1 July 2021 until 30 June 2022		
5	To re-appoint Messrs Crowe Malaysia PLT as Auditors of the Company		
Special Business			
6	To approve the continuing in office for Chan Thian Kiat as an Independent Non-Executive Director		
7	To approve the continuing in office for Tan Chuan Yong as an Independent Non-Executive Director		
8	Authority to Issue and Allot Shares		
9	Proposed Renewal of 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 2021

....
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.*
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) *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
   BSR.Helpdesk@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 8 June 2021 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

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KELINGTON GROUP BERHAD
Registration No. 199901026486 (501386-P)

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