KELINGTON GROUP BERHAD

[Registration No. 199901026486 (501386-P)]

ANNUAL REPORT 2021

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

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

22nd ANNUAL GENERAL MEETING

Broadcast Venue: Lot 9-11 Menara Sentral Vista, No.150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur

Meeting Platform: Dvote Online website at https://www.DigitizeVote.my

31 May 2022

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

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 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 (CO2) waste gas for our manufacturing of liquid CO2 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 CO2 plant and started exporting liquid CO2 products

2021

- Secured RM420 million landmark contracting project from world leading data storage devices and solutions specialist.

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

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTORS

Tan Chuan Yong
tcy@kllaw.com.my

Chan Thian Kiat
steventkchan@yahoo.com

COMPANY SECRETARIES

Lim Lee Kuan
MAICSA 7017753
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
Fax : +603-2382 4170

MANAGEMENT OFFICE

3, Jalan Astaka U8/83
Seksyen U8
Bukit Jelutong Industrial Park
40150 Shah Alam
Selangor Darul Ehsan, Malaysia
Tel : +603-7845 5696
Fax : +603-7845 7097
Email : enquiry@kelington-group.com

INVESTOR RELATIONS

Capital Front PLT (LLP0006141-LGN)
B-6-27, Block B
Plaza Ativo, Jalan PJU 9/1
Damansara Avenue
Bandar Sri Damansara
52200 Kuala Lumpur
Tel: +603-6262 5777
Email: meilynn@capitalfront.biz

SHARE REGISTRAR

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

Warrants B
Stock Name : KGB-WB
Stock Code : 0151WB

CORPORATE STRUCTURE

Kelington Group Berhad & Branch in Taiwan

- 100% **Kelington Technologies Sdn. Bhd.** (Incorporated in Malaysia)
- 100% **Kelington Energy Sdn. Bhd.** (Incorporated in Malaysia) (Dissolved on 7 April 2022)
- 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)
  - 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)
- 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)
- 100% **Hiti Engineering (M) Sdn. Bhd.** (Incorporated in Malaysia)
- 82% **Cryotech Logistics Sdn. Bhd.** (Incorporated in Malaysia)
- 55% **Kelington Analytical Services Sdn. Bhd.** (Incorporated in Malaysia)
- 90% **Kelington Nawik Sdn. Bhd.** (Incorporated in Malaysia)
  - 100% **Kelington Nawik (PNG) Limited** (Incorporated in Papua New Guinea, Dormant)
- 100% **Kelington Technologies (Sarawak) Sdn. Bhd.** (Incorporated in Malaysia)

OUR STRATEGIC INTENTS

OUR VISION

To be a sustainable 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 without unnecessary harm, 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				
	2017	2018	2019	2020	2021
Revenue (RM'000)	313,333	350,023	379,768	394,599	514,554
Profit Before Taxation (RM'000)	17,162	25,004	31,579	20,945	35,694
Profit After Taxation (RM'000)	11,541	18,315	23,920	17,591	29,700
Shareholders' Funds (RM'000)	78,475	116,215	155,534	168,329	192,747
Total Assets (RM'000)	229,874	243,476	303,055	350,343	403,968
Net Assets Per Share (RM)*	0.17	0.22	0.25	0.26	0.30
Basic Earning Per Share (RM'Cent)*#	2.91	4.24	5.19	3.67	6.0
Dividend per share (RM'Cent)	1.5	1.8	2.0	1.5	1.5
Number of Shares in Issue ('000)*#	457,428	532,666	620,678	643,007	643,007
Share Price (RM)*^	0.386	0.535	0.610	0.831	1.720
Market Capitalisation (RM'000)#^	176,567	284,976	378,614	534,339	1,105,972

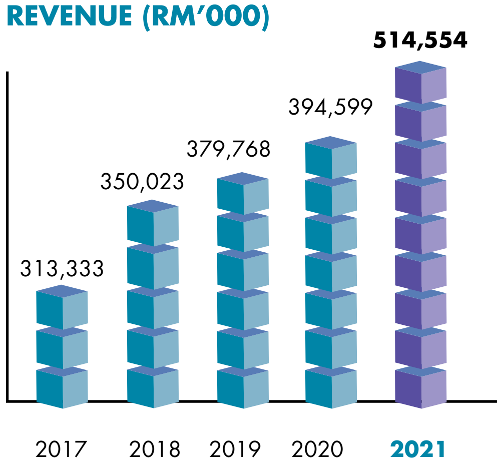
* The comparative net assets per share, basic earnings per share, number of shares in issue and share price have been restated to reflect the effect of bonus issue on the basis of one new ordinary shares for every one existing ordinary share which was completed on 2 July 2021.

\# Based on Company's issued and paid up share capital, excluding treasury shares.

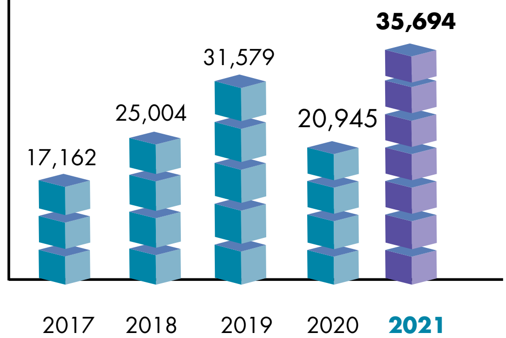
^ As at the last trading day of the financial year.

Financial Highlights
(cont'd)

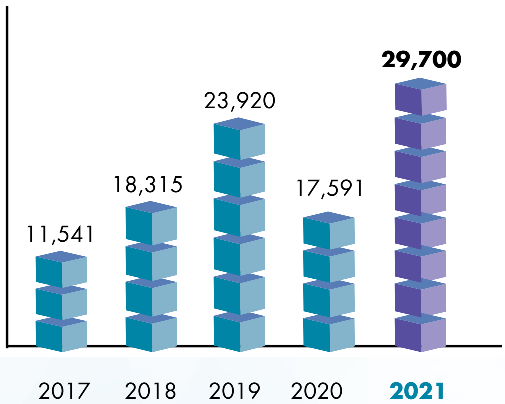
REVENUE (RM'000)



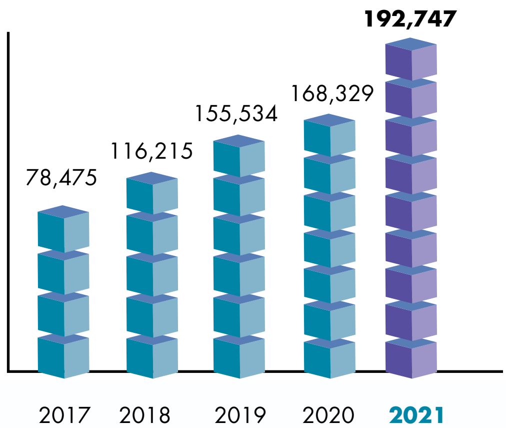
PROFIT BEFORE TAXATION (RM'000)



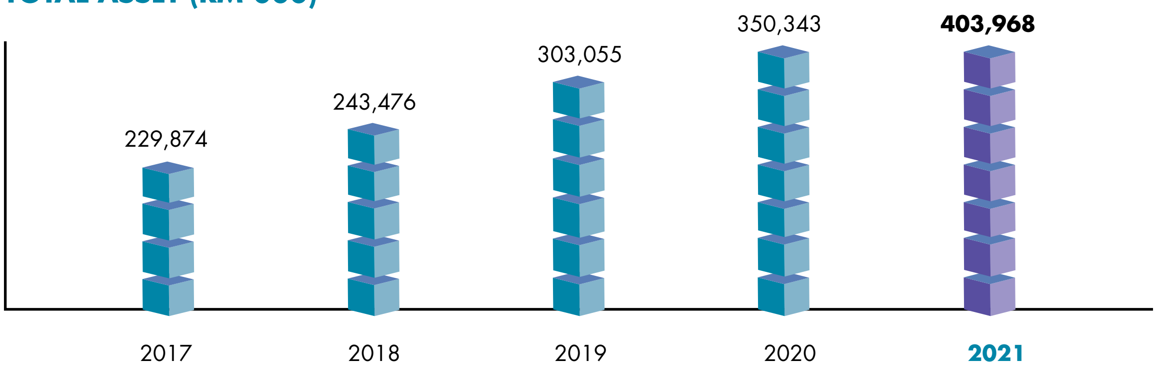
PROFIT AFTER TAXATION (RM'000)



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 services.

In addition to that, the Group has an Industrial Gases division, and is mainly providing on-site gas supply as well as involved in manufacturing and trading of industrial and specialty gases.

We have a total workforce of around 492 across regional offices in Malaysia, Singapore, China and Taiwan.

ENGINEERING BUSINESS			INDUSTRIAL GASES		
ULTRA HIGH PURITY	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.
We serve: Semiconductor players, Electronic manufacturers, Gas plants, etc.	We serve: Oil and gas, petrochemicals, Industrial plants, etc.	We serve: Manufacturing facilities and Industrial plants.	We serve: Resellers, Food & Beverages sector, etc.	We serve: Semiconductor players, Electronic manufacturers, etc.	We serve: Semiconductor players, Electronic manufacturers, etc.

Management Discussion and Analysis (cont'd)

A Record Performing Year

2021 has been eventful for us at Kelington as we maneuvered through the fluid operating conditions due to the heightening Covid-19 cases around the globe. Notwithstanding, the Group remained steadfast and focused on fulfilling the surging orders from our customers, which bolstered our financial performance for the financial year ended 31 December 2021 ("FY2021") to a historic high.

During the year, the Malaysian economy and many other markets were still grappling with a multitude of challenges arising from the lingering Covid-19 onslaught and related lockdowns. The predicament has put forward a myriad of stumbling blocks on the path to global economic recovery. The elephant in the room being the supply chain disruptions, which have triggered the shortage of raw materials and commodities, contributing to the shortage of semiconductor chips which play a significant role in the global supply chain.

On the local front, despite the Malaysian Government implementing Full Movement Control Order ("FMCO") in June 2021 under the National Recovery Plan, the authorities spared no efforts to ramp up the vaccination drive to tackle the elevated Covid-19 cases. These measures were fruitful and helped Malaysia swiftly regain its footing and stayed on track to recovery. Hence, Malaysia fared relatively well during the year with GDP expanding 3.1% in 2021 as compared to a contraction of 5.6% in 2020, according to Bank Negara Malaysia.

Meanwhile, the semiconductor industry had a remarkable run as worldwide semiconductor industry sales stood at US$555.9 billion, a 26.2% rise against 2020, according to Semiconductor Industry Association. The growth was attributable to the prevalent global chip shortage, which prompted semiconductor companies to ramp up production to address the persistently high demand. The demand for semiconductor production will continue to trend upward as chips increasingly become an essential component in technological applications such as 5G, electric vehicles, Internet of Things.

To cater to the increasing demand for semiconductors and alleviate its shortage, semiconductor players around the globe has been expanding their investments to expand their capacities in wafer chips production, and this bodes well for Kelington as an Ultra High Purity ("UHP") solutions provider.

RM1.2 BILLION

ALL-TIME HIGH NEW ORDER SECURED IN FY2021

With the hard work, astute planning, and nimble approach in capturing business opportunities and tackling challenges, the Group had an impressive run in terms of orderbook replenishment, recording an all-time high new orders secured of RM1.2 billion in 2021, more than double prior year's record of RM490 million. This reflects our strong technical capabilities and extensive track record of delivering high quality output to our customers in a timely manner.

OPERATIONAL REVIEW

After a year of muted growth in 2020 due to the operational disruptions brought upon by the Covid-19 pandemic, Kelington rebounded strongly in 2021 and recorded our best ever financial performance since incorporation.

The Group's operations remained largely intact throughout the year across key operating markets. Although the FMCO was implemented in Malaysia in June 2021, most of our operations continued as they were deemed essential. Thus, we were allowed to operate, albeit with a smaller workforce, which the Group had been swiftly tackled with some adjustments in project execution timeline.

During the year, Kelington secured a notable contract amounting to RM420 million from a world leading Company providing data storage devices and solutions specialists to refurbish its existing facility and construct a new plant in Sarawak. This landmark project win reflects the teams' extensive technical know-how and vast experience in building a state-of-the-art semiconductor facility.

Management Discussion and Analysis (cont'd)

Testament to our market leadership position as a UHP solution provider in the region, we have been successful in winning UHP project tenders, especially in Singapore. With semiconductor players around the globe ramping up their expansion plans, we managed to leverage our extensive track record in the industry and secured numerous UHP contracts which meaningfully elevated our orderbook in hand. UHP projects represented majority of our outstanding orderbook at 56% or RM592 million as at 31 December 2021.

We are honoured to be recognised by some of the largest semiconductor foundries in the world. The contract wins during the year further cements our leading position and opens up more opportunities to expand our market share within the semiconductor and electronics industry.

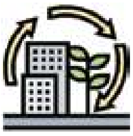
At the same time, we were busy executing our projects in the Process Engineering segment as investment activities across industries recovered due to relaxation of movement restrictions.

Our Industrial Gases division also continued its strong momentum. Combining our continual effort in production output optimisation and increasing demand for liquid carbon dioxide ("LCO2"), the utilisation rate of our LCO2 plant had risen to 60% of around 50,000 tonnes per annum capacity in 2021 as compared to 40% a year ago.

In addition, we are pleased to share that we have successfully obtained Halal certification from JAKIM. We are now able to supply LCO2 to the food and beverage industry, the largest consumer of LCO2 in the market. In line with our aim to expand our geographical reach and achieve greater economies of scale, the Group had also stepped up our efforts to export our offerings to Singapore and other South East Asian countries.

Prioritising Sustainability Practices

The Group views corporate sustainability as a key element in our business operations with environmental, social and governance ("ESG") considerations forming the core guiding principle of our decision-making activities. As a responsible corporate citizen, we are committed to upholding sustainable and ethical business practices to drive sustainable value for our stakeholders.



In an effort to minimise our impact on the environment, we focus on adopting an environmentally conscious manufacturing process. For instance, we constantly review our supply chain and seek avenues to improve in the areas of waste management, packaging methods and materials, while ensure all our processes are in compliance with the environmental laws and regulations.

We are cognisant of the utmost importance of our human capital as they are pivotal to Kelington's success. The Group emphasises on the well-being of all our employees by creating a conducive working environment for them as well as implementing human capital development programmes to enhance their skillsets and professional competencies. These enable us to recruit and retain best-in-class talents in our organisation and continue contributing to our growth.

In tandem with our increased efforts in ESG, we are proud to share that Kelington has been included as a constituent of the FTSE4Good Bursa Malaysia Index and FTSE4Good Bursa Shariah Index in December 2021 with a 4-Star (out of 5) ESG rating. Our inclusion into the index underlines our commitment and efforts in upholding sustainable practices across the Board.

Our sustainability efforts are further elaborated in the Sustainability Report from pages 29 to 90 of the Annual Report.

FINANCIAL HIGHLIGHTS

With an encouraging performance across all our business segments, Kelington posted a record-breaking profit after taxation ("PAT") of RM29.7 million in FY2021, representing a surge of 69% as compared to FY2020. Meanwhile, the Group's revenue increased 30% to RM514.6 million in FY2021 against RM394.6 million a year ago.

Revenue
RM514.6 million
+30% YoY

Profit after Taxation
RM29.7 million
+69% YoY

Record-Breaking Revenue and Net Profit

Revenue by Business segment (RM' mil)	FY2020	FY2021	% change
UHP	278.0	336.7	17%
General Contracting	46.5	72.5	56%
Process Engineering	45.4	62.0	37%
Manufacturing & Trading – Industrial Gases	22.1	34.5	56%
Manufacturing & Trading – Equipment and materials	1.8	4.6	156%
Service segment	0.8	1.1	38%

Our main revenue contributor, which represented 66% of our total revenue in FY2021, UHP segment, recorded an increase of 17% year-on-year ("YoY") to RM336.7 million versus RM278.0 million in FY2020. The growth was primarily underpinned by robust order flows and higher projects completions in Singapore, China, Malaysia and Taiwan, as semiconductor players have been ramping up their capacity expansions in these markets.

Management Discussion and Analysis (cont'd)

Meanwhile, revenue from the General Contracting segment rose 56% YoY to RM72.5 million in FY2021 against RM46.5 million in the prior year, attributable to project recognition of a major contracting job in Malaysia secured in third quarter of 2021. The Process Engineering segment saw a 37% improvement in revenue to RM62.0 million in FY2021 as compared to RM45.4 million in FY2020 due to broad recovery of economic activity in Malaysia, albeit moderated by the operational slowdown amidst the FMCO imposed in June 2021.

With regards to our Industrial Gases segment, revenue grew 56% YoY to RM34.5 million in FY2021 against RM22.1 million in FY2020 due to an increase in sales of LCO2. Notably, the revenue contribution from this segment has increased more than 4-fold since FY2019, when revenue stood at RM8.0 million during that year, the LCO2 plant first commenced operations.

In tandem with the surge in demand for UHP solutions, the Manufacturing and Trading of Equipment and Materials segment jumped 156% to RM4.6 million in FY2021 as compared to RM1.8 million in the previous year. This demonstrates that our in-house fabricated equipment is recognised and certified for use in an advanced wafer production facility, which elevates our value chain in the industry.

Revenue by Geographical segment	FY2020 (RM'mil)	FY2021 (RM'mil)	% change
Malaysia	122.9	199.1	62%
Singapore	127.5	169.5	33%
China	124.7	129.2	4%
Taiwan	14.8	13.4	(9%)
Others	4.7	3.4	(28%)

Geographically, Kelington's key operating markets are Malaysia, Singapore and China, which collectively constitute about 96% of total group revenue in FY2021. Our Malaysia and China markets recorded meaningful growth in revenue contribution due to higher projects completion rates, which lifted the Group's financial performance.

Administrative expenses rose 26% to RM44.1 million in FY2021 versus RM35.1 million in the preceding year. This was mainly due to larger projects undertaken throughout the year which required an expansion of workforce to execute the jobs efficiently as well as compensation increment for our staff.

The effective tax rate in FY2021 remains below the statutory tax rate at 16.8% due to unutilised tax losses brought forward from prior years as well as tax exemptions in China arising from research and development expenditures. PAT for the year under review stood at RM29.7 million, an 69% increase from RM17.6 million in the previous year.

LIQUIDITY AND CAPITAL RESOURCES

	FY2020 (RM'mil)	FY2021 (RM'mil)	% change
Total Liabilities	182.0	211.2	16.0
Total Equity	168.3	192.7	14.5%
Total Assets	350.3	404.0	15.3

The Group's balance sheet remained robust with a net cash position of RM50.0 million as total cash stood at RM106.5 million, exceeding total borrowings and lease liabilities of RM56.5 million as at 31 December 2021. Net cash per share stood at 8 sen. Meanwhile, the increase in total liabilities was mainly due to an increase in trade and other payables for purchases in preparation to fulfil the expansive outstanding orders.

For FY2021, the Group recorded a negative net operating cash flow of RM3.9 million, mainly due to an increase in contract assets as well as trade and other receivables, resulting from a timing difference in projects' revenue recognition and cash receipts during the year under review. Of the total trade receivables of RM92.1 million as at 31 December 2021, 80% are not past due. In this respect, we do not foresee any major collection issues that would materially impact our financial condition.

Net cash:
RM50.0 million

Gearing level:
0.29 times

The Group's gearing level remains healthy and stood lower at 0.29 times as at 31 December 2021 in comparison to 0.35 times as at 31 December 2020. This improvement was owing to the repayment of borrowings as well as higher shareholders' equity arising from the addition of net profit in FY2021.

REWARDS TO SHAREHOLDERS

Kelington is committed to rewarding shareholders for their continuous support and confidence in the Group. Since listing, the Group has been distributing dividends to its shareholders every year, and we aim to maintain our track record moving forward. The Group's ability to consistently distribute dividends while continuously delivering commendable growth in performance underlines our capability to create shareholders' value.

During the financial year under review, the Group had completed its bonus issue exercise on the basis of one bonus share for every one existing Kelington share held (one-for-one) on 22 June 2021. Subsequently, free warrants have also been issued on the basis of one free warrant for every three existing shares held (one-for-three). The Group believes this is another avenue to reward our shareholders in addition to dividends.

The bonus issue of shares is aimed at enhancing the liquidity and marketability of our shares to encourage greater participation by investors. On the other hand, the free warrants, which are issued at no cost to shareholders providing shareholders the option to further increase their equity participation in the Group by exercising the warrants at the exercise price over the tenure of the warrants. This would potentially provide additional funds to the Group for working capital needs as and when the warrants are exercised.

For FY2021, the Board had declared a total dividend of 1.5 sen per share. The Group paid the first interim tax-exempt dividend of 0.5 sen per ordinary share amounting to RM3.2 million on 1 October 2021. Subsequently, the Board had declared a second interim dividend of 1 sen per share, which was paid on 6 April 2022.

The total dividend payout for the year under review stood at approximately RM9.6 million, translating into a dividend payout ratio of 30%, exceeding our dividend policy to distribute at least 25% of the Group's net profit.

2022 OUTLOOK AND PROSPECTS

Recovering from the operational disruptions arising from a slew of movement control orders imposed in 2020, the management team quickly responded and regained its footing moving into 2021 to capitalise on the robust demand for semiconductor chips, fuelled by global supply chain disruptions and stock piling efforts by major technology firms.

The shortage is further exacerbated by the fast-emerging technologies such as 5G network, Internet-of-Things, electric vehicles, to name a few. According to the Semiconductor Industry Association, global semiconductor sales are projected to exceed US$601.5 billion in 2022, a growth of 8.8% as compared to 2021. Due to the steady uptrend in semiconductor demand, coupled with the substantial time lag in building a chip production facility, the chips shortage is set to persist through 2023.

To mitigate the chips crunch, semiconductor leaders around the globe are ramping up their expansion plans to increase their production capacity as well as enhance their technological prowess. In tandem, global fab equipment spending for front end facilities, an important indicator of the trend in investment of semiconductor plants, is projected to reach a record high in 2022 of over US$98 billion, rising 10% YoY (according to SEMI).

This augurs well for Kelington as UHP solutions are critical in building semiconductor plants. This has directly benefitted the Group as we are one of the leading UHP solutions providers in the region. As reflected in our orders clinched during 2021, we are witnessing robust demand for UHP solutions across our key operating markets Malaysia, Singapore and China as they are well-known as attractive destinations for semiconductor-related investments. Therefore, the Group will continue stepping up its efforts to ride on the positive backdrop as we see mounting tender invitations for UHP projects, especially over in Singapore and China.

With a high vaccination rate and promising progress towards endemicity in Malaysia and Singapore, the non-electrical industries are set to continue their recovery momentum. This bodes well for our Process Engineering segment moving forward as expansion activities from various business sectors, especially multinational companies are set to resume and trend upward. In this regard, we are confident in securing a number of projects in this segment.

In line with the favourable economic outlook, demand for industrial gases has been picking up pace across different industries, especially the LCO2. We are well placed to ride on the growth trajectory with the utilisation rate of our manufacturing plant currently at 60%. This presents ample room for Kelington to further increase LCO2 production output to capture the growing demand. In addition, our successful obtainment of Halal Certification from JAKIM is timely for us to tap into market opportunities arising from the food and beverage industry, the largest consumer of LCO2. This has opened up a new market segment for us to seize as well as accelerated our goal of becoming a regional player in the Industrial Gases division.

Meanwhile, we are also stepping up our efforts to expand our export markets for our industrial gas supplies, which include Singapore and other South East Asian markets to expand our customers base geographically. We are working towards securing more long-term contracts to supply industrial gases to strengthen our earnings sustainability and optimise the capacity utilisation of our plant.

RISK FACTORS

LACK OF LONG-TERM CONTRACTUAL AGREEMENTS

The Group's operations and financial results are mainly driven by the performance of our engineering service and supply of industrial gas segments.

Our engineering services business is reliant on the contracts awarded to us on a project-by-project basis. Each project typically carries a project tenure of 6 to 12 months and there is no assurance that we will be able to replenish our orderbook thereafter. With that in mind, we place great emphasis on delivering quality engineering service solutions, maintaining customer satisfactory levels, and developing long-term business relationships with our customers to ensure business continuity and growth.

As for the Group's Industrial Gases segment, the nature of the business is on a purchase order basis as our customers primarily comprise distributors or manufacturers of various products. There is no assurance that the purchase orders will be consistent, and it is difficult for the Group to anticipate the future order quantities. To mitigate the uncertainties, the Group targets to ink long term gas supply contracts, which strengthens the Group's earnings sustainability during the contract tenure. Notwithstanding, there is no assurance that the Group will be able to secure long term gas supply contract in the future.

DEPENDENCE ON THE AVAILABILITY OF TECHNICAL PROFESSIONALS

As the Group is primarily involved in highly technical businesses, we are reliant on our human capital who are responsible to deliver our services. They are instrumental in driving the success of the Group. With that, we are committed to providing a safe and sound working environment for them.

In addition, the Group is steadfast in cultivating our employees through the implementation of a comprehensive human resource strategy, comprising career planning and development, diversity, mobility, learning, recruitment and well-being. We also rollout enhancement programmes every year to support their growth in professional competencies, increase employee engagement and assist our employees in achieving their full potential.

CHANGES IN POLITICAL, ECONOMIC OR SOCIAL CONDITIONS

Our operations are diversified across several countries, mainly Malaysia, Singapore, China and Taiwan. Hence, shifts in the political, economic and social climate in our operating countries may potentially affect our business operations and financial performance. This includes changes in political leadership, economic conditions, interest rates, shifts in regulatory conditions, and currency exchange rates, to name a few.

In order to be better prepared for any event shocks, Kelington constantly remains vigilant and monitors any new developments regarding prospective regulations and changes in policies to ensure compliance. The Group also proactively engages with the respective authorities and relevant business associations to ensure we are abreast on the latest development in the industry.

CYCLICAL NATURE OF THE INDUSTRY

As the semiconductor and electronics industry are cyclical in nature, the financial performance of the Group's UHP division may be negatively impacted in the event of a downturn in the industry, resulting in lower revenue contribution and reduced order flows for the Group.

To mitigate the cyclical risk, we also focus on growing other businesses such as Process Engineering, General Contracting, and the Industrial Gases division. This helps alleviate the risk of being over-dependent on the semiconductor and electronics industry.

COMPETITION RISK

The Group is operating in a highly demanding industry which is subject to competition from both domestic and international markets. This will potentially result in margin compression if our competitors engage in aggressive pricing in order to gain market share. In addition, we are exposed to competitions with large industry players around the world who possess greater resources and wider access to capital.

In this respect, the Group will continue to leverage on its established technical capabilities, extensive experience and proven track record in the industry to fortify its competitive position in the industry. Additionally, the Group also strives to continually enhance its service offerings to deliver greater value propositions in terms of cost competitiveness, service quality, product quality and service reliability to its customers. Our vast experience, in serving the international leaders also elevates our feet in competing with other market players.

APPRECIATION

As we commemorate the end of a fruitful year, I would like to extend my heartfelt appreciation to everyone in Kelington for your adaptability, unwavering commitment and hard work. I am extremely proud of the numerous feats we have accomplished, of which without your dedication and relentless efforts, would not be attainable.

Furthermore, my deepest gratitude also goes to my fellow Board members. Your invaluable advice and insightful counsel have been instrumental in driving us to achieve the success we have today. I would also like to thank all relevant regulatory bodies and associations for creating a conducive business environment that enables us to conduct our operations in a sustainable and safe manner.

Last but not least, I would like to extend my appreciation to all our distinguished stakeholders – shareholders, clients and business partners, associates and suppliers for your continuous confidence and trust you put in us through thick and thin.

In any case, we do not intend to rest on our laurels just yet. Stepping into 2022, we are well positioned to capture business opportunities that are abundant in today's market and build upon the good momentum we have gained. With that said, we will remain laser-focused on building resilience within the Company as well as continuing to generate positive and sustainable value for our stakeholders and shareholders.

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

DIRECTOR'S PROFILE

IR. GAN HUNG KENG
Chairman/CEO
Length of Service: 22 years & 2 months

Age : 58

Nationality : Malaysian

Gender : Male

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 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 directorships in public companies and listed issuers.

Director's Profile (cont'd)

ONG WENG LEONG

Executive Director/COO
Length of Service : 17 years & 5 months

Age : 54

Nationality : Malaysian

Gender : Male

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 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 from 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 MIM Education Sdn. Bhd., a subsidiary of Institute Pengurusan Malaysia.

Director's Profile (cont'd)

CHAN THIAN KIAT
Senior Independent Non-Executive Director
Length of Service : 12 years & 7 months

Age : 66

Nationality : Malaysian

Gender : Male

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.

Director's Profile (cont'd)

TAN CHUAN YONG
Senior Independent Non-Executive Director
Length of Service : 12 years & 7 months

Age : 66

Nationality : Malaysian

Gender : Male

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 and Nomination Committee. He holds a Barrister-at-Law from the Honourable Society of Lincoln's Inn. He was admitted to the English Bar in 1982 and the Malaysian Bar in 1983.

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

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

Director's Profile (cont'd)

VICE ADMIRAL (RETIRED) DATUK HAJI JAMIL BIN HAJI OSMAN

Independent Non-Executive Director

Length of Service : 9 years & 10 months

Age : 64

Nationality : Malaysian

Gender : Male

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.

Director's Profile (cont'd)

SOO YUIT WENG
Independent Non-Executive Director
Length of Service : 9 years & 3 months

Age : 54

Nationality : Malaysian

Gender : Male

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
Independent Non-Executive Director
Length of Service : 2 year & 6 months

Age : 56

Nationality : Malaysian

Gender : Female

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.

Director's Profile (cont'd)

SOH TONG HWA

Non-Independent Non-Executive Director
Length of Service : 2 year & 6 months

Age : 69

Nationality : Malaysian

Gender : Male

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
Non-Independent Non-Executive Director
Length of Service : 2 year & 6 months

Age : 65

Nationality : Singaporean

Gender : Male

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 in public as well as listed companies.

Director's Profile (cont'd)

HU KEQIN
Non-Independent Non-Executive Director
Length of Service : 2 year & 6 months

Age : 61

Nationality : Singaporean

Gender : Male

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

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

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

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

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

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

Notes to the Board of Directors' Profile:

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

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

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

Attendance at Board Meetings
The details of attendance of the Directors at the Board Meetings are set out on page 102 of this Annual Report.

Shareholdings
The details of Directors' shareholdings are set out in the Analysis of Shareholding(s) and Analysis of Warrant Holding(s) on page 250 and page 254 respectively, of this Annual Report.

KEY SENIOR MANAGEMENT'S PROFILE

JONG YU HUAT

Age : 51

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 : 54

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 : 43

Nationality : Malaysian

Gender : Male

Mr Ong Seng Heng is the Senior 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.

Key Senior Management's Profile (cont'd)

SOO WEI KEONG

Age : 46

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 : 45

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 : 40

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 optimisation 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

Message from Chairman / Chief Executive Officer

Dear Stakeholders,

Sustainability is a way of life at Kelington. Through our products, technologies and services, we aim to deliver high quality solutions to our customers sustainably and cost effectively. Our corporate Vision, Mission and Core Values demonstrates clearly our Intents on this aspect.

It is my great pleasure to present you here with our Sustainability Statement for the financial year ended 31 December 2021 (FY2021). This Statement communicates what Sustainability means to us at Kelington; what our goals and targets are; and what strategy and management approaches we adopt in order to achieve them. In the preparation of this Statement, we are guided by the Global Reporting Initiatives (GRI) standards as well as the Sustainability Reporting Guide issued by Bursa Malaysia.

2021 had been a remarkable year for Kelington. Despite the disruptions and repercussions resulted by the COVID-19 virus, we managed to achieve a record-breaking year in both economic and sustainability performance in 2021. Financial performance wise, Kelington has achieved a record high sales turnover of RM514.6 million and Profit After Tax of RM29.7 million respectively since its start up in year 2000. In 2021, we had also embarked on a total review and redesign of our Sustainability strategy and roadmap.

During the review, we revisited our Materiality Matrix together with our key stakeholders and identified new Sustainability Matter (while combining or retaining some old ones) that are important to the Company as well as the stakeholders. A new set of 14 Sustainability Matters had been identified (as compared to the previous 19 Sustainability Matters as disclosed in 2020), out of which 8 of them had been classified as Key Sustainability Matters.

We then set the targets and key performance indications for these Sustainability Matters with a four-year time frame to reach them. Various strategies and management approaches have also been drafted and put into action to ensure that we walk the talk and deliver the expected outcome. Details of the actions and activities carried out in 2021 are discussed and elaborated on the subsequent sections of this Statement.

Having achieved a Four-Star grading band in the Environmental, Social, and Governance ("ESG") rating and being admitted into the FTSE4Good Bursa Malaysia (F4GBM) Index in December 2021 was a pinnacle moment and good recognition of our performance in the Sustainability efforts all these years. The recognition has further endorsed our efforts in Sustainability and ESG areas and motivated us to continue to strengthen our position in them. I would like to record a special appreciation here for the hard work and great efforts put in by the Sustainability Working Group for such a great achievement. I am sure the team will continue the great work in the years ahead to ensure that Kelington contributes making our world a sustainable and happy place to live in.

Thank you.

IR. GAN HUNG KENG
Chairman and CEO of Kelington

What Sustainability Means to Us

Environmental, Social, and Governance ("ESG") sustainability at Kelington Group ("Kelington" or "the Group") means being cognisant of the effects that we have on the environment and natural resources in pursuit of our organisational goals while upholding the quality of products and services to our valued customers, and delivering sustainable values to our stakeholders.

We believe that a well-established framework of policies, dedicated committees, and management systems, as well as regular process reviews, ensure our management's practices are performed at the highest level of integrity and transparency. Regular employee training and engagement are undertaken to ensure Kelington's sustainability approach is well communicated and implemented across the Group.

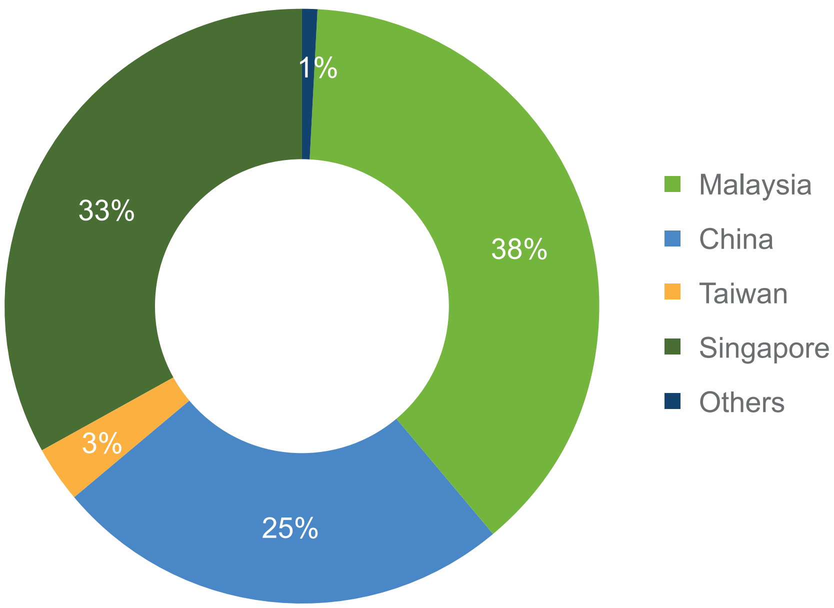
Reporting Framework & Guidelines

This Sustainability Statement ("Statement") has been prepared in accordance with the guidelines set out in the Main Market Listing Requirements ("MMLR") of Bursa Securities Malaysia Berhad and the Sustainability Reporting Guide (2nd Edition) issued by Bursa Malaysia Securities Berhad. To ensure comparability, this Sustainability Statement was prepared with reference to the Global Reporting Initiative ("GRI") Standards as we seek to report the impacts of our activities in a structured manner that is transparent to stakeholders and other interested parties.

Reporting Period & Scope

This Statement covers Kelington's sustainability performance of our business operations in Malaysia, Singapore, China and Taiwan for the financial year ended 31 December 2021. All the data presented in this Statement, including the comparative data from the previous two years, has not been verified by any independent third party.

2021 Group Operating Revenue (%)



Sustainability Statement (cont'd)

Feedback

We welcome and value feedback on our sustainability disclosures and consider it as an opportunity to identify areas for improvement for future reports. Please direct any questions or comments to ccid@kelington-group.com.

Information at a Glance

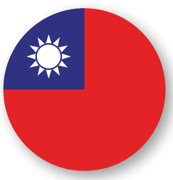
	Revenue (RM'000)	Profit Before Tax (RM'000)	Headcount
2021	514,554	35,694	492
2020	394,599	20,945	411

2021 Revenue : **RM199.1 Million**
We have **225** Employees
We served **144** Customers
We work with **586** Approved Vendors

2021 Revenue : **RM169.5 Million**
We have **136** Employees
We served **15** Customers
We work with **358** Approved Vendors

2021 Revenue : **RM129.2 Million**
We have **123** Employees
We served **66** Customers
We work with **140** Approved Vendors

2021 Revenue : **RM13.4 million**
We have **8** Employees
We served **10** Customers
We work with **37** Approved Vendors



Sustainability Statement
(cont'd)

Contents

VALUE

Please refer Pg 9 of Annual Report 2021 for Kelington Group's Business & Operation

INPUT

Finance Capital
- Shareholders' Equity
- Retained Earnings
- Banking Facilities
- Revenue

Intellectual Capital
- Technology
- Work Protocols
- Data, Process, Systems

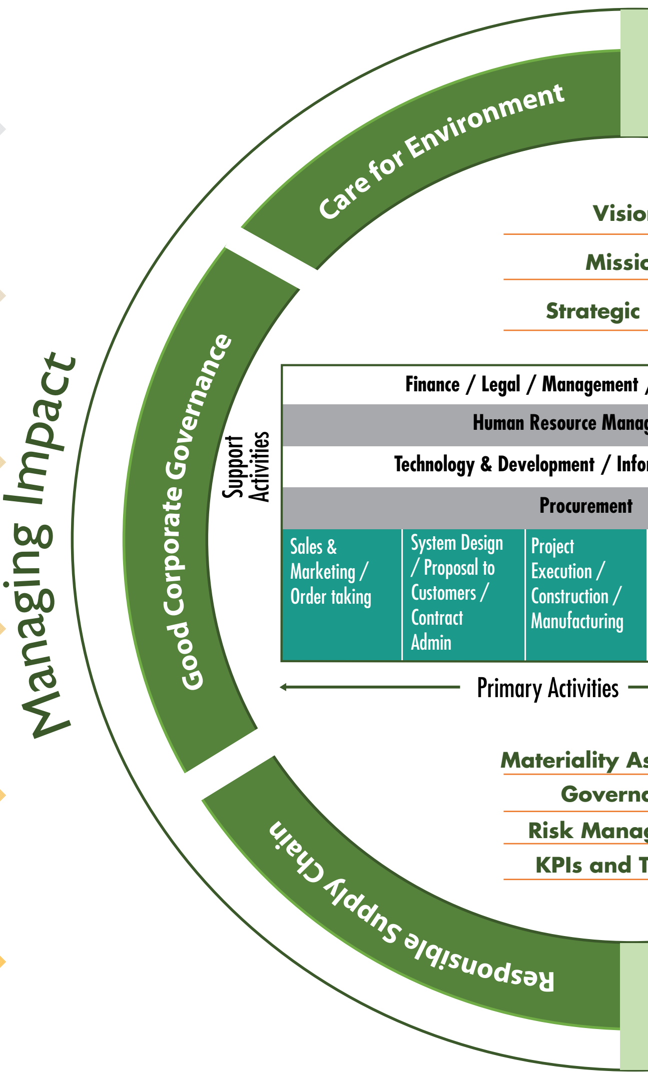
Human Capital
- Employees and Skilled Workers
- Subcontractors
- OSH measures & Training Programme

Manufactured Capital
- Manufacturing Facilities
- Construction tools and equipment

Nature Capital
- Energy
- Water
- Materials

Social Capital
- Shared values, norms, outlook in life
- Government agencies & NGOs

Value

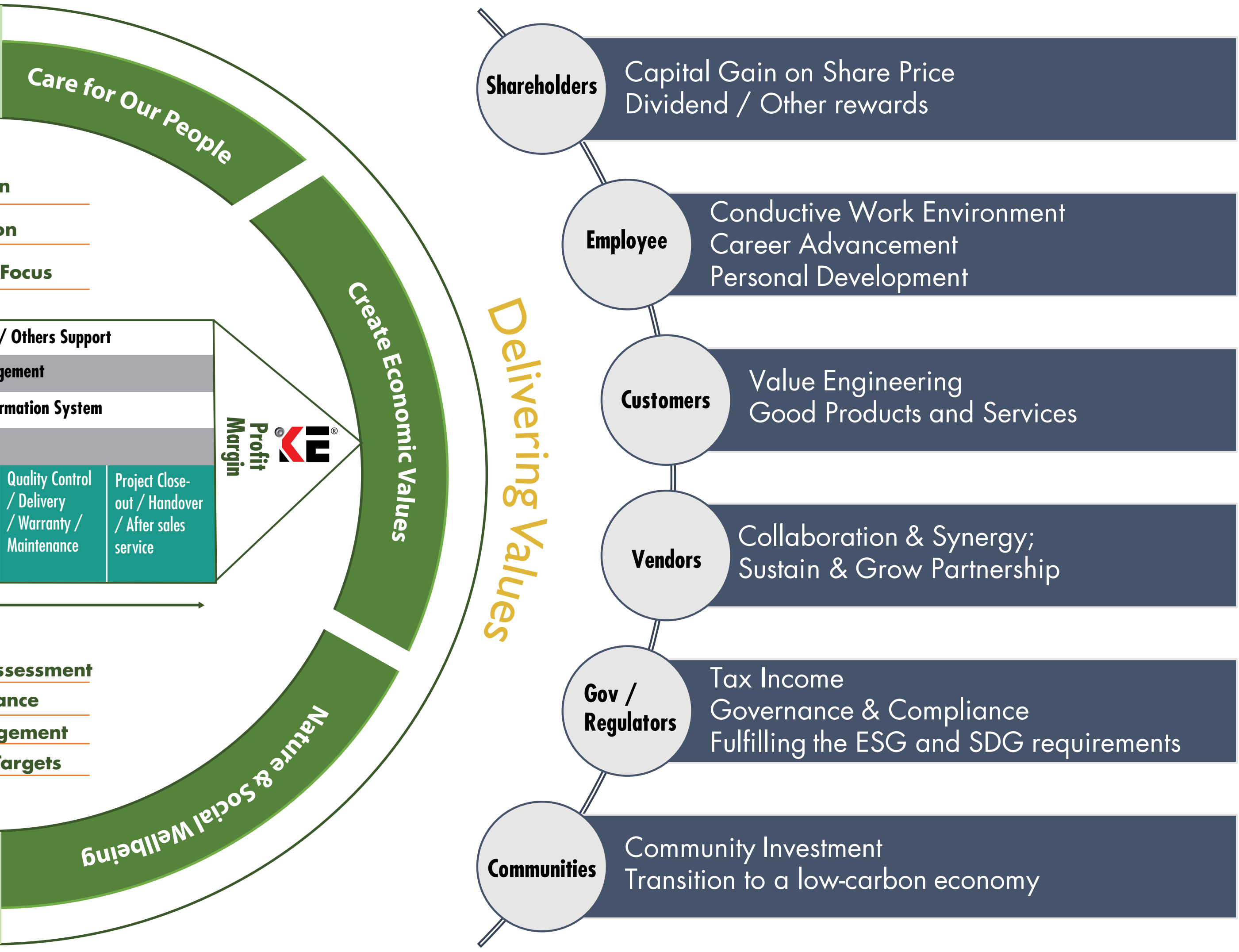


Sustainability Statement
(cont'd)

WE CREATE

Creation Process

OUTPUT

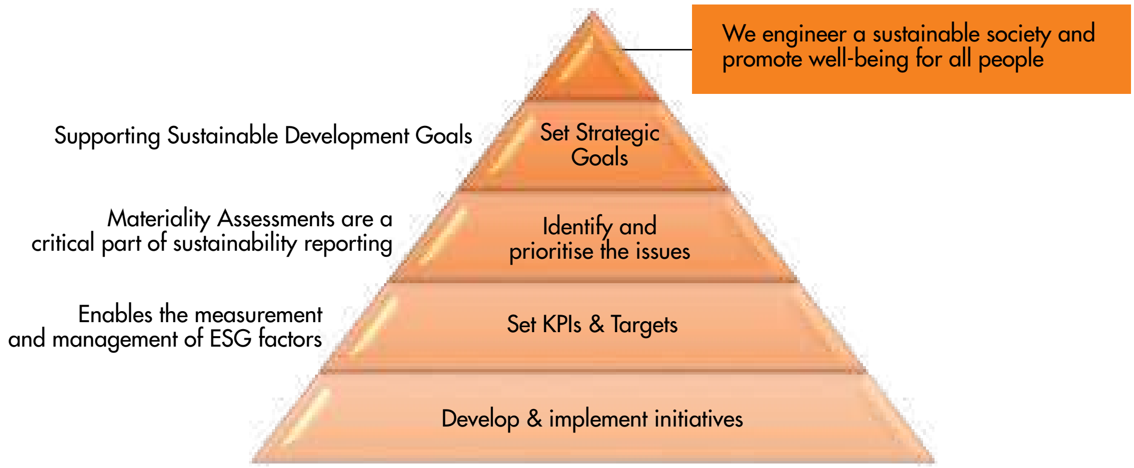


1.0 Our Approach to Sustainability

"Planning a Journey on the road to Sustainability"

1.1 Our Vision for engineering a sustainable society

Various issues exist in the society surrounding Kelington, including environmental challenges such as climate change, energy, and resources depletion; as well as social matters including unequal opportunities and digital divide. Keeping that in mind, Kelington strives to contribute and become part of the solution as we build a sustainable society for future generations.



1.2 The elements of Kelington's sustainability management system

Area	Elements of Sustainability Management		Reference
Policies & Rules	➢ Code of Ethics & Conduct ➢ Anti-Bribery and Corruption Policy ➢ Whistleblowing Policy ➢ Conflict of Interest Policy ➢ Sustainable Development Position Statement	➢ Safety & Health Policy ➢ Quality Policy ➢ Environmental Policy ➢ Community Investment Policy ➢ Gender Diversity Policy ➢ Human Rights Policy ➢ Responsible Supply Chain Policy ➢ Drug Free Environment Policy ➢ Sexual Harassment Policy	Corporate Website
Organisational Structure	• Responsibilities of executive board • Responsibilities of senior management • Sustainability Officer • Sustainability Working Group • Other working committees		Page 43

1.2 The elements of Kelington's sustainability management system (Cont'd)

Area	Elements of Sustainability Management	Reference
Processes	• Integration in business processes	Page 34
	• System to ensure compliance	Page 45
Continuous Improvements	• Goals and measures for progress tracking	Page 40
	• Monitoring, performance evaluation with sustainability indicators	
	• Management of ESG risks	Page 49
	• Grievance mechanisms	Page 85
	• Training	Page 81
Communications	• Sustainability reporting	
	• Leadership & commitment	
	• Internal communication	
	• Stakeholder dialogue	
	• Stakeholder engagement	Page 46
Preparatory tasks	• Understanding the organisation and its context	
	• Understanding the needs of interested parties	
	• Determining the relevant aspects	
	• Determining the scope of the management system	

1.3 Supporting Sustainable Development Goals

	SDGs	Our Targets	FY2021 Progress indicator	Year-on-Year 2020	Year-on-Year 2021
People	Protect labour rights and promote safe and secure working environments for all workers	Zero work-related fatalities		**0** Workplace fatalities	**0** Workplace fatalities
		Year-on-year improvement of total recordable injury frequency rate (TRIFR)		TFIFR **0.3**	TFIFR **1.1**
		Fair remuneration and 100% compliance with labour rights		**100%** compliance with labour rights	**100%** compliance with labour rights
	Improve access to education and ensure life-long learning for disadvantaged youth.	Implement programme to improve access to education for underprivileged		Participate in Project Sambung Sekolah and support **1** underprivileged student	Participate in Project Sambung Sekolah and support **5** underprivileged students
	Ensure women's full and effective participation and equal opportunities for leadership	30% female representation in total workforce (Executive level & above)		**22%** female representation in total workforce (Executive level & above)	**25%** female representation in total workforce (Executive level & above)

1.3 Supporting Sustainable Development Goals (Cont'd)

	SDGs	Our Targets	FY2021 Progress indicator	Year-on-Year	
				2020	2021
Planet	Take urgent action to combat climate change and its impacts	To reduce our own CO_2 emissions by at least 5% by FY2024		**2,345** CO_2e tonnes/RM million Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")	**1,252** CO_2e tonnes/RM million EBITDA
Governance	Develop effective, accountable and transparent institutions	Promote a culture of integrity through awareness compaigns and regular communications.		Half day Group-wide awareness training for all employees No cases of non-compliance of laws and regulations against acts of corruption	Half day Group-wide awareness training for all employees No cases of non-compliance of laws and regulations against acts of corruption

1.4 Our Strategic Goals, Sustainability Targets and Performance

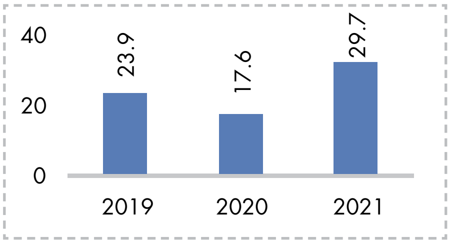
Strategic Reinvention

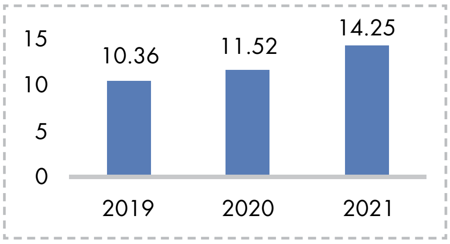
Translates ESG aspirations —What must we do? What should we do? What could we do? — into a blueprint for where and how to compete.

Kelington seeks to improve our sustainability performance, transparency and accountability as we embed sustainability measures in our business operations to manage ESG factors.

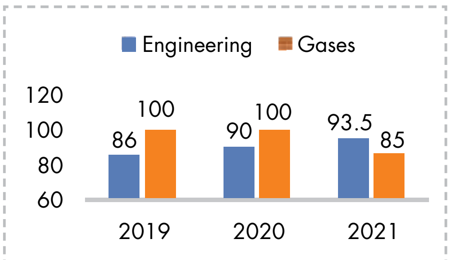
1.4 Our Strategic Goals, Sustainability Targets and Performance (Cont'd)

The following sustainability targets are structured around two pillars: sustainable values creation and managing impacts:

<table>
<tr><th>Key Sustainability Matters</th><th>Performance Target FY2024</th><th>Base Year Data</th><th>Progress FY2021</th></tr>
<tr><td colspan="4">Sustainable Values Creation</td></tr>
<tr><td>Economic Growth and Profitability</td><td>To continue generating and distributing economic value to stakeholders by sustaining a resilient financial performance</td><td>RM23.9 million</td><td>KGB saw an increase of 68.7% in Group Level – Profit After Tax


Please refer to page 86 for more details.</td></tr>
<tr><td>Talent Development</td><td>To achieve average 12 training hours per employee per year</td><td>10.36 hours per employee</td><td>Training hours per employee increased by 23.7%


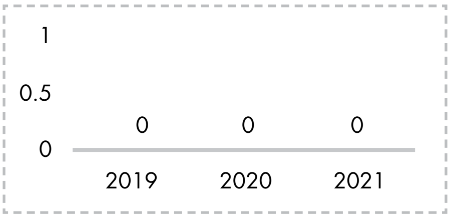
Please refer to page 74 for more details.</td></tr>
<tr><td>High Quality Products and Services</td><td>To achieve average Customer Satisfaction Rate of 90%</td><td>Engineering business division:86%

Industrial Gases division : 100%</td><td>Maintain average Customer Satisfaction Rate above 85%


Please refer to page 87 for more details.</td></tr>
</table>

Sustainability Statement (cont'd)

1.4 Our Strategic Goals, Sustainability Targets and Performance (cont'd)

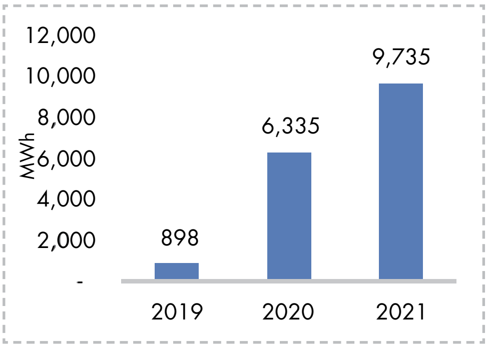
<table>
<tr><th>Key Sustainability Matters</th><th>Performance Target FY2024</th><th>Base Year Data</th><th>Progress FY2021</th></tr>
<tr><td colspan="4">Managing Impacts</td></tr>
<tr><td>Occupational Safety and Health</td><td>To maintain zero work-related fatalities</td><td>Zero work-related fatalities</td><td>Maintained zero fatalities as a result of work-related injuries


Please refer to page 64 for more details.</td></tr>
<tr><td>Preventing Climate Change</td><td>To reduce our own CO2 emissions (Industrial Gases division) by at least 5%</td><td>2,345 tonnes CO2e/ RM'mil EBITDA</td><td>Reduced Co2 emissions intensity by 46% in Y2021
<table>
<tr><th>Industrial Gas Division</th><th>2019</th><th>2020</th><th>2021</th></tr>
<tr><td>CO2e (tonnes)</td><td>1,778</td><td>11,630</td><td>12,958</td></tr>
<tr><td>EBITDA (RM'mil)</td><td>-0.97</td><td>4.96</td><td>10.35</td></tr>
<tr><td>CO_2 Intensity Ratio (tonnes/ RM'mil)</td><td>-1,833</td><td>2,345</td><td>1,252</td></tr>
</table>
Please refer to page 50 for more details.</td></tr>
<tr><td>Resources Management</td><td>To reduce water intensity (Industrial Gases division) by 5%</td><td>2,732 m^3/ RM'mil EBITDA</td><td>Reduced Water Intensity by 12% in Y2021
<table>
<tr><th>Industrial Gases Division</th><th>2019</th><th>2020</th><th>2021</th></tr>
<tr><td>Water Consumption (m^3)</td><td>1,516</td><td>13,552</td><td>24,791</td></tr>
<tr><td>EBITDA (RM'mil)</td><td>-0.97</td><td>4.96</td><td>10.35</td></tr>
<tr><td>Water Intensity (m^3/ RM'mil EBITDA)</td><td>-1,563</td><td>2,732</td><td>2,395</td></tr>
</table>
Please refer to page 59 for more details.</td></tr>
</table>

1.4 Our Strategic Goals, Sustainability Targets and Performance (cont'd)

Key Sustainability Matters	Performance Target FY2024	Base Year Data	Progress FY2021
Managing Impacts			
Resources Management	To reduce electricity intensity (Industrial Gas division) by 5%. In view that our Industrial Gases manufacturing business consumes substantial amount of electricity, improving the power efficiency of our manufacturing facilities would be instrumental for KGB to manage electricity intensity.	1,180 MWh/ RM'mil EBITDA	**Total Electricity Consumption of the Group** (see chart below); **23% reduction in electricity intensity-Industrial Gases Division** (see table below). Please refer to page 57 for more details.
Pollution and Waste Management	To reduce non recycled waste intensity (engineering division) by 5%	14.4 tonnes/ RM'mil EBITDA	**68%** reduction in Non-Recycled Waste Intensity (see table below). Please refer to page 53 for more details.

Total Electricity Consumption of the Group



23% reduction in electricity intensity-Industrial Gases Division

Industrial Gas Division	2019	2020	2021
Electricity Consumption (MWh)	605	5853	9377
EBITDA (RM'mil)	-0.97	4.96	10.35
Electricity Intensity (MWh/ RM'mil EBITDA)	-624	1,180	906

Please refer to page 57 for more details.

68% reduction in Non-Recycled Waste Intensity

Engineering Division	2019	2020	2021
Construction Waste (tonnes)	130	329	200
EBITDA (RM'mil)	35.5	22.9	43.1
Non-Recycled Waste Intensity (tonnes/ RM'mil EBITDA)	3.7	14.4	4.6

Please refer to page 53 for more details.

Sustainability Statement (cont'd)

1.5 Sustainability Governance Structure & Compliance Framework

Board of Directors	Executive Management Committee	Group Chief Operating Officer	Sustainability Working Group ("SWG")	Business Functions/ Working Committee
✓ Ensure Kelington's 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 sustainability management system.	✓ Report to Group COO and responsible to develop Sustainability Statement ✓ Oversees operations in respect to safety and health, social as well as environmental aspects.	✓ 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 ("Board") develops strategies to promote and strengthen health, safety and environmental ("HSE") culture across the Group in pursuit of long-term sustainability. The Board carries the ultimate responsibility over the effectiveness of our HSE risk management practices and ensures that our sustainability principles are in line with the Group's long-term business objectives.

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

The RMC is supported by the Executive Management Committee ("EMC"). The EMC reviews the Group's quarterly sustainability progress to ensure best practices are upheld across the Group and is responsible for approving major sustainability initiatives. Meanwhile, the Sustainability Working Group ("SWG") oversees the operational aspects in relation to the safety and health, social as well as environmental matters. The SWG is also tasked with developing the Sustainability Statement and reporting directly to the Group Chief Operating Officer ("COO") on a quarterly basis.

Please refer to Page 113 of Statement on Risk Management and Internal Control for information on the accountability of risk management matters at Kelington.

1.5 Sustainability Governance Structure & Compliance Framework (Cont'd)

Our groupwide sustainability governance framework defines and guides the Company towards impact-focused targets. The table below further illustrates on the responsibilities of existing working committees: -

Working Committee	Responsibilities
Health & Safety Working Committee	Overseeing the health and safety of the working environment: • Hazard Identification, Risk Assessment and Risk Control • Emergency response testing • Incident and accident investigation • Workplace inspection/audit • Safe Work Instructions • Assist in development of safety and health rules and safe systems of work
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 avoidance • Working hours • Wages and benefits • Humane treatment • Non-discrimination • Diversity & Inclusion • Communication and Managing Grievances • Community right

1.5 Sustainability Governance Structure & Compliance Framework (Cont'd)

Working Committee	Responsibilities
Sustainable Supply Chain Working Group	Prepare, update and maintain a series of vendor briefing materials in local languages to promote sustainability management covering ethics, labor, environment, safety and health.
Corporate Compliance and Integrity Department ("CCID")	• To ensure adequate policies and procedures are in place to prevent corruption and bribery. • To make sure business processes follow all relevant legal and internal guidelines. • To review internal process, develop company policies, and respond to policy violations.

Compliance Framework

The Group's CCID leads compliance-related initiatives under the direction and supervision of the Group COO, in collaboration with the SWG and Working Commitee across the Group. The objectives of these efforts implemented groupwide are to manage ESG-related topics by thoroughly raising compliance awareness, including on corporate governance topics such as bribery and corruption, harassment and discrimination, whilst improving and strengthening compliance programs, and responding to specific compliance-related matters as they arise.

The CCID reports the Group's integrity and compliance performance assessments to the RMC at least once a year.

Compliance Framework	Checklist
Internal Environment	Code of Ethics and Conducts; Policies Management & Management Procedures; Incentive & Penalty System.
Objective Settings	Identify intended or expected results.
Events Identifications	Nature of risk: Compliance (Violation of External/ Internal rules/ regulations, non compliance)
Risk Assessments	To consider factors that would affect P/L; customer relationships, market or perceived value by stakeholders; impact on business interruption; Penalties etc.
Risk Response	Conduct cost-benefit analysis to determine the best strategy to respond to compliance risk.
Control Activities	Mitigating risk through appropriate controls, formulation of procedures, staff training.
Information and Communication	Internal information system that enables prompt intercept of non-compliant behavior and report them to the relevant parties.
Monitoring	CCID to oversee compliance risk proactively; Internal Audit.

1.6 Stakeholders Engagement

The Group recognises that our business operations are intertwined with various stakeholders as their valuable contribution has a significant impact on the Group's market value. A robust stakeholder engagement approach enables Kelington to communicate openly as we work towards building trust between the Group and our stakeholders.

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

Key Stakeholders	Engagement Approach	Sustainability Concerns	2021 Highlights
Customer	• Customer satisfaction surveys • Customer visit • Strategic alliance and regular meetings • Qualification/ vendor due diligence process	• Quality assurance and reliable products and services • Competitive pricing and on-time delivery • Safe, humane working environment, respect human rights • Continuous improvement	• Customer service and experience. • Customer's expectation on Supplier's Risk & Control Programme. • Customer's sharing of Environmental and Social Expectations. • Commitments on environment, social and governance practices . • Health, safety and environment ("HSE") practices. • Product/service quality and support.
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 of 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. • Introduction of Ethics and Sustainability • Supplier's Integrity Pledge
Shareholders / Investors	• General meetings • Annual reports • Analyst briefings • Company's website • Investor conferences • Scheduled site visits • Press releases	• 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.

Sustainability Statement (cont'd)

1.6 Stakeholders Engagement (Cont'd)

Key Stakeholders	Engagement Approach	Sustainability Concerns	2021 Highlights
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
Local Community, Industry Associations, Non-Governmental Organisations	• Annual reports • Community Investment Programme • Company's website • Educational briefings and site visits	• Provide hope 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 want to make a difference in the community	• 2021 Community investment Programmes • Industry related knowledge sharing

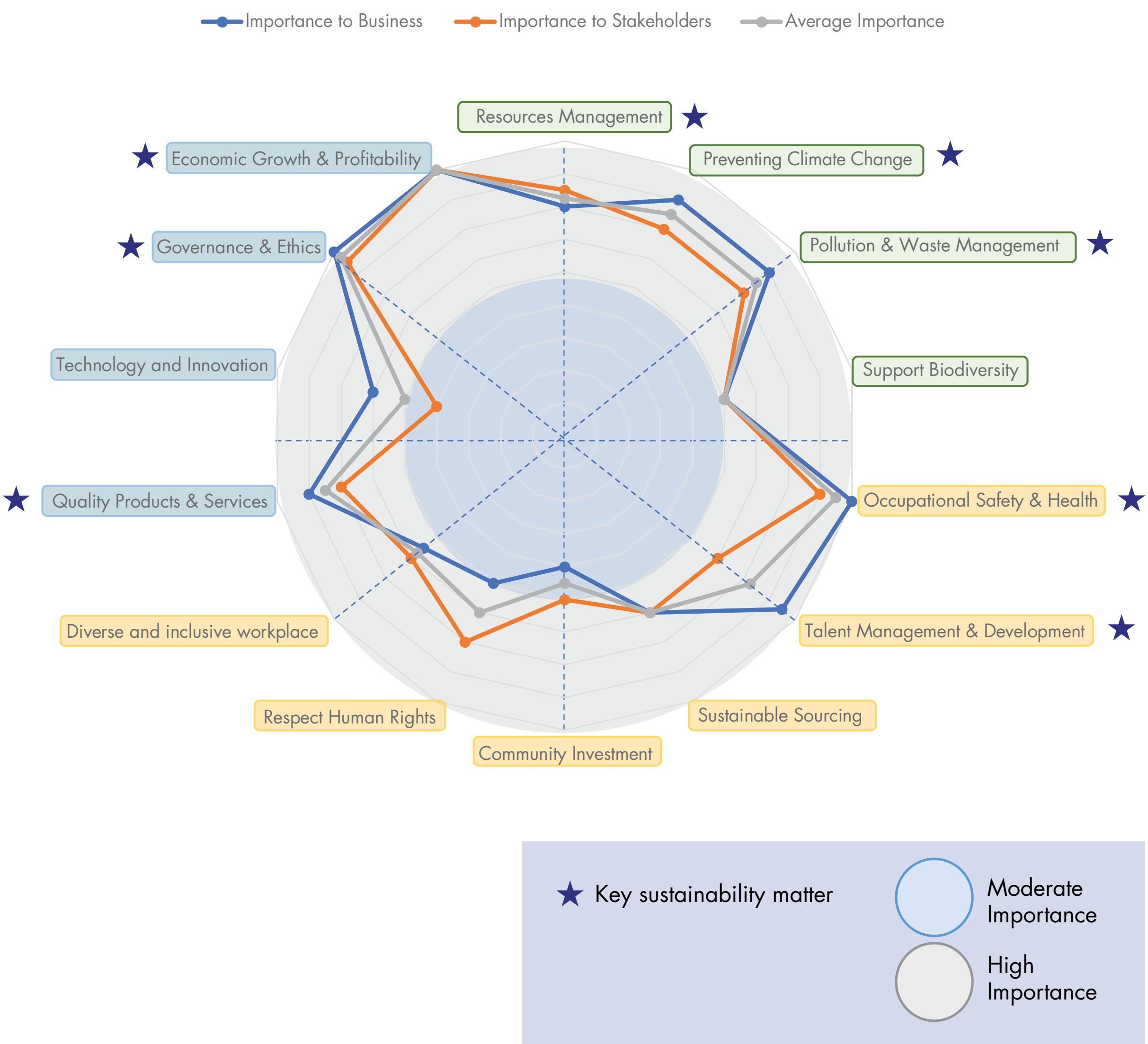
1.7 Materiality Matrix

Our ESG measurement categories have been selected using a rigorous process referred to as the materiality assessment.

To ascertain which sustainability matters are material to our business from both company and stakeholder perspectives, we have carried out a materiality assessment in accordance with the methodology described in the Sustainability Reporting Guideline published by Bursa Malaysia. This process allows us to align both internal and external perspectives, with the aim of identifying areas of potential optimisation and to further developing sustainability-related management approaches and reporting.

Based on the assessment, the materiality matrix generated in 2020 was revised to encompass a total of 14 material issues. The annual process for determining material sustainability topics involves three steps: identification, prioritisation and validation. Kelington's SWG identifies and prioritises sustainability matters on the matrix along these two axes: importance to stakeholders and importance to Kelington Group. The respective matrices are reviewed and validated by the management of each division before being consolidated into the Group's matrix and reviewed by the Group's management.

Materiality Matrix



Sustainability Statement
(cont'd)

2.0 How we manage our sustainability matters

Employees	Environmental	Social	Responsible Business Fundamentals
Occupational safety & health *(Page 64)*	Precenting Climate Change *(Page 50)*	Respect Human Rights *(Page 79)*	Governance and Ethics *(Page 85)*
Talent Management & Development *(Page 74)*	Resources Management *(Page 57)*	Community Investment *(Page 82)*	Economic growth & profitability *(Page 86)*
Diverse & Inclusive Workplace *(Page 77)*	Pollution and Waste Management *(Page 53)*	Sustainable Sourcing *(Page 80)*	High Quality Products & Services *(Page 87)*
	Support Biodiversity *(Page 61)*		Technologies & Operational Innovation *(Page 89)*
Policies and Standards available online			
• Safety & Health Policy • Gender Diversity Policy	• Sustainable development and climate change position statement • Environmental Policy	• Human Rights Policy • Community Investment Policy • Responsible Supply Chain Policy	• Code of Ethics & Conduct • Corporate Disclosure Policy • Conflict of Interest Policy • Anti-Bribery and Corruption Policy • Risk Management Policy • Shareholder's Right • Quality Policy
Principal risks that have key links to the matters mentioned above			
• Dependence on the availability of technical professional • Industrial Accident / Workplace Injuries	• Significant environmental impact	• Significant Social impact • Suppply chain failure	• Ethical misconduct • Compliance Risk • Investment Risks • Operational Risks • External Risks
Non-Financial KPIs			
Safety & Health Performance Data *(Page 72)* Value-added per employee index *(Page 76)* 30% woman senior management *(Page 77)*	Environmental monitoring data *(Page 50 - 63)*	Community Investment Data *(Page 83)* Sustainable Supply Chain Data *(Page 80)*	Ethics and Business Conduct *(Page 85)* Risk Management & Internal Control *(Page 113)* Customer satisfaction rate *(Page 88)*

ENVIRONMENTAL RESPONSIBILITIES

2.1	Topic	Environment
	Topic Specific	Preventing Climate Change

Base Year (FY2020)	Target (FY2024)	Progress (FY2021)
2,345 CO2e tonnes/RM million EBITDA	To reduce GHG (CO_2) Emission Intensity by **5%** as compared to base year. Intensity Measurement Tonnes of carbon dioxide equivalent ("CO2e") per RM million EBITDA	**1,252** CO2e tonnes/RM million EBITDA

One of the significant contributors to climate change is the emission of greenhouse gases ("GHG"). In line with global efforts to reduce GHG releases, Kelington is committed to respond and act accordingly whilst improving our operational efficiency. In return, Kelington enjoys cost savings by spending less on raw materials, energy, water and resource recovery.

We strive to protect our environment and planet via mitigation of carbon dioxide emissions, waste reduction and the preservation of natural resources. In FY2020, Kelington initiated the monitoring and reporting of GHG emissions. To coincide with the forecasted revenue growth, we have adjusted our long-term target in February 2021 and aim to reduce our total carbon footprint by at least 5% by FY2024.

In FY2021, we reviewed and managed our environmental risks according to the ISO 14001:2015 Environmental Management System ("EMS").

Our EMS includes:-

Board commitment

- Kelington's Sustainable Development & Climate Change Position Statement.
- Environmental Policy.

Environmental working group

- Maintain details of environmental regulations and legislation that apply to our businesses.
- Review and update written procedures to control and document activities that could have a significant environmental impact.
- Establish environmental improvement programme, including policies and procedures to manage waste and resources.
- Defined environmental roles and responsibilities for employees.

Risk Management

- We assess our business activities, products, processes and services that might affect the environment.
- We establish emergency procedures to follow in the event of an environmental incident.

Compliance

- System to identify and correct problems and prevent their recurrence.
- A formal and recorded staff training and environmental awareness programme.
- System for internal and external communications on environmental management issues.
- A record of environmental performance against set targets.
- Periodic audit to verify that the EMS is operating as intended.

Sustainability Statement (cont'd)

2.1 Preventing Climate Change (Cont'd)

Our Carbon Footprint

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

In addition, we also refer to the UK Government's GHG Conversion Factors for Company Reporting Rev 1.0 for the CO2e data computation.

We have mapped out the Group's processes and operations that emit GHG emissions (Carbon Dioxide) and the boundaries of direct carbon footprint in Figure 1 below. Carbon Dioxide is emitted whenever coal, oil, natural gas and other carbon-rich fossil fuels are burned.

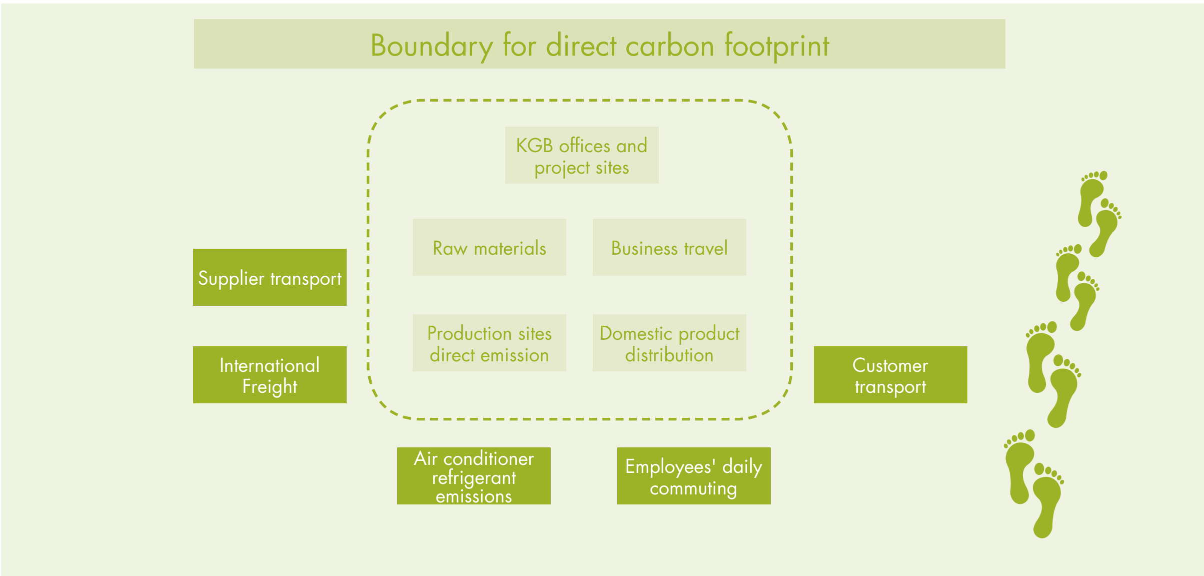


Figure 1

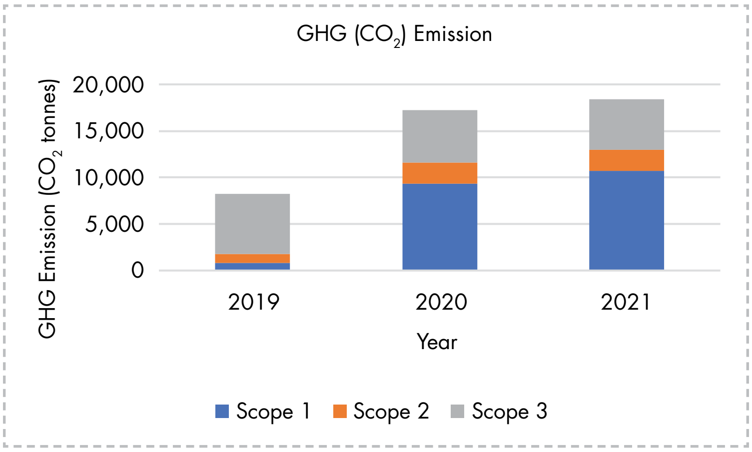
Sources of Kelington's activities release GHG emissions under Scope 1 Carbon Dioxide Production and Distribution	Source of Kelington's activities release GHG emissions under Scope 2	Sources of Kelington's activities release GHG emissions under Scope 3
• Direct Gas Emissions from Production Sites • Fuel 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

Except for Carbon Dioxide (CO_2), the current operations of Kelington do not emit other Scope 1 GHG emissions i.e Methane (CH_4); Nitrous Oxide (N_2O); Chlorofluorocarbons (CFCs); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); sulfur hexafluoride (SF_6); and Nitrogen Trifluoride (NF_3) in FY 2021.

Furthermore, the operations of Kelington Group (included manufacturing and construction processes) are not likely to cause Nitrogen Oxide (NO_x), Sulphur Oxides (SO_x), Particular Matter (PM) and Volatile Organic Compounds (VOC) Emissions or air pollution.

2.1 Preventing Climate Change (Cont'd)

GHG (CO_2) Emission of Kelington Group



The diagram above depicts the Carbon Dioxide emissions of Kelington from FY2019-FY2021. The uptrend in GHG (CO_2) emission under Scope 1 in Y2020 was mainly due to the commissioning of a major gas plant in late 2019. As such, the data for FY2020 was adopted as our base year data for target monitoring purpose. In FY2021, total GHG (CO_2) emission of the Group was recorded at 18,428 tonnes, representing a 7% increase as compared to FY2020.

We monitor GHG (CO_2) Emissions with Carbon Dioxide Equivalent ($CO2_e$) Intensity Ratio

	FY2019	FY2020	FY2021
	CO_2 equivalent	CO_2 equivalent	CO_2 equivalent
	(Tonnes)	(Tonnes)	(Tonnes)
Scope 1	801	9,349	10,688
Scope 2	977	2,281	2,270
Total CO2e	1,778	11,630	12,958
EBITDA – Industrial Gases Division (RM million)	-0.97	4.96	10.35
$CO2_e$ Intensity Ratio	-1,833	2,345	1,252

Despite the 11.4% increase of GHG (CO_2) equivalent in FY2021 from 11,630 tonnes to 12,958 tonnes, Kelington's CO_2 intensity ratio decreased by 46.6% to 1,252 CO2e tonnes/RM million EBITDA due to the rise in overall production of liquid CO_2 plant at Kerteh.

2.2	Topic	Environment
	Topic Specific	Pollution & Waste Management

Base Year (FY2020)	Target (FY2024)	Progress (FY2021)
14.4 tonnes/RM million EBITDA	To reduce non-recycled Waste Intensity by **5%** as compared to base year. **Note:** Intensity Measurement Tonnes of non-recycled Waste per RM million EBITDA	**4.6** tonnes/RM million EBITDA

Prevent Pollution

Manufacturing industries have the highest potential for pollution risks. At Kelington, we are mindful of this and views the prevention of pollution seriously when carrying out our business activities. To this end, we have implemented rigorous monitoring activities to ensure compliance with all local and international environmental standards. We seek to minimise the Group's pollution risk for our manufacturing activities at Kerteh and have engaged 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 with the standards set by the 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) 2. Sungai Labohan (Midstream) 3. Sungai Labohan (Downstream) 4. Sungai Kerteh (Point 1) 5. Sungai Kerteh (Point 2)	Class IIB of the National Water Quality Standards of Malaysia
Air Quality	1. Boundary of Factory 2. Masjid Kampung Labohan	Malaysian Recommended Ambient Air Quality Guidelines, 1989
Noise	1. Boundary of Factory 2. Masjid Kampung Labohan	Guidelines for Environmental Noise Limits and Control by DOE Malaysia 2007

All data collected would be reviewed by our management on a monthly basis and immediate actions will be taken should the sampling test results approach the alert points. Apart from that, an Environmental Monitoring and Auditing Report is prepared and submitted to the local DOE office every quarter.

In FY2021, there was no reported case of non-compliance against the local government rules and standards, and no penalty imposed in relation to environmental pollution.

2.2 Pollution and Waste Management (Cont'd)

Waste Management and Reduction

As part of our sustainability efforts, Kelington aims to minimise the amount of waste we generate. Our Environmental Working Committee monitors the Group's waste management processes as we aim to mitigate the impact of waste on the environment through the reduction, reuse, recycle and disposal hierarchy of waste management.

In FY2021, we implemented a Resource Efficiency Program as an effort to reduce waste via the identification and implementation of waste minimisation at detailed design, as well as maximising strategies waste prevention on-site. According to our recyclable waste collection record, we recycled a total of 39 tonnes of industrial waste in Y2021. Recyclable steel and metal contributed 100% of the capture rate.

Industrial Waste Recycled

2019 (Tonnes)	2020 (Tonnes)	2021 (Tonnes)
Not recorded	Not recorded	39

Our waste recycling strategies consist of:-

- ✓ Reduce, Reuse and Recycle stationery
- ✓ Reduce paper printing under digitalisation program
- ✓ Printer default settings set to double-sided printing
- ✓ Recycle bin allocation at main office building

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

Construction waste

Construction waste usually comprises metal/steel, wood, concrete/cement and other paper/cardboard. In FY2021, the total construction waste generated by Kelington was recorded at 200 tonnes, mainly generated by our general contracting division in Malaysia. All construction wastes are separated at the designated waste collection areas at the work sites. We engage licensed waste collectors to collect and dispose the wastes to the approved dumpsite and landfill areas.

The total construction waste generated in FY2021 reduced by 40.4% as compared to FY2020.

	Construction Waste Generated in			How we manage construction waste
	FY2020 (Tonnes)	FY2020 (Tonnes)	FY2021 (Tonnes)	
KE Malaysia - General Contracting Division	96	302.9	193	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	0	0	Refer to Note 1 at page 55
KE China	32	26	6	Refer to Note 1 at page 55
KE Taiwan	1.6	0.5	1	Refer to Note 1 at page 55
Ace Gases - Malaysia	0	0	0	The amount of solid waste generated by Industrial Gases division is insignificant.
Total Construction Waste generated	129.6	329.4	200	

2.2 Pollution and Waste Management (Cont'd)

Construction Waste (Cont'd)

Note 1:
Kelington's operations in Singapore, China, and Taiwan focus 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 in compliance with the sites' rules. In this case, Kelington produces waste but do not track and account for it.

Our Continuous Improvement Programme Towards Waste Reduction

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

Our LCO2 manufacturing process is designed to capture the waste CO_2 released by our raw gas supplier, which we then liquify into LCO2. This will reduce overall CO_2 emission, which was previously vented to the atmosphere.

Our approach to sustainable waste management/ reduction

Industrial Gases Division

- Capture waste gas emitted by a petrochemical complex, to be re-used as a key raw material in our LCO2 production.

	2019	2020	2021
Waste Gas Reuse - carbon dioxide (tonnes)	6,277	30,368	47,596

- Improve LCO2 production yield and minimize ready stocks wastages.
- Continuous improvement in dry ice manufacturing efficiency by minimising production waste/ maximising gas recovery.

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 miscommunication.
- Value Engineering: Maximize value and minimize waste.
- Encourage 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.
- We monitor non-recycled waste intensity and achieved 61% reduction in non-recycled waste intensity in FY2021:

Engineering Division	2019	2020	2021
Construction Waste (tonnes)	130	329	200
EBITDA (RM' mil)	35.5	22.9	43.1
Non-Recycled Waste Intensity (tonnes/ RM' mil EBITDA)	3.7	14.4	4.6

2.2 Pollution and Waste Management (Cont'd)

Scheduled Waste

A small percentage of hazardous waste has been regarded 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 is committed to handling our scheduled waste strictly according to specific guidelines and regulations.

To strengthen our processes, Kelington is adopting and implementing the ISO14001:2015 Environmental Management System to serve as a guideline in managing the scheduled / hazardous waste that is being generated.

UHP/ Process Engineering/ General Contracting Divisions	We disposed scheduled waste in accordance with the Environmental Quality (Scheduled Wastes) Regulations 2005. Only licensed contractors are allowed to transport these scheduled wastes offsite to a suitable treatment facility.
Industrial Gases Division	We endeavour to reduce the generation of the scheduled wastes in order to minimise 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. 27.4 tonnes of scheduled waste was generated when we carried major plant maintenance in FY2021.

Electronic Waste

E-waste is electronic appliances that are broken, obsolete or reaching the end of their useful life. E-waste has been categorised as Scheduled Waste SW110 First Schedule according to the Environmental Quality (Scheduled Wastes) Regulations 2005 as it contains chemicals like mercury, lead, beryllium, and cadmium. Improper disposal or mishandling during disposal can cause the release of hazardous and toxic chemicals into the soil, water, and air. This would induce adverse health effects and cause a deterioration of environmental quality. With this in mind, Kelington is committed to recycling this e-waste and creating awareness among employees on proper disposal of e-waste.

In FY2021, we organised an E-waste Collection Week at Kelington HQ, aimed to educate and raise awareness among employees on the appropriate disposal process of e-waste. All the collected e-waste during this programme was sent to licensed and DOE-registered e-waste recyclers for proper discard.

2.2 Pollution and Waste Management (Cont'd)

Safely Dispose Your Electronic Waste

The breakdown of e-waste recycled for the past 3 years are as below:-

E-Waste Type	2019	2020	2021
Monitors (unit)	1	-	5
Notebook Computer (unit)	5	5	7
Printers (unit)	-	-	1
Servers (unit)	-	1	-
Others i.e. typewriter, desk phone, wireless mouse, laptop battery, laptop adapters & cables (kg)	3	11	30

Note: Data covers Kelington's operation in Malaysia only.

2.3	Topic	Environment
	Topic Specific	Resources Management

Base Year (FY2020)	Target (FY2024)	Progress (FY2021)
2,732 m^3/RM million EBITDA	To reduce Water Intensity by **5%** as compared to base year. **Note:** Intensity Measurement Cubic metre of water consumed per RM million EBITDA	**2,395** m^3/RM million EBITDA

As stated in our Sustainable Development and Climate Change Position Statement, Kelington is channelling efforts to maintain sustainable development and reduce climate change impacts by optimising our own environmental resource usage, including energy, water and other utilities.

Energy Management

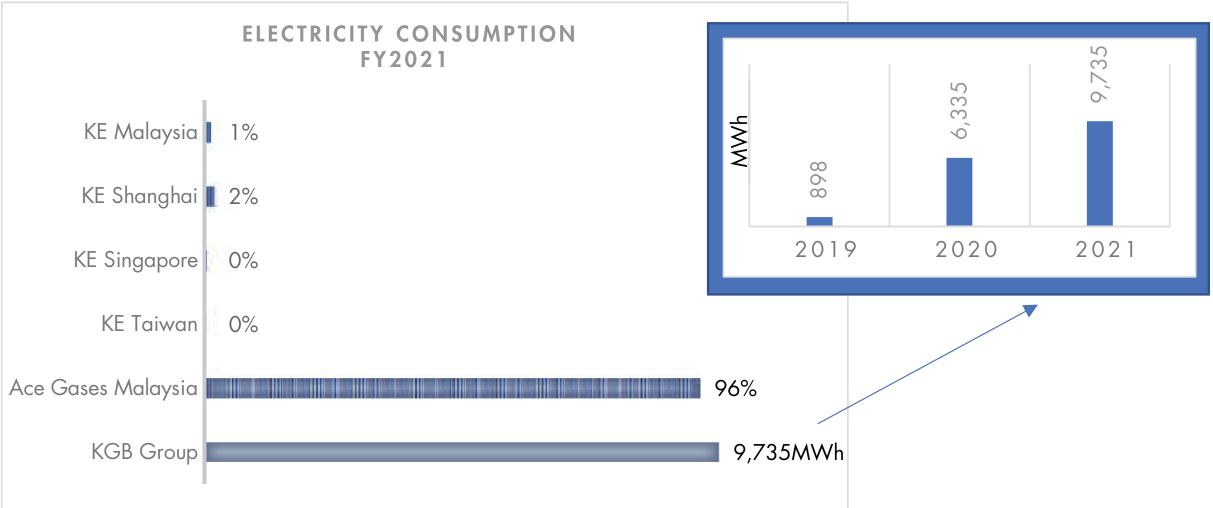
At Kelington, a majority of our business activities are carried out at customers' sites and fabrication facilities. Due to the nature of our manufacturing business, we consume a substantial amount of electricity. Kelington's Industrial Gases manufacturing activities, production and machinery operations run for 24 hours daily. Hence, it is imperative that we undertake energy management initiatives to enhance our production efficiencies as an effort to manage our GHG emissions.

One of our measures is to monitor and analyse the Group's energy usage, allowing us to pinpoint areas of improvements in relation to costs, performance, and quality. With this, Kelington strives to enhance energy efficiency by increasing efforts to identify energy reduction opportunities and exploring cost-effective practices and technologies.

Our production teams assess internal and external consequences from our processes and deliberate on the energy utilised during production. Energy reduction targets are set to match the Group's key financial indicators such as cost of goods sold. Meanwhile, the local committee conducts a monthly assessment on the plant's energy consumption and identify performance opportunities and gaps. As part of our energy saving strategies, we ensure smooth and effective operations, as well as adhering to scheduled maintenance of equipment to prevent downtime. Apart from that, the management also compares energy usage at similar plants to uncover efficiency opportunities. We track and benchmark energy usage with our industry peers and communicate with our employees regarding our long-term goals and commitments. As compared to other industrial manufacturing facilities in Malaysia, our trackable electricity consumption is relatively lower.

2.3 Resources Management (Cont'd)

The trackable electricity consumption of Kelington Group in Y2021 are as follows:



Electricity Intensity - Industrial Gases Division

The chart above demonstrates that the major portion of the Group's electricity consumption was derived from our Industrial Gases division, representing 96% of the total electricity consumption in FY2021. As such, we measure the energy performance of our Industrial Gases division with energy intensity by determining how much energy is required to generate RM1 million in EBITDA.

Industrial Gases Division	2019	2020	2021
Electricity Consumption (MWh)	605	5,853	9,377
EBITDA (RM'Mil)	-0.97	4.96	10.35
Electricity Intensity (MWh/ RM'Mil EBITDA)	-624	1,180	906

In FY2021, while EBITDA grew 108.7%, energy intensity was reduced by 23.2% as a result of our energy efficiency initiatives, including effective production planning, improved gas loading and unloading processes, and major equipment maintenance, to name a few.

Renewable Energy Generation

The Group's commitment to mitigating our climate change impact involves looking at our working environment. It is our objective to minimise the environmental effects of our operations and buildings.

2.3 Resources Management (Cont'd)

As part of our endeavours, we aim to increase the usage of clean energy. Renewable energy ("RE") is increasingly playing an important role in decarbonising the power generation sector, and solar has been one of the top RE sources for electricity generation. Since FY2011, Kelington has installed and maintained solar photovoltaic ("PV") panels on the rooftops of our office building in Shah Alam for a more sustainable energy source. Although the power generation from solar PV tends to be deficient due to environmental impacts i.e dust accumulation, water droplets and bird droppings, we managed to maintain the standard performance of our solar PV systems and generated 18,557 KWh solar power in FY2021.

Renewable Energy / Year	2018	2019	2020	2021
Solar Power Generated (kwh)	13,622	12,455	20,538	18,557

Water Management

Clean freshwater is a scarce resource, and it is crucial that we manage its distribution and use. In fact, the significance of clean water and sanitation has been highlighted as one of the United Nations' Sustainable Development Goals ("SDG"). As such, Kelington endeavours to aid millions of people to gain two of life's most fundamental necessities: clean water to drink as well as safe and private restroom to use via strict implementation of our water management plan.

Our water management plan consists of the following actions:

1) Monthly monitoring of water consumption to understand our water usage patterns and identify potential inadequacies. Our local team shall react promptly should there be an uptrend in water consumption.

2) Close monitoring of our plant's process parameters to ensure all water discharges meet the local government regulations. At our main operating site in Kerteh, Terengganu, we perform a monthly checking on water quality, ensuring the test results are within the limits set by the Malaysian government authorities.

3) Our cooling tower water treatment system prevents the growth of Legionella bacteria, which may affect workers' health.

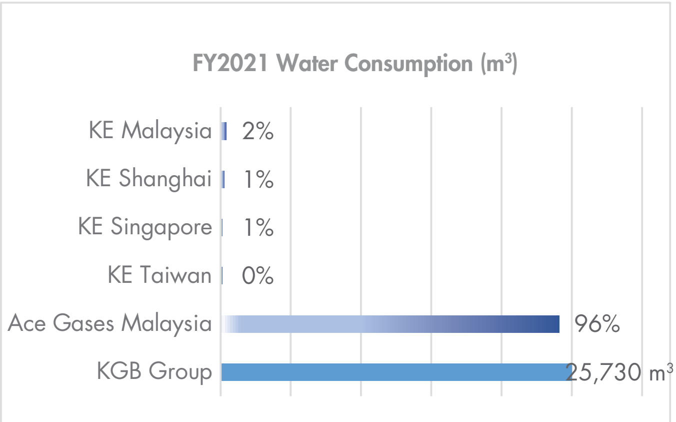
We do not have any businessed operating in a water-stressed or scarce region. Nevertheless, we still view water as a valuable resource and have developed a water management plan at our manufacturing plant to optimise water usage and continuously monitor the quality of water discharged.

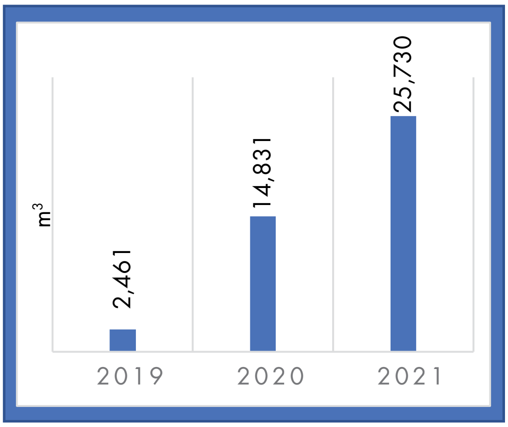
Water Consumption

The Group primarily consumes municipal water supply, which is mainly derived from the water reservoir (surface water). We do not utilise any other water sources such as underground water, sea water or external wastewater. The total surface water withdrawal within our organisation amounted to 25,730 m^3 in FY2021.

Our LCO2 manufacturing plant at Kerteh uses a substantial amount of water in its manufacturing process i.e wash water and cooling tower make-up water.

2.3 Resources Management (Cont'd)





(KE Group Water Consumption)

The chart above depicts that the Group's water consumption was largely contributed by Ace Gases – the LCO2 manufacturing plant located at Kerteh – representing 96% of the total water consumption in Y2021.

For our Industrial Gases division, we apply water intensity parameters to measure the water consumed to generate an EBITDA of RM1 million.

In FY2021, as EBITDA grew by 108.7%, water consumption increased by 82.9%. This resulted in an improvement of 12.4% in water intensity.

Industrial Gases Division	2019	2020	2021
Water Consumption (m3)	1,516	13,552	24,791
EBITDA (RM' mil)	-0.97	4.96	10.35
Water Intensity (m^3/ RM' mil EBITDA)	-1,563	2,732	2,395

Water Discharge

The relationship between water discharge and adverse environmental effects is not linear as an increase in water discharge volume does not necessarily correspond to a greater impact. With this in mind, the environmental impacts shall depend on the quality of the water discharged and the sensitivity of the receiving waterbody.

Our LCO2 manufacturing facilities at Kerteh generates an intensive volume of water discharge. Nonetheless, this discharge does not require treatment and is mainly emitted to the drains and subsequently flows to the rivers and sea. We undertake quarterly monitoring of the water discharge according to the DOE's Environmental Management Plan.

In FY2021, there were no reported incidents of non-compliance with the local government rules and standards, with no penalty imposed in relation to water supply and discharge.

2.4	Topic	Environment
	Topic Specific	Support Biodiversity

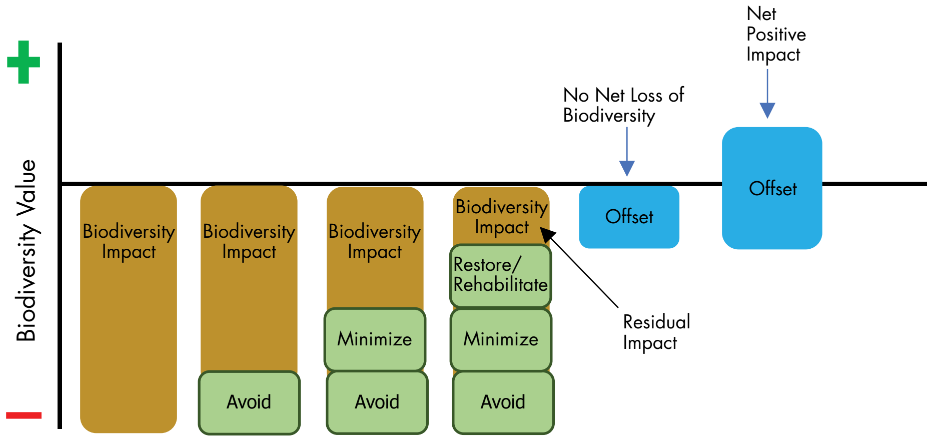
Base Year (FY2020)	**Target** (FY2024)	**Progress** (FY2021)
A number of trees and various plants were planted at the surrounding environment of the gas plant located at Kerteh as part of landscaping requirement.	Generate positive biodiversity impacts by ensuring we continuously meet regulatory requirements on water and waste emissions. Ensure responsible sourcing of raw materials and eliminating deforestation from our supply chain.	• Improved CO2 emissions and water Intensity. • On-going responsible sourcing of raw materials. • A total of 20 trees such as water balau sengkawang, sea balau, merbau, chengal, pelong and giam has been planted at the Forest Research Institute Malaysia ("FRIM").

Biodiversity refers to the biological variety and variability of life on earth at all levels, and encompasses the evolutionary, ecological, and cultural processes that sustain life. It provides functioning ecosystems that supply oxygen, clean air and water, pollination of plants, pest control and wastewater treatment, among others. With this in mind, supporting biodiversity is therefore an integral part of Kelington's efforts to protect and preserve the environment.

Kelington acknowledges that economic activities and population growth may result in pollution and climate change, which may threat biodiversity. As such, we are committed to reducing the impact of our operations on biodiversity through systematic management approaches.

2.4 Support Biodiversity (Cont'd)

Kelington's Sustainable Development Position Statement clearly lays out our policies and commitment on environmental protection and the preservation of biodiversity. We adopt a systematic approach to ensure our business activities have the minimum effect on the surrounding environment of where we operate. We also support governmental agencies as well as NGOs in generating positive impacts on biodiversity. Our goal is to achieve a net positive biodiversity impact as we contribute to a more flourishing biodiversity as a whole.



Minimising Biodiversity Impacts

None of our operational sites, either owned or leased, are located in or adjacent to protected areas or areas of rich biodiversity value. Nonetheless, Kelington strives to preserve the biodiversity of the locations and their surrounding environment. Except for the Group's major gas plant located in Kerteh, Kelington carries out its business activities at our customers' premises or within developed industrial areas.

<u>Continuous auditing and monitoring</u>

At Kerteh, local employees are assigned responsibilities to manage our biodiversity impacts through regular monitoring programme, risk assessments and audits covering water quality, air quality and noise.

Guided by the relevant regulatory environmental standards and guidelines (refer to Section 2.2 above), we conduct regular air and water quality test, as well as a noise level survey at Kerteh to ensure the effective implementation of pollution prevention and mitigation measures to minimise negative biodiversity impacts on the surrounding environment.

An Environmental Impact Assessment is conducted for any new proposed projects that we intend to develop and subsequently carry out business activities.

In FY2021, our operations at Kerteh conducted monthly monitoring of the air and water quality (rivers nearby), in addition to the noise level survey. All the test results are within the limits set by the Malaysian government authorities. Additionally, we also submit the Environmental Monitoring and Auditing Report ("EMAR") to the DOE on a quarterly basis to report on our compliance with the relevant standards and guidelines. During the year, we did not encounter any negative comments or fine penalties from the local authorities in the locations where we operate.

<u>Continuous participation in programmes that contribute towards positive biodiversity impacts</u>

In January 2021, Forest Research Institute Malaysia ("FRIM") launched a "Malaysia Greening Programme – 100 Million Tree-Planting Campaign", which aims to plant 100,000 trees in support of the "100 Million Tree-Planting Campaign" organised by the Ministry of Energy and Natural Resources.

We believe tree planting is beneficial in improving wildlife habitats, in addition to building resiliency to support the various benefits that nature provides. In FY2021, Kelington participated in FRIM's "Forester for a Day" programme, offering our employees a unique opportunity to assist FRIM in maintaining our forests. As at 22 December 2021, a total of 20 trees including water balau sengkawang, sea balau, merbau, chengal, pelong and giam have been planted.

2.4 Support Biodiversity (Cont'd)

As we move forward, the Group shall constantly explore our day-to-day practices in order to protect biodiversity and raise awareness within the organisation. In June 2021, we organised an engagement session with World Wildlife Fund ("WWF") Malaysia, allowing us to study their efforts on endangered species conservation. With that, our SWG will explore various avenues and develop a plan to protect the biodiversity of the area where we are operating.

5 Tips for Biodiversity

- Use computer and gadget for as long as possible.
- Do not throw rubbish on the ground.
- Do not disturb animals while on nature walk.
- Reduce GHG emissions by consuming regional and eco-labelled products to the greatest extent possible or by limiting waste; and compensate for some of the GHG for which you are responsible by supporting the biodiversity around you i.e flowering field and by supporting nature-protection associations and reforestation projects.
- Promote Biodiversity.

2.5	Topic	Social
	Topic Specific	Occupational Safety and Health

Base Year (FY2019)	Target (FY2024)	Progress (FY2021)
Maintain **zero** fatalities as a result of work-related injuries	Maintain **zero** work-related fatalities	Maintain **zero** fatalities as a result of work-related injuries

Kelington recognises the paramount importance of occupational safety and health ("OSH") in the workplace. With regards to construction activities, the risk of injury becomes even greater than in ordinary working conditions, making it even more crucial to ensure a safe working environment. Not only does a single work site needs to be safe, but so do operations across the whole organization. To foster a healthy and safe working environment, preventative measures against accidents are crucial.

We are committed to providing a safe and healthy working environment so that our people can come to work and go home safely too. Significant resources are expended to ensure our employees and workers are protected at all times, especially during the Covid-19 pandemic. It is our responsibility to enforce safety measures that prevent work-related illnesses and injuries as we strive to nurture a productive and healthy workforce. With the implementation of globally recognised standards, ISO 45001:2018 Occupational Health & Safety Management System ("OHSMS"), we seek to proactively improve our occupational health and safety performance. With this, we remain confident in contributing to the UN SDG No. 3 of ensuring health and well-being for all.

Our approach to workplace safety and employee well-being

As our operations span various locations, it is vital for us to adopt a systematic approach towards creating a safe working environment at all our project sites. In order to facilitate the consistent management of OSH, safety considerations and practices have been incorporated into our Group's Standard Operating Procedures ("SOP") as a guideline for all employees and workers when performing work involving hazardous materials, hazardous equipment or hazardous operations.

To enhance safety efforts, we ensure all employees and workers at the site have proper training, experience and know-how to conduct tasks in a proper manner. Furthermore, we make sure our staff are well equipped with ergonomic tools, protective equipment and first aid kits. All relevant requirements, measures, work rules, procedures and protocols set out in safety manuals, handbooks and documents are reviewed and updated regularly to ensure the continual improvement of our safeguards. All employees and workers may access the safety manual and safety information via:-

- emails and newsletters
- safety info and signage posted throughout the workplace
- daily tool box meeting
- appropriate training and education
- communication during routine safety inspection
- case studies or incident reports sharing

Our Safety and Health Policy, SOP and protocols outline our principles and commitment to providing a safe and healthy working environment for our employees and stakeholders. We extend the same policy to our approved suppliers, appointed subcontractors and service providers, driven by our belief in the culture of caring about the well-being of our people. Please refer to page 80 for our sustainable supply chain.

To build a healthy workforce at Kelington, we have crafted employment packages with various ranges of entitlements and benefits, as part of our human capital strategy to improve the well-being of our employees and assist them in achieving work life balance. Besides that, we offer healthcare insurance and medical coverage for accidents and hospitalisation to all our employees and direct family members who qualify for a health insurance subsidy.

2.5 Occupational Safety and Health (Cont'd)

How Kelington manage occupational health and safety

A) Management System

The Company adopts comprehensive and documented OSH policies and procedures with the objective of providing a conducive and safe workplace for all employees and all workers at our workplace.

Kelington's OHSMS covers all employees of Kelington Group and all workers who are not employees, but whose work or workplace is controlled by Kelington. As at 31 December 2021, Kelington's OHSMS is 95% certified to ISO 45001:2018.

Activities	Workplaces	Group Operating Revenue (%)	Occupational Health & Safety Management System
Construct specialized facilities, Construct mechanical and electrical systems, Installation of gas and chemical distribution system, fabrications.	Customers' site-Singapore	31%	• ISO 45001:2018 certified since December 2020*
	Customers' site-China; UHP Fabrication Facilities - China	25%	• Certified to OHSAS 18001:2007 from June 2019 to June 2020 • ISO 45001:2018 certified since August 2020*
	Customers' site-Malaysia	35%	• Certified to OHSAS 18001:2007 from July 2014 to Sept 2019 • ISO 45001:2018 certified since July 2020*
	Customers' site-Taiwan	3%	• Adapting safety & health standards to ensure workplace safely and target to obtain ISO 45001:2018 certification by Y2023.
Manufacturing and trading of industrial and specialty gases	Manufacturing Facilities - Malaysia	5%	• Adapting safety & health standards to ensure workplace safely and target to obtain ISO 45001:2018 certification by Y2024.

*Note: Regular audit was performed by the certification institution to verify Kelington's conformity to the certification criteria of ISO 45001:2018. Continual improvement is an on-going process via internal audits and regular reviews of safety & health performance.

B) Safety Governance – leading safety and health at work

"Safety First, Quality Always" is a fundamental element in the way we conduct our business. We are committed to protect the safety and health of our employees, workers, and members of the public who may be affected by our activities. This makes up an essential part of risk management, led by the Board. In FY2021, Kelington adopted the following safety governance structure to lead and promote health and safety across the Group, and therefore meet our legal obligations.

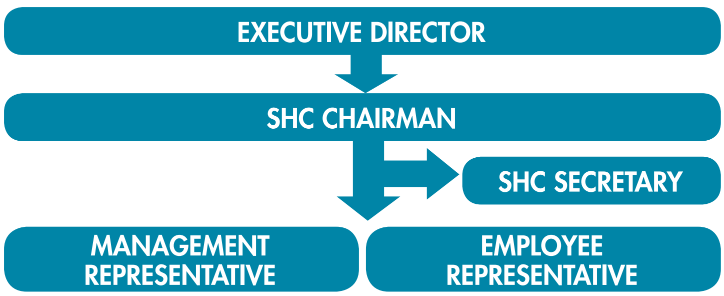
2.5 Occupational Safety and Health (Cont'd)

How Kelington manage occupational health and safety (Cont'd)

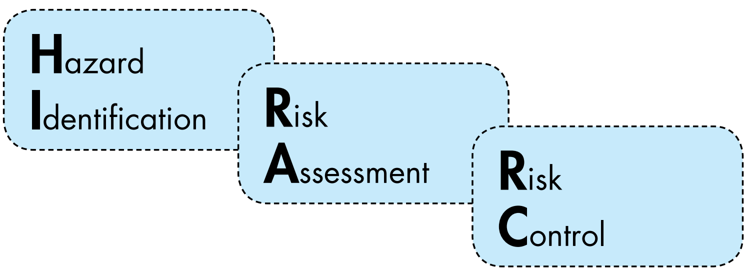
	Duties/ Responsibilities
The Board	The Board is responsible for monitoring strategies relating to the health, safety and environment, as well as to ensure compliance with the relevant laws, rules and regulations. The Board sets the direction for effective health and safety management and oversees OSH integration into the main governance structure. Agendas for Board or RMC meetings include health, safety and environment topics.
Executive Management Committee	The Executive Management Committee is primarily responsible for safety and health management in the Group. They shall ensure all their decisions reflect Kelington's safety and health intentions.
Safety and Health Working Group (Group-wide)	Led by the Group Safety & Health Officer, a certified Greenbook holder and registered as certified safety and health officer with the Director General of the Department of Occupational Safety and Health in Malaysia. Kelington's groupwide Health and Safety Working Group is composed of all regional safety & health leads who work to ensure all work sites comply with the local occupational safety laws and regulations. All working group members must demonstrate a strong commitment to safety and health. They are tasked to oversee the health and safety of the working environment and examine workplace conditions: - • Hazard Identification, Risk Assessment and Risk Control ("HIRARC") • Emergency response testing • Incident and accident investigation • Workplace inspection/ audit • Safe Work Instructions • Assist in development of safety and health rules and safe systems of work • Review effectiveness of safety and health programmes • Carry out studies on the trends of accidents and incidents • Review the safety and health policies at workplace The Working Group reports to the Executive Management regularly on the effectiveness of the OHSMS and to update the implementation status of continuous improvements.

2.5 Occupational Safety and Health (Cont'd)

How Kelington manage occupational health and safety (Cont'd)

	Duties/ Responsibilities
Safety & Health Committee (Sites)	• Our Safety & Health Committees ("SHC") at project sites primarily oversee and control the safety functions at the respective facilities. They ensure all workers are well-equipped with safety tools and equipment, and are responsible for scheduled maintenance of equipment. • Use color codes, posters, labels or signs to warn employees of potential hazards. • Conduct daily toolbox meeting and provide safety training. • Establish and update health and safety standards, rules and procedures, that are communicated to all workers to ensure adherence to OSH requirements. • Keep records of work-related injuries and illnesses. • Convene meetings on a quarterly basis while providing a communication and participation a channel that can be utilised to discuss safety matters of our employees, appointed contractors and visitors at our premises and workplaces. • The Chairman of SHC reports directly to the Executive Management to ensure that the Board is kept abreast of Kelington's overall health and safety performance and matters. • The structure of the SHC is illustrated in the figure below. 
All Employees and Workers	All Kelington's employees, approved vendors and appointed subcontractors are obligated to work in a safe manner, to co-operate and to act responsibly with the aim of preventing injury to themselves and others as well as to the environment. Promptly report all accidents or incidents, as well as near miss cases to line management, according to the Incident Reporting Guidelines.

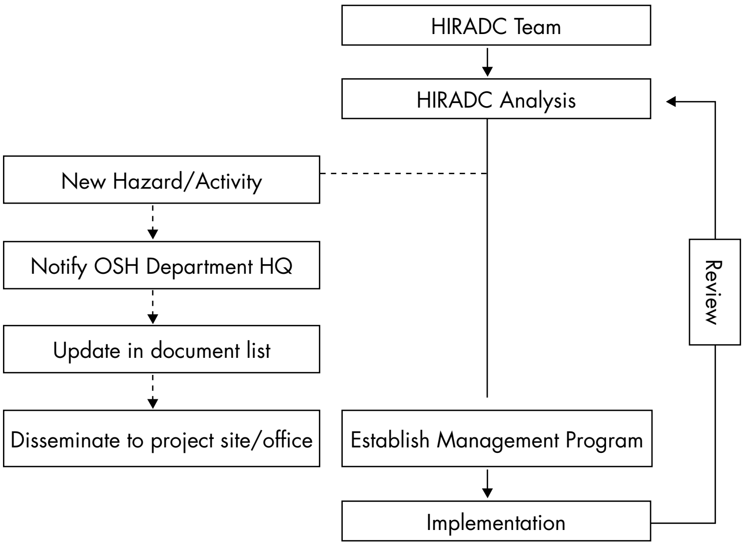
C) HIRARC and Incident Investigation



2.5 Occupational Safety and Health (Cont'd)

How Kelington manage occupational health and safety (Cont'd)

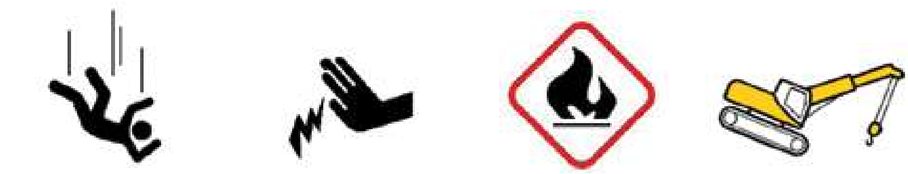
Our Hazard Identification, Risk Assessment and Risk Control (“HIRARC”) procedure requires the implementation of controls to manage identified risks/hazards using the hierarchy of control (elimination, substitution, separation, engineering, administrative and personal protective equipment) when executing work at the customers’ site and during the handling and distribution of industrial gases.



- The HIRARC team is responsible to identify hazards, assess the risks and develop control measures.
- HIRARC team members undergo training courses, led by HIRARC team leader who possesses a valid Greenbook.
- HIRARC is reviewed at least once yearly, when the need arises or new work process is identified.

HIRARC process flow chart

In our industry, the following work-related hazards pose a risk of high-consequence injury or that can possibly cause or contribute to high-consequence injuries:-



	Falling from Height	Electrocution	Exposure to flammable material	Machinery Topple
Reported near miss / incident FY2021	0	0	0	0

No near miss cases were reported in Y2021.

2.5 Occupational Safety and Health (Cont'd)

How Kelington manage occupational health and safety (Cont'd)

Risk Assessment

Every work activity undergoes a formal risk assessment in accordance with the HIRARC procedure before it can commence. High risk activities are identified and mitigated using the Permit-to-Work System. Using the hierarchy of controls, we determine the best methods to protect our workers and manage the risk to a level deemed tolerable.

At Kelington, we implement and enforce a "Stop Work Policy" to ensure any person, including non-employees has the right and responsibility to refuse or stop work activities that are considered unsafe without fear of reprisal. At the same time, we are aware that extreme weather conditions could pose a myriad of safety hazards to our employees and therefore, we have established a "Bad Weather Policy" to stop any outdoor work activities during adverse weather conditions.

To strengthen the Group's safety culture, our project sites conduct daily toolbox meetings, where workers can utilise to voice out concerns on safety issues such as hazards or controls, incidents or accidents, and work procedures. We also enforced a "Whistleblowing Policy and Procedure" as an independent channel for reporting retaliation, as to encourage workers to report unsafe acts or work hazards while protecting them against reprisal.

D) Communication makes workplace safer

An "Occupational Health and Safety Communication, Participation, and Consultation Management Procedure Manual" is available as a guideline to implement and maintain a procedure for communication, participation, and consultation in relation to OSH and environmental ("OSHE") aspects/hazards as well as management systems.

Our employees and workers are involved in aspect and impact analysis, hazard risk identification and risk assessment, along with the identification of necessary control measures. Apart from that, our workers also participate in incident investigations with details of the investigations recorded in the incident register.

Our Safety and Health Working Group ensures Kelington's Safety and Health Policy is circulated to all suppliers to generate awareness of OSHE. Kelington's key suppliers are also invited to attend OSHE Awareness training to raise their awareness on significant impacts / risks from their operations and the appropriate control measures.

Kelington's Safaty Recognition Programme encourages all employees and workers to identify hazards, intervene and report any unsafe act or unsafe conditions.

As stated in the Manual and communicated via the daily toolbox meeting, all workers and employees are made aware of their responsibility to promptly report of all accidents or incidents, as well as near miss cases to the line management. The line management shall report to the Site Safety and Health Committee within 24 hours. Once submissions have been made, the respective OSHE function will conduct a review and investigation and thereafter, implement the appropriate corrective action. In Y2021, a total of three OSHE related reports were submitted and resolved within the Group.

Throughout the year, there were no serious incidents reported, where the root cause investigations are required to be carried out by independent investigators.

2.5 Occupational Safety and Health (Cont'd)

How Kelington manage occupational health and safety (Cont'd)

The aim of incident management is to identify and implement remedial actions to prevent the incident from recurring. As workplace safety is a shared responsibility, Kelington's Safety and Health Committee at sites would communicate all lessons learned from recordable injuries and relevant corrective action shall be taken on-site via tool-box meetings.

In addition, all work-related incidents are formally reviewed at the quarterly SHC meeting and annual management review meeting. The agenda for the quarterly Safety and Health Committee meetings includes:-

- Development and review of systems to manage OSH risks.
- Any changes that affect workplace safety and health.
- Any other health and safety matters.

E) Safety and Health Awareness and Competencies

We believe that training plays a vital role in reducing the risk of a workplace accident. In addition to on-the-job training during daily toolbox meetings, regular safety training is provided to our workers enabling them to work safely. Additionally, we ensure our workers fully understand the company's health and safety policies, risk assessments, safety systems of work, the requirement for specific work-related training, as well as how the policies are to be managed and their role within these policies.

The total training hours clocked in FY2021 in all four regions we operate in are illustrated in the table below:

	Safety, Health & Environmental Related Training		
Country	Total Training Hours	Total No. of Employee Trained	Training Hours / Employee
Malaysia	214	225	0.95
Singapore	2821	136	20.74
China	513	123	4.17
Taiwan	21	8	2.63

Topics covered in Y2021 included:

a) Working at Height Training
b) Forklift Safety Training
c) Fire Fighting Training
d) Portable Ladder Safety Training
e) Lifting and Rigger Training
f) COVID-19 Training

2.5 Occupational Safety and Health (Cont'd)

How Kelington manage occupational health and safety (Cont'd)

F) Safety Recognition Program

At Kelington, we strive to build a strong and positive safety culture through smart communication, extensive training and continuous improvement. We recognise that our employees are the most important asset in facilitating a safe working environment. Thus, we have developed a Safety Recognition Program to express our appreciation and reward employees with both tangible and intangible prizes as they meet specified safety targets.

Our Commitment to Global Health

"We seek to improve health equity worldwide through enhanced public health awareness of non-communicable and infectious diseases such as HIV/AIDS, malaria and tuberculosis."

Prevention is better than cure. We believe that community awareness is the best way to fight against infectious diseases such as malaria, tuberculosis and HIV/AIDS. To heighten our employees' awareness, we regularly publish posters and newsletters to disclose the latest information and preventive measures against these illnesses. In December 2021, the latest Global Health newsletter was shared among employees by email correspondence.

COVID-19 handling

In response to the COVID-19 pandemic, hygiene requirements were enhanced at all offices, including manufacturing facilities and fieldwork locations. All offices were provided with hand sanitisers at main entrances and other welfare areas.

We had embarked on split operations for our office-bound team and reduced on-site workforce to ensure a safe working environment. Effective social distancing pathways were implemented when employees gradually began to return to the office. Our cleaning teams were provided with effective cleaning supplies and suitable PPE and are required to adhere to strict safety protocols.

Since the start of the pandemic in 2020, we have established a COVID-19 committee led by the Group's COVID-19 Lead and Advisor. This is to make sure adequate support is provided to the management, while assessing the risk exposures of various operational activities. The committee is also accountable for developing SOPs in consultation with relevant authorities. For on-site operations, at least one COVID-19 coordinator is deployed to each project site to ensure full compliance with SOPs.

In order to closely manage and monitor workplace safety and health amid the pandemic, our COVID-19 committee has developed the OHSE-W14 Operating Guideline, which describes the process and procedures to be followed to safely resume work at all offices and project sites. The COVID-19 reporting procedure was established to support the internal contact tracing procedure for early identification and separation of suspected COVID-19 employees and close contact personnel. Apart from that, we have also leveraged our intranet along with notice boards to keep our workforce informed of the latest information about COVID-19.

2.5 Occupational Safety and Health (Cont'd)

Covid-19 Handling



As one of the proactive measures to curb the spread of COVID-19 among our employees, COVID-19 self-testing kits were distributed to employees. Prior to entering our office and project sites, all employees are required to conduct self-tests at least twice a month.

Thanks to our focused efforts, we are proud to state that we have received recognition from our valued customer, which is a testament to our project team's active participation in complying with COVID-19 SOPs.

Safety and Health Performance

We have reached a major safety milestone in our Group by achieving more than 20 million man-hours without lost time injury ("LTI") and work-related ill health injuries since 2010. In 2021, our group total recordable injury frequency rate ("TRIFR") stood at 1.1 per one million hours worked. Since 2010, we have successfully maintained our target of zero fatalities and zero lost workday case.

Figure 1 and 2 below show Kelington's work-related injuries and TRIFR for employees and non-employees. Despite our achievement of zero fatalities, zero LTI and zero work-related ill heath injury, there were one employee and two non-employee recordable work-related injuries reported for the Malaysian operations in FY2021.

Meanwhile, no work-related injury was reported in Singapore, China and Taiwan operations. The TRIFR is calculated based on the number of recordable work-related injuries divided by the number of hours worked and multiplied by 1 million hours worked.

All the data below is compiled and reported by regional offices on a monthly basis, covering all employees and contractors of Kelington. No workers have been excluded from this disclosure:

	All Employees			All workers who are not Employees		
Work-related injuries	FY21	FY20	FY19	FY21	FY20	FY19
Number of fatalities[1] as a result of work-related injuries	0	0	0	0	0	0
Number of high-consequence work-related injuries	0	0	0	0	0	0
Number of recordable work-related injuries	1	0	0	2	1	1
Number of lost time[2] injuries	0	0	0	0	0	0
Number of hours worked	941,462	869,926	635,572	1,779,738	1,775,599	1,491,894

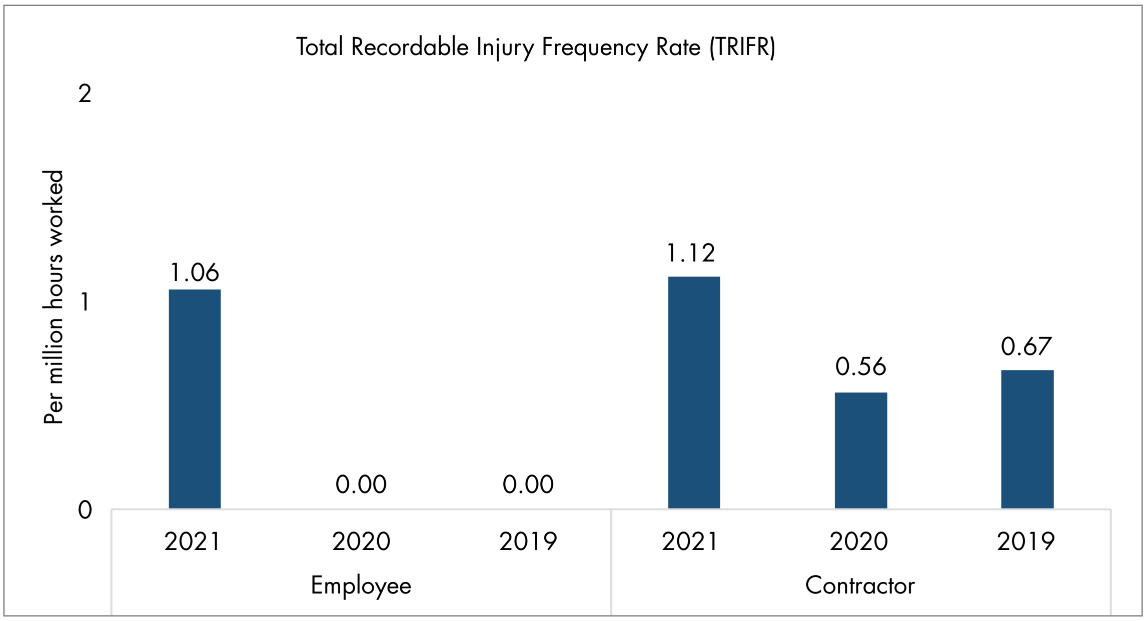
(1) An injury leading to immediate death or death within one year from the date of the accident.

(2) Lost days (consecutive or not), counted from and including the day following the day of accident, includes injury, diagnosis of occupational poisoning and occupational disease measured in calendar days, the employee was away from work.

(Figure 1)

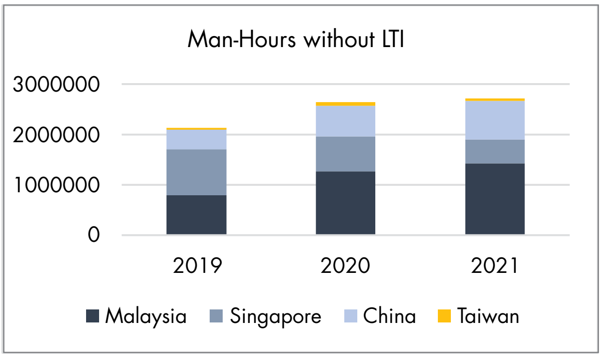
2.5 Occupational Safety and Health (Cont'd)

Safety and Health Performance (Cont'd)

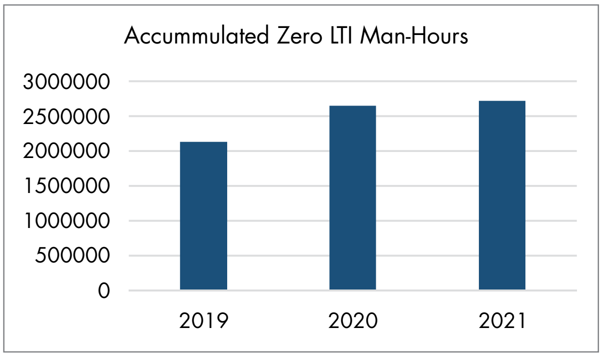


(Figure 2)

Figure 3 below shows the total man-hours without LTI clocked for the four regions where we operate in; while Figure 4 indicates the accumulated man-hours without LTI. The man-hour is calculated based on the total number of workers (employee and non-employee) working multiplied with the total number of hours worked:



(Figure 3)



(Figure 4)

2.6	Topic	Social
	Topic Specific	Talent Management & Development

Base Year (FY2019)	Target (FY2024)	Progress (FY2021)
Average of **10.36** training hours per employee	To achieve average **12** training hours per employee per year	Average of **14.25** training hours per employee
8.9% staff turnover rate	Maintain annual staff turnover rate **below 15%**	**13%** staff turnover rate

Kelington is only as strong as our collective talent. In this respect, we seek to maintain a conducive working environment that encourages growth and productivity. Employees who feel connected to the organisation work harder, stay longer, and motivate others to do the same. We believe engaged and well-trained employees create and deliver better products and services, and thus, contribute to the improvement of the Group's business performance and results.

Employee engagement is critical in driving every important aspect of our organization, including profitability, revenue, customer experience, employee turnover, and more. Our Group Human Resources ("HR") function takes ownership of employee engagement initiatives and holds teams accountable.

Moreover, employee training programmes are provided to support our employees' growth. These sessions are aimed at improving the knowledge and skills of our employees, as we endeavour to stay relevant to the dynamic changes in the industry. These initiatives will support the productivity growth of our workers, and in turn increase the efficiency and financial performance of the organisation.

Strategic Talent Management

Our success is reliant on our ability to attract, nurture and retain skilled individuals. In line with Kelington's consistent performance growth, continuous evaluation of our strategic talent management process enables Kelington to attract suitable candidates available in the market. Furthermore, it allows us to tap into the continuous inflow of talents to fill critical roles and advance our operations. This also ensures the mitigation of extra workload for employees, which could lead to exhaustion.

Kelington's Executive Management Committee is responsible of our strategic talent management process which focuses on:

a) identifying vacant positions via periodic review of current demand and future demands of critical skilled workers, highly specialised roles and key management positions;

b) hiring suitable candidates according to workforce planning via online job portals, employee referral channel etc;

c) developing knowledge and skills to match the vacant positions or for career advancement;

d) implementing strategic employee engagement activities;

e) continuing performance management; and

f) retaining and rewarding high performers.

2.6 Talent Management & Development (Cont'd)

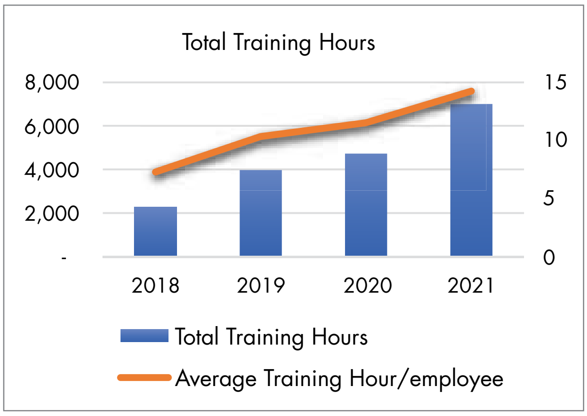
Enabling Personal Growth & Recognition

More than 60 Online Learning & Training Sessions completed in FY2021

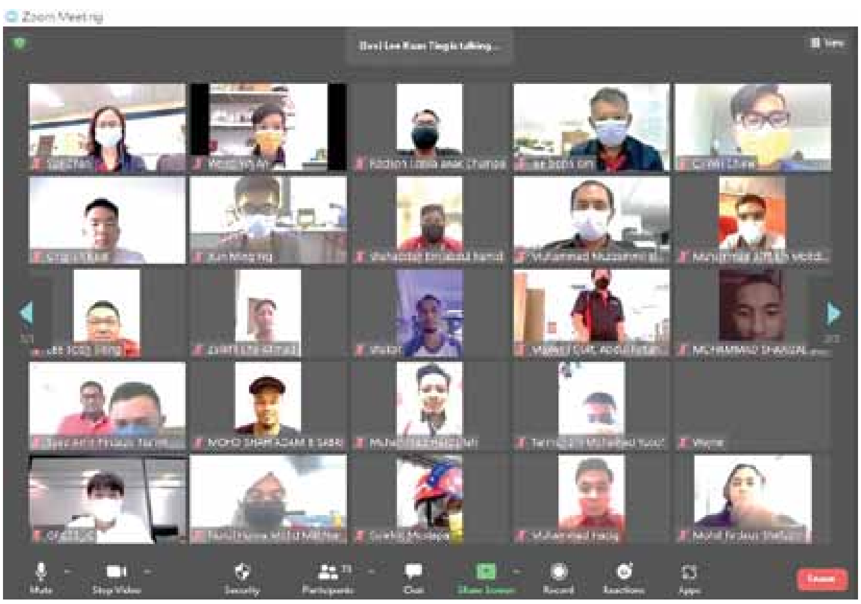
The Group's continued advancement is dependent on the upskilling and growth of our competent employees. At Kelington, our people are encouraged to enhance their skillsets for their professional development. Whenever possible, we prefer to promote internal talents to fill vacancies. All open positions are advertised in the job market and we enable internal mobility including international assignments.

Training is typically delivered through online, classroom, on-the-job or external assignments. Kelington's learning and development programs are developed on the pillars of leadership, functional skills and essential skills. Our training programs also cover other important matters, such as ethics and compliance, employee onboarding, environmental, as well as health and safety.

In FY2021, our Group's training expenses totalled at RM161,000.00 despite the lingering Covid-19 pandemic. All employees received at least one training in FY2021. In total, our employees completed more than 60 training sessions via online and offline channels. During the year, the Group clocked in a total of 7,009 hours training hours, translating to an average of 14.25 training hours for each employee.



Recognition is a key part of our approach to retain talent. At Kelington, we have incorporated recognition into our culture, making peer-to-peer, team, manager, and leadership recognition a regular occurrence. Important milestones and personal achievements on and off-the-job are celebrated and appreciated on a frequent basis. These include reaching a goal, completing a project, learning a new skill, collaborating well with a teammate and hitting a quota, to name a few.



2.6 Talent Management & Development (Cont'd)

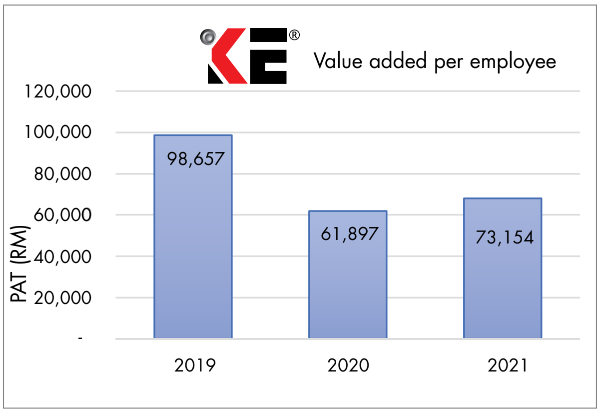
Employee Performance and Feedback

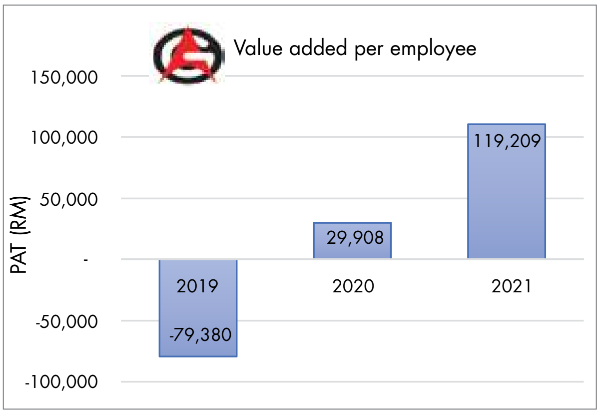
Remuneration packages are devised based on the performance of employees, which is measured against mutually agreed quantitative and qualitative objectives. A formal appraisal takes place annually between employees and managers to assess outcomes.

At Kelington, we value employees' feedback and encourage them to provide honest, candid, and actionable insights about what is and isn't working. Our managers serve as a sounding board for employees' feedback and suggestions. This two-way communication helps to develop trust within the workforce, boost work performance, and aid our managers in becoming better coaches for their subordinates.

Employee Productivity

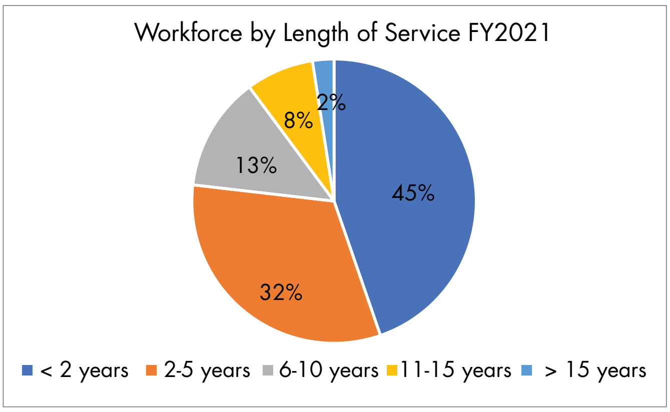
With the implementation of our talent development programs, we strive to bolster our employees' efficiencies to create a high performing workplace. To measure employee productivity, we use the value-added per employee as a performance indicator. The data mainly serves for inter-firm evaluation and for comparison against a benchmark for the industry as a whole.





The continuous spread of Covid-19 in Y2021 had affected Kelington's overall operational efficiency and thus employee's productivity during the year. Despite the setbacks, the value added per employee for the Engineering division in Y2021 had rebounded to RM73,154 per employee. This is derived by dividing the Engineering business' PAT by its number of employees. As for the Industrial Gases division, management will consider the capital intensity ratio as a critical element.

Employee Loyalty



2.6 Talent Management & Development (Cont'd)

Employee Loyalty (Cont'd)

We are proud and honoured to be entrusted by our employees who have a true sense of loyalty and commitment to the Group. Their unwavering resilience and dedication have driven the Group to where it is at today. In this regard, they have been instrumental in propelling Kelington to navigate and prosper beyond setbacks, enabling us to grow from strength to strength from each of these challenges.

As at 31 December 2021, 45% of our employees have been with Kelington for more than 2 years while 10% of the workforce have been with the Company for more than 10 years. During the year, we honoured 3 employees with 10-year Long Service Award, 4 employees with 15-year Long Service Award and 2 employees with 20-year Long Service Award.

2.7	Topic	Social
	Topic Specific	Diverse and Inclusive Workplace

Base Year (FY2020)	Target (FY2024)	Progress (FY2021)
22% female representation in total workforce (Executive level & above)	**30%** female representation in total workforce (Executive level & above)	**25%** female representation in total workforce (Executive level & above)
10% female director on Board	**30%** female director on Board	**10%** female director on Board

Kelington holds tightly the belief that employees are our most valuable asset and the key to growing a sustainable business is via employee empowerment. Therefore, we continue to promote and espouse diversity, non-discrimination, fair treatment and equal opportunity among our people to create a healthy, secured and motivated workforce by cultivating an inclusive organisational culture.

As at 31 December 2021, Kelington has a total workforce of 492 employees across the 4 regions we operate, representing an increase of 19.7% as compared to Y2020. In terms of geographical breakdown, Malaysia contributed the biggest employee portion accounting for 45% of the total workforce. Permanent full-time employees make up 85% of the total workforce, while the remaining 15% are contracted full-time employees. Meanwhile, the permanent employee turnover rate for FY2021 sits at 13%.

In recent years, we have made progress towards gender equality in our total workforce. Out of the 68 executive employees in Kelington, 29% represent female employees. In FY2021, 1 out of 10 Directors on the Board is female. Overall, we achieved 25% female representation in the Executive categories and above.A workforce encompassing different age demographics creates an environment where each generation brings varying skills and talents to the table. In FY2021, 50% of our total workforce are in the age group of 26–35 year-old, while 21% are in the age group of 36-45 year-old. In this mixed-age workforce, employees of all ages have the equal opportunity to teach, share and learn from one another.

In FY2021, 79% of our total workforce was employed locally by Kelington Group of Companies.

2.7 Diverse and Inclusive Workplace (Cont'd)

The detail analysis of KGB's workforce is tabulated as below:

	No. of Employee		Percentage (%)
	2020	2021	2021
No. of Employee by Employment Type			
Permanent	358	417	↑ 85%
Contract	53	75	↑ 15%
Total	411	492	↑ 100%
Permanent employee turnover rate	32	56	↑ 13%
Employee Turnover Rate by Geography			
Malaysia	4	17	↑ 10%
Singapore	9	28	↑ 21%
China	19	10	↓ 9%
Taiwan	0	1	↑ 13%
No. of Employee by Gender			
Male	321	380	↑ 77%
Female	90	112	↑ 23%
No. of women employees by category			
Board of Directors	1	1	↔ 10%
Management	12	12	↔ 15%
Executive	36	68	↑ 29%
Non-Executive	42	32	↓ 18%
No. of Employees by Age Group			
< 18 years old	0	0	↔ 0%
18-25 years old	68	77	↑ 16%
26-35 years old	200	246	↑ 50%
36-45 years old	92	104	↑ 21%
46-55 years old	40	51	↑ 10%
> 56 years old	11	14	↑ 3%
No. of Employees in Length of Service			
< 2 years	171	220	↑ 45%
2-5 years	133	158	↑ 32%
6-10 years	61	64	↑ 13%
11-15 years	35	38	↑ 8%
> 16 years	11	12	↑ 2%
Local Employment Rate			
Local Employment	336	390	↑ 79%
Foreigners	75	102	↑ 21%

2.8	Topic	Social
	Topic Specific	Respect Human Rights

Base Year (FY2020)	Target (FY2024)	Progress (FY2021)
100% Compliance of local laws and regulations	**100%** Compliance of local laws and regulations	**100%** Compliance of local laws and regulations

Human rights are the fundamental rights and freedoms of every individual. These basic rights are based on the principles of dignity, fairness, respect and equality.

In recent years, human rights initiatives in the corporate sector have become increasingly important. We recognize the need for human rights initiatives not only within Kelington, but also across the entire supply chain. In FY2021, we formulated a Human Rights Policy to clarify our approach to human rights matters as the basis for initiatives in this area.

In accordance with our Human Rights Policy, Kelington will respect human rights in our activities as an organization. We also aim to promote respect for the human rights of all stakeholders connected to our activities in collaboration with our business partners. As such, we are committed to treating people with dignity and respect in our workplace, to provide equal opportunity to all and have zero tolerance on child & forced labour.

In FY2021, Kelington did not have any reported incident of human rights violation, with no fine pertaining to human rights violation from the local authorities of where we operate.

Human Rights Management

The Board of Kelington is responsible for overseeing the adherence to the Human Rights Policy, while the Management Systems Working Committee makes material decisions regarding the execution of the policy. The Human Rights Working Committee is in collaboration with the Sustainable Supply Chain Working Group to deliberate on detailed plans and measures for the policy's implementation.

In our daily dealings, we are guided by the core principles as expressed in the Universal Declaration for Human Rights and the United Nations Guiding Principles on Business and Human Rights. The Group's Respect Human Rights Framework includes three focus areas to implement our strategy in protecting human rights.

Policies	Kelington emphasises respect for human rights in our Code of Ethics and Conduct. Our Human Rights Policy, Gender Diversity Policy and Responsible Supply Chain Policy lay out clearly the approaches we adopt to respect and protect the human rights of our employees and stakeholders, covering areas from diversity and inclusion, child labour, forced labour, health, sexual harassment and community rights at the locations where we conduct our business activities. Our policies are reviewed regularly to ensure they remain effective at all times.
Audits	Our Human Rights Working Committee conduct assessments and audits at our operating sites, as well as our business activities to identify important and salient human rights impacts. Our Sustainable Supply Chain Working Group engages with our suppliers and subcontractors to create awareness on Kelington's expectations. We evaluate and prioritize the findings from the audits, understand their challenges in complying to our guiding principles and form action plans to manage the compliance risk.
Actions	When human rights impacts are identified, Human Rights Working Committee would draft out the relevant action plan for Executive Management's approval. Resources would then be allocated for remedial actions. The execution of remedial action plan shall be carried out by respective Business Units. Kelington's Executive Directors report to the Board/Risk Management Committee on ESG risks management, at least once a year.

2.8 Respect Human Rights (Cont'd)

Contact Points for the general public and other stakeholders

Kelington had established Grievance Procedures in FY2021 for employees and workers to raise their grievance in matters involving work relations and conditions directly via email / grievance procedure hotline / submission of letter to Kelington's Headquarter or the Group's subsidiaries. In addition, the Grievance Procedures can also be utilised as a mechanism for the member of the public to raise any concern or complaint in their dealing with or in relation to Kelington.

2.9	Topic	Social
	Topic Specific	Sustainable Sourcing

Base Year (FY2020)	Target (FY2024)	Progress (FY2021)
-	Communication of Kelington's Expectation to **100%** of selected Key Vendors	Communicated Kelington's Expectation to **2%** of selected Key Vendors
93% procurement in significant locations of operation was from local suppliers.	**90%** procurement in significant locations of operation was from local suppliers.	**93%** procurement in significant locations of operation was from local suppliers.

Due to our business nature, Kelington has a vast customer base across different geographies with a majority being multinational corporations that are committed to high standards for social, safety, health and environmental practices. We are expected to comply with those requirements and apply similar parameters to our next tiers of suppliers and subcontractors.

Kelington recognizes the importance of embedding sustainability into our operations and incorporating sustainability goals in our long-term strategy. We also require our external providers to adhere to the high standards to create a cascade of sustainable practices that flow smoothly throughout our supply chain. However, there are practical challenges to impose these practices to the external providers, especially to those smaller and less established companies.

Apart from that, we maintain tracking and monitoring on local procurement, and consider local sourcing as much as possible, directly benefiting the local economy of where we operate at.

Management Approach

Having operations spanning across four geographies, namely Malaysia, Singapore, China and Taiwan, Kelington engaged with over 1120 global and local external providers in our supply chain in FY2021. These include material suppliers, subcontractors, transporters and professional service providers.

In FY2021, we continued to emphasise on sustainable supply chain management. To this end, we have established a group-wide sustainable supply chain working group to create a series of vendor briefing materials in local languages to promote sustainability management covering ethics, labor, environment, safety and health.

Supplier Development

The working group was assigned to promote sustainability and communicate with our selected key external providers, both material suppliers and sub-contractors via formal and informal channels, to better understand:

a) level of our key vendors' understanding about sustainability and their ethical commitment;

b) any challenges they encounter when providing supply or services to our valued customers; and

c) any assistance needed from Kelington in their sustainability journey.

2.9 Sustainable Sourcing

Create awareness on Kelington's Expectation

Kelington's first set of vendor briefing materials in local languages was created in December 2021. Since March 2022, our SSC working group has arranged vendor briefing sessions on Kelington's expectations to promote the benefit of sustainability management. Our SSC working group is responsible for briefing the selected key vendors about Kelington's sustainability policies. Additionally, key vendors are encouraged to manage their performance through a sustainable development management program, with set KPIs and targets that refer to the local government rules & regulations as well as international standards.

According to the Sustainable Sourcing Plan approved by the Executive Management Committee in February 2022, we target to complete briefings on Kelington's expectations to all our key external providers by December 2024.

In order to monitor our key vendors' sustainability commitment and ensure the delivery of a mutually-beneficial solutions in a sustainable manner, our SSC working group will collect relevant data via the annual vendors' due diligence questionnaire after communicating Kelington's expectation.

Screening of selected key sub-contractors

In March 2022, we enhanced our external providers screening process by incorporating additional evaluation sections into our sub-contractor qualification process. The additional qualification criteria coincides with our Responsible Supply Chain Policy, Environmental Policy, and Safety and Health Policy.

Local Sourcing

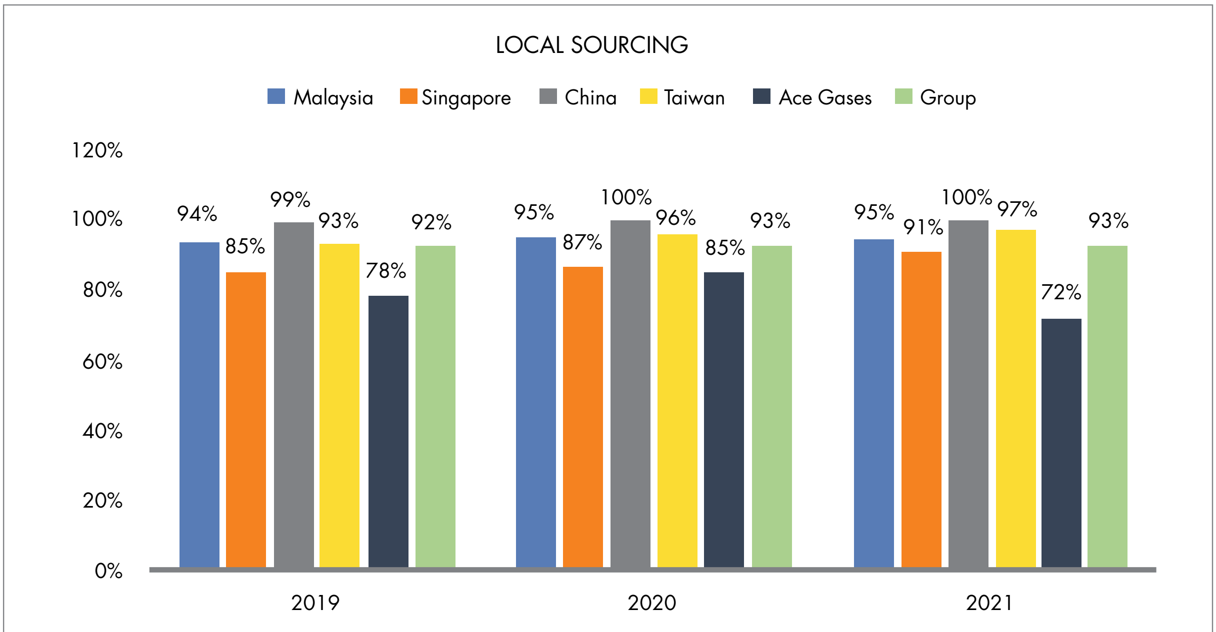
We strive to support local vendors where feasible, as to attract additional investment into homegrown businesses and thus contribute to the growth the nation's economy. At the same time, local sourcing can be a strategy to maintain community relations. In our procurement process, Kelington constantly looks for opportunities to purchase materials and services from local suppliers, if available.

Guided by our core value to build partnership, we play a part in developing the smaller local companies by offering favourable supply conditions to them such as more favourable payment terms, technical assistance and guidance, to name a few.

2.9 Sustainable Sourcing (Cont'd)

Since our inception, we have endeavoured to foster the local economy of where we operate and have been cultivating good relationships with various parties in the respective markets. With our established innovation network, Kelington and our local partners are reaping the benefits from these long-term relationships.

In FY2021, we managed to source more than 90% of our total purchases groupwide from local external providers. Geographically, China had achieved the highest percentage at 100%, followed by Taiwan at 97%, Malaysia at 95% and Singapore at 91%. We will continue prioritising local external providers in terms of our purchases in the future.



2.10	Topic	Social
	Topic Specific	Community Investment

Base Year (FY2020)	**Target** (FY2024)	**Progress** (FY2021)
-	Expanding the reach of CSR initiatives guided by our Community Investment Policy. **> 90%** of operational locations engage in local community activities.	**50%**

As part of the Company's Corporate Commitment, Kelington supports local community growth and serve the needs of the community through various corporate social responsibility ("CSR") initiatives. We are committed to working with NGOs and the local communities in devising programmes that contribute both directly and indirectly to create a positive business environment whilst improving the quality of life among local communities.

On top of supporting local suppliers and hiring of local employees, Kelington also allocates corporate contributions for local communities, focusing on the underprivileged, education and environment. Due to the ongoing Covid-19 pandemic, a few of our planned programmes were put on hold. However, we continued to perform several core programmes involving education and providing financial assistance to underprivileged children.

2.10 Community Investment (Cont'd)

Project Sambung Sekolah

We believe adequate education is an important element in maximizing the potential of an individual. However, a major illness like cancer can lead to setbacks, affecting the family's financial status. Due to these financial constraints, the children of cancer patients have difficulties in continuing their education. In FY2021, we participated in Project Sambung Sekolah, initiated by the Haematology Department of Hospital Ampang in partnership with The Max Foundation and Max Family Society Malaysia. This project enables the children of cancer patients to continue their education while the patient (parent) continue undergoing the necessary treatment. Throughout this project, we supported 5 children from 2 families to remain in school.

Core Liver Baby Program

Despite the challenges brought upon by the pandemic, Kelington continued exploring ways to give back to local communities. During the year, Kelington Shanghai donated RMB50,000 to support "Core Liver Baby Program", initiated by China Soong Ching Ling Foundation. This project aims to provide financial support for underprivileged children who are diagnosed with the end-stage of liver disease to undergo liver transplantation in Renji Hospital. This provides them the opportunity to regain a healthy and happy second life, and grow up like other ordinary children.

2.10 Community Investment (Cont'd)

Internship Placement

Acknowledging the importance of practical and hands-on experience for undergraduates to gain knowledge and obtain valuable real-life experience related to field of study or career interest, Kelington provides paid internship placement mainly in related technical and engineering field. With this, undergraduates will obtain a greater understanding on the theories they have learnt and subsequently gain deeper insights on their career options.

The internship placement in Kelington from year 2018 – 2021 is tabulated as below:

	Malaysia	Singapore	China	Taiwan	Total
2018	2	1	4	0	7
2019	2	2	1	0	5
2020	2	0	3	0	5
2021	4	0	9	0	13
Total	10	3	17	0	30

Covid-19 Care Incentive

In FY2021, we contributed RM50,000 worth of Covid-19 care incentive for our staff to purchase Covid-19 protection & preventive products such as hand sanitiser, face mask, face shield, and hand soap, among others.

Food Assistance Project

Since the onset of the Covid-19 pandemic and the implementation of total lockdown in FY2021 in Malaysia, there have been families struggling with food security due to unemployment or loss of income. With this in mind, Kelington took on the food aid mission to deliver food assistance to the affected communities including staff and subcontractors. Each food box consists of necessity food items and other non-perishable food supplies.

Economic Performance

2.11	Topic	Responsible Business Practice
	Topic Specific	Governance and Ethics

Sound corporate governance is a material topic to Kelington and forms the basis for us to ensure long-term viability and business growth. Kelington is committed to deliver sustainable value to our stakeholders, 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 91 to 112 of the Annual Report, demonstrate the robust board and management accountability to our stakeholders.

Business Ethics and Policies

In adherence to the principles of sound corporate governance, the Board endeavours 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 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. Apart from that, Kelington has enforced 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	• Risk Management Policy • Anti-Bribery and Corruption Policy • Code of Ethics and Conduct for Employees and Third Parties • Corporate Disclosure Policy • Whistleblowing Policy • External Auditors Policy • Conflict of Interest 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

Risk Management: our approach to a better business

Kelington integrates material sustainability topics into our overall Risk Management framework by identifying specific risks, opportunities, and key priorities to drive our strategic decisions.

Sustainability risks are considered from three perspectives: review of risks from external sources, such as environmental trends, expectations from stakeholders, and legal and regulatory developments; review of potential impact on the environment; and review of new and emerging risks from external sources as well as within the organisation.

Examples of ESG-related risks considered in our risk profile include workplace injuries, waste & hazardous material disposal, collusion frauds and supply disruption, among others. Read more about the risk management process in our Annual Report on page 116.

Violations of any codes and policies can be reported through any of these mechanisms:

Application	Mechanisms
▪ Employee to raise their grievance in matters involving work relations and conditions.	Grievance Procedures email: grievance@kelington-group.com
▪ Member of the Public to raise any concern or complaint in their dealing with or in relation to Kelington Group.	Grievance Procedures Hotline: +603 7845 8751
▪ Stakeholder / Public to report wrongdoings by any employees in the conduct of Kelington's business or affairs.	Whistleblowing Email: ccid@kelington-group.com

2.12	Topic	Responsible Business Practice
	Topic Specific	Economic Growth and Profitability

Our Journey Towards Sustainability for a Greener Growth		Revenue (RM'000)
2012	The global wafer and semiconductor industries cut back on capital expenditure in view of the weaker consumer sentiment globally. We realised our revenue was heavily reliant on semiconductor industry.	116,168
2013	The high technology industry in which we served was subject to cyclical fluctuations. We adapted to the change and successfully captured new opportunities across the market. We embarked on our sustainability commitment and published our 1st Sustainability Statement which was incorporated in our 2012 Annual Report.	117,416
2014	Leveraging on our core skill in engineering, we expanded to healthcare and process engineering industries.	189,102
2015	Gained traction in Singapore and continued expanding our presence in the market.	206,356
2016	We continued to remain true to our core expertise in engineering and have accumulated a strong portfolio of civil, mechanical and electrical projects. We commenced new business activity involving supply of industrial gases.	343,344
2017	Succesfully clinched several contracts for UHP works from global semiconductor giants in China, adding significant credence to our global customer profile with high-tech clients in China.	313,333
2018	Along with our delivered continuous improvement in the operational performance as well as constant growth in orderbook, our market capitalisation has doubled in Y2017 with increasing interest in the Group's shares amongst institutional investors.	350,023
2019	Slow down of semiconductor industries were largely affected by the trade war between the largest chip producers, US and its largest chip consumer, China. Key development of the year was the opening of an in-house fabrication facility in China and commencement of operation of our new Carbon Dioxide Recovery Plant. Identified the top 4 most material sustainable matters which are risk management; workers' safety & health; business growth; and quality products and services. Discussed sustainability topics on managing our business; our people; focus of customers; and environmetal care and protection.	379,768
2020	The prospects of strong and promising global growth were muted by the rapid spread of Covid-19 pandemic that has severely impacted several key industries around the world. On the other hand, the demand for integrated circuits continued to be at an all-time high due to global chip shortages. Notwithstanding, Kelington continued to thrive with record-breaking revenue. We initiated quarterly environmental monitoring process to monitor water quality, air quality and noise to minimise pollution risk for our manufacturing activities at Kerteh. Our operations in Singapore obtained Singapore Green and Gracious Builder ("SMC") certification. Kelington Group was added into the FTSE Bursa Malaysia EMAS Index.	394,599
2021	2021 has been eventful for us at Kelington as we maneuvered through the fluid operating conditions due to the heightening Covid-19 cases around the globe. Notwithstanding, the Group remained steadfast and focused on fulfilling the surging orders from our customers, which bolstered our financial performance for financial year ended 31 December 2021 ("FY2021") to a historic high. We established Sustainability Policies and Guidelines, groupwide sustainability governance framework; and a base line for sustainability management. During the latest review period of December 2021, Kelington met FTSE4GOOD criteria and was added into: ✓ FTSE4Good Bursa Malaysia Index ✓ FTSE4Good Bursa Malaysia Shariah Index	517,825

2.12 Economic Growth and Profitability (Cont'd)

Kelington's business success is based upon the long-term value creation for our stakeholders. This is achieved by maintaining leadership in our core markets, by leveraging innovative technologies, engaging our employees' expertise to meet consumers' evolving demands, and entering new markets. Our economic performance provides us with a firm foundation to continue delivering excellence to our customers. Our business model is explained in detail on page 34 of this Report.

Kelington's economic performance depends upon six capitals – Financial, Manufactured, Intellectual, Human, Social and Natural. Our sustainability initiatives support Kelington's abilities to create financial value.

Our full economic performance can be found in our audited financial statements, as part of our FY2021 Annual Report:

Group Financial Highlights, pages 7 to 8

Group Financial Statements, pages 130 to 249

2.13	Topic	Responsible Business Practice
	Topic Specific	High Quality Products and Services

Base Year (FY2019)	Target (FY2024)	Progress (FY2021)
Engineering Division: **86%** Industrial Gases Division: **100%**	To achieve average customer satisfaction rate of **90%**	Engineering Division: **93.5%** Industrial Gases Division: **85%**

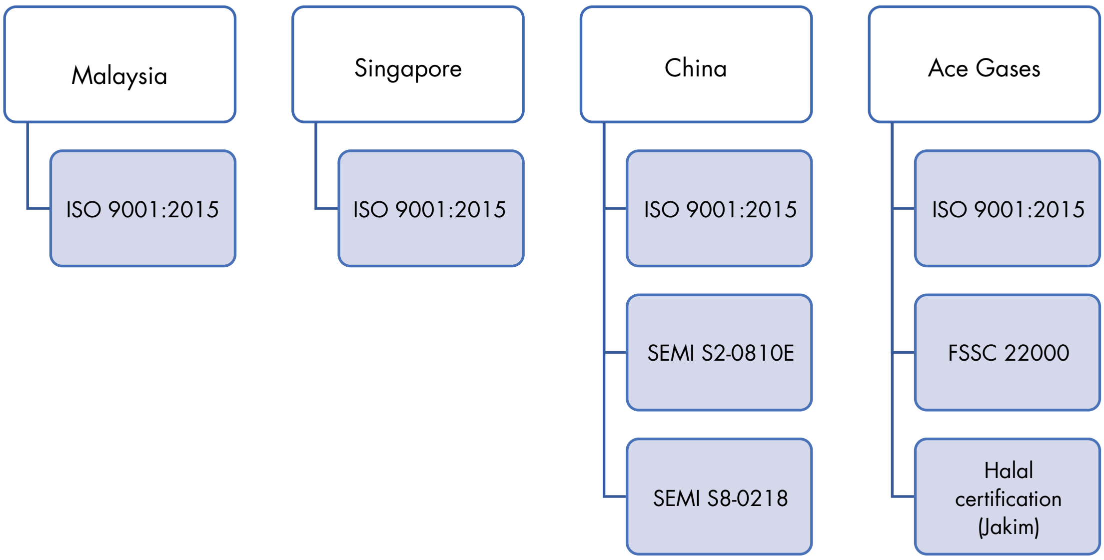
Kelington serves a wide range of customers from various industries with different requirements but they have one thing in common: they require high quality products and services from us. We are expected to be meticulous and careful in the work that we perform from UHP systems, construction management to industrial gases supply. Each project we undertake must comply with the pre-defined objectives of our clients and we have tight control over project costs, delivery time, accurate specifications and prioritizing safety. Some of our gases products from our Ace Gases group goes to the Food & Beverage industry, which requires us to maintain the highest quality to guarantee food safety to the public. Our working philosophy of "Safety First, Quality Always" underlines the superior working standards we place through implemented policies and is reflected in our zero lost time records.

Management Approach

To maintain high quality standards throughout our operations, the Group adopts the approach of conducting our business activities based on international quality and food safety standards. Our Engineering business, which undertakes project management and construction activities, is certified with ISO 9001 quality system. Meanwhile, our gas manufacturing business which supplies products to Food & Beverage industry is certified with ISO 9001, FSSC 22000 and Halal certification. We monitor and record our product quality via supplicated analyzers on a regular basis. SOPs are established based on the guidelines set by the above quality certification system and track the feedback from the customers in the form of Non-Conformity Reports ("NCR") and Corrective Actions Request ("CAR") to monitor our performance in ensuring the production of high-quality products and services.

2.13 High Quality Products and Services (Cont'd)

Below is the certification summary for different geographies and business units:



Note: Our Taiwan branch is in the process of getting ISO 9001 certification expected completion in 2022.

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. With this in mind, 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. Kelington'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

Customer Satisfaction Survey ("CSS")

	2019		2020		2021	
	No. of CSS conducted	Average Rating (overall performance)	No. of CSS conducted	Average Rating (overall performance)	No. of CSS conducted	Average Rating (overall performance)
Engineering Division	17	86%	12	90%	33	93.5%
Industrial Gases Division	3	100%	5	100%	16	85%

2.14	Topic	Responsible Business Practice
	Topic Specific	Technology and Operational Innovation

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

We are constantly striving to raise our capacity for knowledge, creativity and innovation, and fulfil the 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, as we bring together specialised engineering skills and in-depth knowledge of gas and chemicals.

Operating in a dynamic industry with endless possibilities and constantly evolving cutting-edge technology, Kelington's commitment to safety and quality has been proven and is well-recognised by our clients worldwide.

It is our belief that long-term competitive advantages and value creation can only be achieved via technology investment and operational innovation. As such, we constantly review and evaluate our operations to look for areas where we can improve with the latest technology available. Through innovations, we also find ways to improve our operational efficiency, reduce costs as well as minimize our environmental impacts. Over the years, we had cultivated a Technology and Innovation mindset among our employees and embed it as part of our DNA to achieve excellence.

Management Approach

Kelington adopts a Technology and Innovation framework to prioritize our efforts and drive innovative initiatives to our focus areas. This framework focuses on three key areas which are demonstrated as below:

Technology & Innovation Framework

Digitalisation
Implementation of IT system across the Group

Research & Development
R&D to develop our own gas and chemical delivery equipment

Continuous Improvement
Constantly looking for Productivity Improvement areas

Digitalisation

With the advancement of Information Technology ("IT") in recent years, it is no longer a choice for companies not to embrace digitalisation. Digitalisation is not merely a buzz word for us, but an overall driver of organisational transformation that impacts every part of the business. Successful adoption therefore requires the involvement of the entire workforce. Kelington advocates that the smart application of business digitalisation will lead to significant increase in business productivity and cost reduction, thus resulting in enhanced business performance. With this concept in mind, Kelington endeavours to look for ways to digitalise our operations and processes, from corporate activities right down to the project and manufacturing activities.

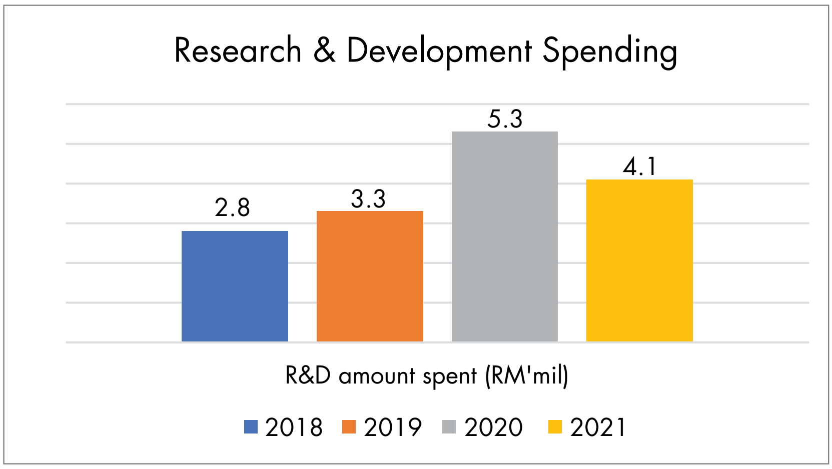
In FY2021, our operations in Malaysia commenced the migration to Enterprise Resource Planning ("ERP") system and completed the implementation and fine-tuning of the system, as well. Through the new ERP system, our management is able to obtain reports generated based on real-time data, leading to faster sharing of information and decision-making across the organization.

2.14 Technology and Operational Innovation (Cont'd)

Research and Development

KGB's Engineering business, especially the UHP division which operates in a high-tech environment sees constant advancement in new technology. To stay competitive in the market, we endeavour to roll out new products designs to offer to customers. In this respect, we had set up a Research and Development ("R&D") center in China to focus on developing new UHP equipment to support our other subsidiaries in bidding for new UHP contracts. The R&D center, which is located at Chuzhou, China had so far submitted two applications for patents of our new innovations of high-low temperature-controlled exchanger and specialty gas cabinet together with its exhaust system.

In FY2021, we had spent a total amount of RM4.1 million for R&D and this marks the fourth consecutive year we invest in R&D since we set up our Chuzhou center. The R&D activities have so far yielded encouraging results where our newly developed Gas Cabinet designs had managed to obtain the SEMI S2 and SEMI S8 certification and accepted as qualified vendors by major Wafer Fabs customers.



Continuous Improvement

Kelington promotes continuous improvement in our day-to-day activities in relation to productivity, safety, quality, logistics, environment and ethics. We conduct training sessions for our employees to cultivate the mindset of seeking constant growth and embed such practices as part of our corporate culture. Our operational data is regularly reviewed to evaluate our performance against design data and conduct brainstorming sessions to explore ideas on enhancing the performance of different parts of the business. Continuous Improvement is listed as one of our Core Values alongside with Encouraging Innovation, Build Partnership and Work Safely & Sustainabl

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Kelington Group Berhad ("Kelington" or "the Group") remains committed to continually striving for the highest standard of corporate governance to be applied throughout Kelington 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 Groups 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 of Bursa Malaysia Securities Berhad ("MMLR") and guided by the principles and recommendations set out in the Malaysian Code on Corporate Governance 2021 ("MCCG 2021") along with the Companies Act 2016 and Corporate Governance Guide (4th Edition) issued by Bursa Malaysia.

The Board is pleased to present an overview of the application of the three (3) key principles as set out in the MCCG and the extent to which the Company and its subsidiaries 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 2021, of the Company which is available at its website www.kelington-group.com.

As at the date of this statement, Kelington has adopted and applied 41 out of 48 practices including 1 step-up practices of MCCG 2021. The practices that have yet to be applied/adopted are as follows, details of all the practices are set out in our CG Report 2021:

Practice 1.3	The positions of Chairman and CEO are held by different individuals
Practice 5.3 (Step Up)	Policy which limits the tenure of its independent Directors to 9 years
Practice 8.2	Disclosure on a named basis the top 5 senior management's remuneration in bands of RM50,000
Practice 8.3 (Step Up)	Detailed disclosure of the remuneration of each member of senior management on a named basis
Practice 9.2	A former key audit partner to observe a cooling-off period of at least three (3) years before being appointed as a member of the Audit Committee
Practice 10.3 (Step Up)	The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies
Practice 12.2	Adoption of integrated reporting based on a globally recognised framework

The key focus areas of the Board in Y2021 are as follows:

Strategic Plan & Budget	The Board had in-depth deliberation on the overall financial and business performance of the Group and approved the Budget for FY2022. In August 2021, Kelington's strategic intent was updated with ESG considerations. The Board evaluates Environmental, Social and Governance ("ESG") issues as part of corporate strategy.
Dividend	The Board has reviewed and is satisfied with the financial position of the Company and declared two payments of dividends in FY2021.
Sustainability	Since the establishment of our internal well-functioning and lean sustainability management system in January 2021, the Board has intensified its effort to drive sustainability within the Group by setting targets for the Management's execution. There are eight key KPIs and seven United Nations Sustainable Development Goals ("UNSDGs") have been adopted for FY2021. The Group's performance against the KPIs set and UNSDGs adoption were also reviewed by the Board on November 2021.
MCCG 2021	Following the implementation of the MCCG 2021 effective from 28 April 2021, the Board was briefed by the Company Secretary during the Board meeting held on 25 May 2021 on the enhancements made to MCCG 2021. The Board also noted the amendments to the Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries. In August 2021, the Board approved the conflict-of-interest policy and it has been implemented since September 2021.
Risk Management Strategy	In April 2021, the Board established Risk Management Strategy that align with Kelington's Enterprise Risk Management resources and actions with the sustainability strategy to maximise organisational effectiveness.
General Meetings	Leverage on technology to conduct Kelington's first fully virtual general meetings in June 2021 and enabling members to exercise their rights to speak (in the form of real time submission of typed texts) and vote at the meetings.

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 collectively responsible for the overall strategic plans and long-term success of the Group and provides oversight of Management's performance, risk management and internal controls as well as compliance with regulatory requirements. The functions of the Board and the Management are clearly defined to ensure the effectiveness of the Group's business and operations. The Board provides leadership and direction to the operations of the Group while the Management is accountable for the execution of policies and meeting corporate objectives.

The roles and responsibilities of the Board are clearly defined in the Board Charter, which is subject to periodic review and revised as and when required. In order to retain control of key decisions and ensure a clear division of responsibilities, the Board Charter also sets out the matters reserved for Board's decision. The Board Charter is available on the Company's corporate website.

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

Part I – Board Responsibilities (Cont'd)

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

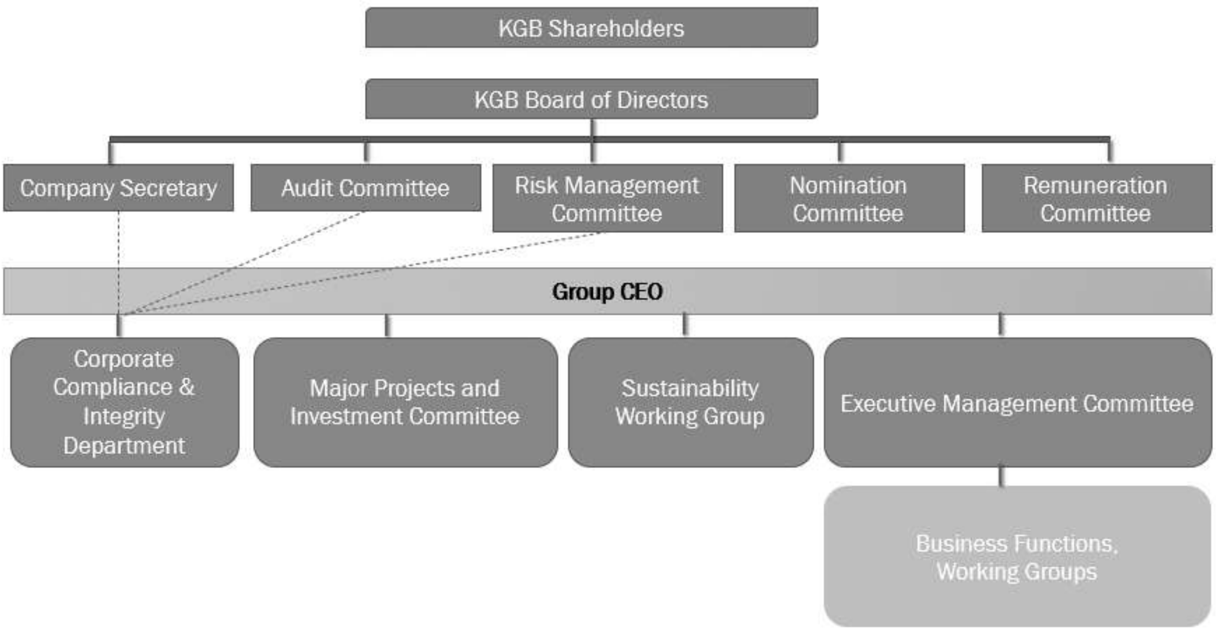
1.1 Strategic Aims, Values and Standards (Cont'd)

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

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

Governance Model

In order to ensure effective discharge of the roles and responsibilities, the Board has in place a Governance Model for the Group and delegates and confers some of the Board's authority and discretion on the Executive Directors as well as on properly constituted Committees comprising Non-Executive Directors, which operate within clearly defined Terms and Reference. The ultimate responsibility for the final decision on all matters, however, lies with the Board.



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 Committees consist of the Audit Committee, Risk Management Committee, Nomination Committee and Remuneration Committee. Each Board Committee has its own Terms of Reference ("ToR") which clearly outlines its objectives, composition, roles and responsibilities, authority and procedures. The ToRs are reviewed periodically by each Board Committee and endorsed by the Board to ensure effective and efficient decision-making within the Group. The ToRs of the respective Board Committees are set out as appendices to the Board Charter and are available on the Company's corporate website.

All the Board Committees are actively engaged and act as overseeing committees. They evaluate and recommend matters under their purview for the Board to consider and approve. The Board receives updates from the respective Chairmen of the Board Committees on matters that have been discussed and deliberated at the respective meetings.

1.2 Chairman

The Chairman of the Board, Ir. Gan Hung Keng 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 the Management. He chairs the meetings of the Board and the shareholders.

1.3 Separation of the Positions of the Chairman and CEO

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

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

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

1.4 No Chairman on Board Committee

To limit the influence of the chairman in the deliberation at the board committee levels which provides better checks and balances and ensures objective review, the Chairman of the board is not a member of the Audit Committee, Risk Management Committee, Nomination Committee, or the Remuneration Committee.

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 Qualified and Competent Secretaries

In performing their duties, the Board is supported by two suitably qualified and competent 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 ensuring good information flow within the Board, Board Committees and Management.

The Company Secretaries attend all meetings of the Board and Board Committees and guide the Directors on the requirements encapsulated in the Company's Constitution and legislative promulgations such as the Companies Act 2016, MMLR, etc. The Company Secretaries shall continue to guide the Directors on the requirement to be observed arising from new regulation and guidelines issued by authorities.

1.6 Access to Information and Advice

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

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

The Company Secretaries are entrusted to record the Board's deliberations, in terms of issues discussed, ensure that the deliberations at Board and Board Committee meetings are well documented. The minutes of the previous Board and Board Committee meetings are distributed to the Directors prior to the meeting for their perusal before confirmation at the following Board and Board Committee 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 ongoing basis to enable them 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 intent and specific responsibilities to be discharged by the Board members collectively and individually. It also regulates the manner in, which 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 April 2022 and a copy of which is available at the Company's website.

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

Part I – Board Responsibilities (Cont'd)

3. Promoting Good Business Conduct and Corporate Structure

3.1 Ethics and Compliance

In keeping with the principles of sound corporate governance, the Board is committed to promoting a culture of integrity and ethical values. Kelington 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 work 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.

In Year 2020, the Board has approved the adoption of an Anti-Bribery and Corruption Policy ("ABC Policy") including No Gift Policy and an amended Whistleblowing Policy which applies to all Directors and employees of the Group as well as the Groups agents and contractors. The ABC Policy supplements the CoEC and provides the basis on which the Company will be able to defend itself against any corruption charges that may be brought against the Company by any parties.

The Risk Management Committee ("RMC") reviews and approves the Group's anti-corruption compliance programme periodically to assess the performance, efficiency, and effectiveness of the Group's Anti-Bribery and Anti-Corruption ("ABC") processes.

A platform was provided for its employees, business associates, and members of the public who have concerns on suspected misconduct (including fraud, bribery, theft, abuse of power, and violation of laws and regulations) to report the suspected incident directly to the Corporate Compliance and Integrity Department ("CCID"). Through this policy, the Group can preserve its culture of openness, accountability, and integrity to enable whistle blowers to express their concerns without fear of punishment or unfair treatment. All written reports shall be channelled directly to the CCID via email at ccid@kelington-group.com. The ABC Policy, Code of Ethics and Conduct and Whistleblowing Policy are available at the Company's corporate website.

4. Sustainability Management

4.1 Sustainability Governance Structure

The Group has a sustainability governance structure to oversee the implementation of sustainable practices across all our operations. The Board is responsible for steering the Group in the direction of achieving overall sustainable growth.

Please refer to the sustainability governance structure and compliance framework on page 43 of this Annual Report.

The Executive Management Committee evaluates overall sustainability risks and opportunities; oversees implementation of the sustainability strategy; and assists in sustainability oversight by reviewing the Sustainability Statement.

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

Part I – Board Responsibilities (Cont'd)

4. Sustainability Management (Cont'd)

4.2 Communication of Sustainability Strategies and Targets

Kelingtonseeks to improve our sustainability performance, transparency, and accountability, and the Board embeds sustainability performance measures in the business to manage ESG factors.

Our sustainability targets established in FY2021 are structured around two pillars: managing impacts and delivering sustainable values.

Please refer to our sustainability targets and compliance framework on page 39 and page 43 of this Annual Report.

4.3 Managing Sustainability Risks and Opportunities

To strengthen our core in our sustainable strategy framework, Kelington ensure the Board comprises Directors with relevant ESG expertise and experience and will include ESG as one of the criteria to select future candidates for the Board.

Kelington's Executive Director reports to the Risk Management Committee on ESG risks management, at least once a year. The ESG Risk Register was presented to the Risk Management Committee in November 2021. In FY2021, the Management focuses on all ESG material topics identified by the stakeholders, while the Board concentrates on two strategically important ESG topics, which are governance and ethics and economic growth and profitability.

In Year 2021, the Board established ESG related policies and guided the management and business functions in effectively implementing ESG strategies and addressing ESG issues. Please refer to page 49 for more information on the manner in which Kelington manages its sustainability matters.

4.4 Performance Evaluation

The Board identified the key performance indications ("KPIs") to monitor executive and senior management's performance. The current set of KPIs enables the Board to evaluate executive and senior management's performance in addressing Kelington's material sustainability matters. The KPIs achievement report was presented to the Board in August 2021.

Please refer to our progress against the achievement of sustainability targets on page 39 of this Annual Report.

4.5 Chief Sustainability Officer

In FY2021, the Chief Operating Officer of the Group, Mr Ong Weng Leong was nominated by the Board to provide dedicated focus to managing sustainability strategically, including the integration of sustainability considerations into the operations of the Company. Mr Ong provides leadership over implementation of sustainability strategy and oversee departments in ensuring robustness of system of sustainability management.

Part II – 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.

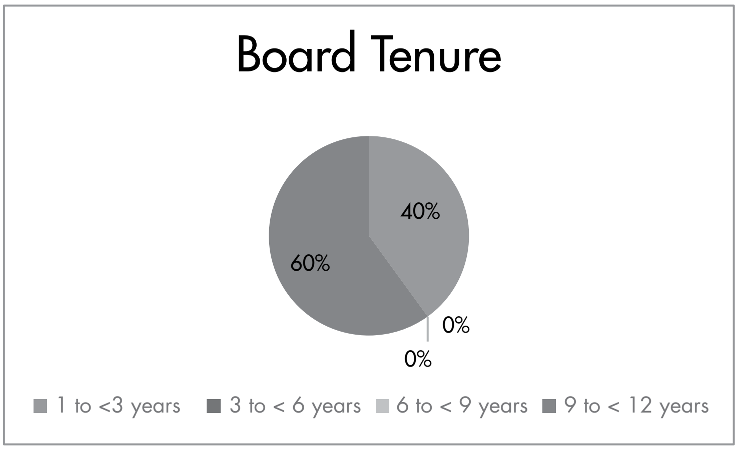
PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part II – Board Composition (Cont'd)

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, and risk management which are critical to the Groups business and sustainability. Each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

5.1 Tenure of the Board

The Board tenure disclosed below was based on the date of appointment of the respective Directors to the Board of Kelington.



In view of the long serving independent non-executive directors, the Board shall review its composition in Year 2023 and evaluate the need to bring new skills and perspectives to the boardroom.

5.2 Board Composition

With effect from 20 December 2021, Kelington was added to the FTSE4Good Bursa Malaysia Index and FTSE4Good Bursa Malaysia Shariah Index and thus defined as a Large Company under the MCCG. For large Companies, the board should comprise a majority of independent directors.

The present composition of the Board with half of its members being Independent Directors is in compliance with Paragraph 15.02 of the MMLR of Bursa Malaysia which stipulates that at least 2 Directors or 1/3 of the Board, whichever is higher must be Independent Directors.

To allow for more effective oversight of management as well as to support objective and independent deliberation, review, and decision-making, the Nomination Committee shall refresh the composition of the Board by end of May 2023.

5.3 Tenure of Independent Director

The Nomination Committee carries out the evaluation of independence for 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 2021 and is satisfied that they are able to discharge their responsibilities in an independent manner. The Independent Directors have also declared their independence to the Board and Management of the Group at a Board Meeting during the year.

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

Part II – Board Composition (Cont'd)

5.3 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 twelve (12) years and concluded that they have fulfilled the criteria under the definition of Independent Director as stated in the MMLR, and thus, they would be able to function as good checks 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 twelve (12) years and will seek shareholders'approval at the forthcoming 22nd Annual General Meeting ("AGM") to support the Board's decision to retain them as Independent Directors of the Company.

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 twelve (12) years and will seek shareholders'approval at the forthcoming 22nd AGM to support the Board's decision to retain them as Independent Directors of the Company.

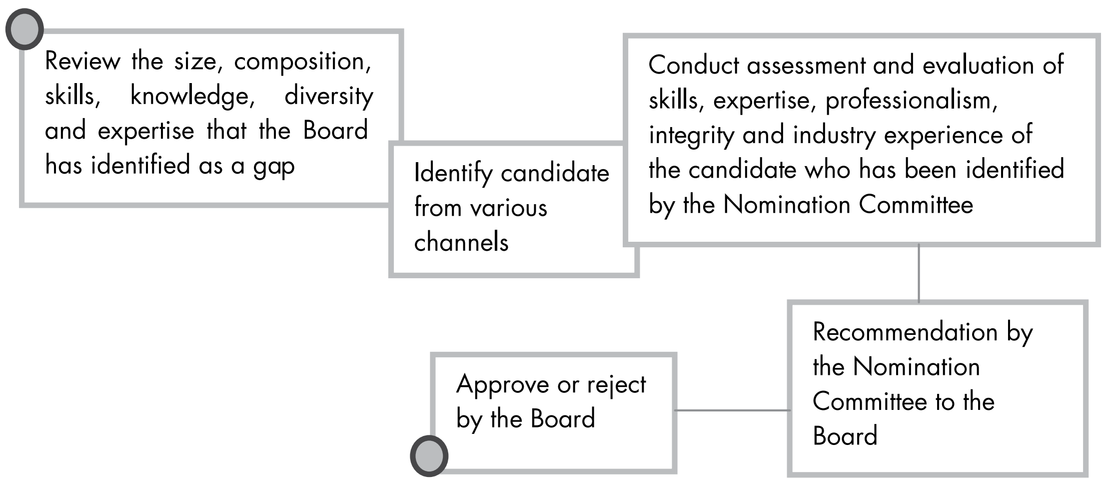
5.4 Policy of Independent Director's Tenure

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.

5.5 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 as proposed by Management or any Director, major shareholder taking into consideration the candidates' skills, knowledge, expertise, and experience, time commitment, character, professionalism, and integrity based on the 'Fit and Proper' Guidelines for key responsible persons as prescribed in the Board Charter.

The chart below illustrates the procedures on the appointment of new Director:



The appointment of Key Senior Management of the Company is based on merit and with due regard to the diversity in skills, experience, age, and gender.

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

Part II – Board Composition (Cont'd)

5.6 Disclosure on the appointment of Director

In FY2021, there was no new appointment of director. In the event that the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee shall provide the reason why the source was sufficed and other sources were not used.

5.7 Board Statement on the appointment and re-appointment of Directors

There were no individuals standing for election as director at 21st AGM held on 15 June 2021.

The Board will ensure that the notice of general meeting at which an individual is standing for election as director be accompanied by a statement containing the details of the individual including his/her name, age, gender, working experience and any conflict of interest as well as directorship in other companies.

5.8 Chairmanship of the Nomination Committee

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

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

The Nomination Committee is responsible for assessing the adequacy and appropriateness of the board composition, identifying, and recommending suitable candidates for Board membership and also 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 at the corporate website.

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

- Reviewed and assessed annual assessment of the performance and effectiveness of the Board as a whole, Board Committees and contribution of each individual Director;

- Reviewed and assessed the independence of the Independent Directors;

- Reviewed and recommended to the Board, the re-election and re-appointment of the Directors who will be retiring at the AGM of the Company;

- Considered the continuation of office of the Independent Non-Executive Directors who have served for a cumulative term of more than nine (9) years at the AGM of the Company.

- Reviewed and assessed the term of office and performance of the Audit Committee and each of its members;

- Reviewed and assessed the performance of the Chief Financial Officer; and

- Assessed the training needs of the Directors.

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

Part II – Board Composition (Cont'd)

5.9 Board Diversity

While the Board supports the philosophy of gender diversity and recognises the benefits that it can bring, the Board believes that any new appointments should be based on merit and capability.

Currently, Kelington has one female Director on the Board. The Board had on 26 February 2021 approved a board diversity policy for Kelington 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 endeavors 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

5.10 Diversity in Management Team

Kelington promotes diversity and ensures that employees are treated equally, regardless of age, gender, race, religion, and background. Please refer to page 77 of this Annual Report for more information about our diverse and inclusive workplace.

6. Overall Board Effectiveness

6.1 Annual Evaluation

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

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

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

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

6.2 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.

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

Part II – Board Composition (Cont'd)

6. Overall Board Effectiveness (Cont'd)

6.2 Re-election of Retiring Directors (Cont'd)

Pursuant to Clause 97 of the Company's Constitution, Mr Ong Weng Leong, Mr Chan Thian Kiat and Mr Tan Chuan Yong are subject to retirement by rotation at the forthcoming 22nd AGM and they have expressed their willingness to seek for re-election at the 22nd AGM.

Pursuant to the NC's recommendation following the Board assessment carried out in 2022, the Board is satisfied that Mr Ong Weng Leong, Mr Chan Thian Kiat and Mr Tan Chuan Yong have contributed positively to the overall effectiveness of the Board and are therefore seeking the approval of our shareholders for the re-election the Directors at the 22nd AGM.

6.3 Board Commitment

The Board schedules meetings on a quarterly basis, and additional meetings that require the Board's deliberation and approval will be held in between the scheduled meetings. A total of 5 Board meetings were held in FY2021.

In order to ensure all the Directors are able to attend the Board and Board Committees meetings, the calendar for the Board and Board Committees meetings is circulated in advance before the commencement of the financial year, which allows the Directors to plan their schedules. The Board is also mindful of the importance of devoting sufficient time and effort to carry out their responsibilities and enhance their professional skills.

In this respect, none of the Directors hold more than 5 directorships in listed corporations. The Board and Board Committees have discharged their roles and responsibilities by attending the Board and Board Committees meetings held during FY2021. The Board is satisfied with the level of commitment given by the Directors in carrying out their responsibilities, which is evidenced by the attendance record of the Directors set out in the table below:

Meeting Attendance	Board	Audit Committee	Risk Management Committee	Nomination Committee	Remuneration Committee	General Meeting
Gan Hung Keng	5/5	–	–	–	–	2/2
Ong Weng Leong	5/5	–	–	–	–	2/2
Chan Thian Kiat	5/5	5/5	–	–	–	2/2
Tan Chuan Yong	5/5	5/5	–	1/1	1/1	2/2
Vice Admiral (Retired) Datuk Haji Jamil Bin Haji Osman	5/5	–	–	1/1	1/1	2/2
Soo Yuit Weng	5/5	5/5	–	1/1	1/1	2/2
Ng Lee Kuan	5/5	–	2/2	–	–	2/2
Cham Teck Kuang	5/5	–	2/2	–	–	2/2
Hu Keqin	5/5	–	2/2	–	–	2/2
Soh Tong Hwa	5/5	–	2/2	–	–	2/2

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

Part II – Board Composition (Cont'd)

6. Overall Board Effectiveness (Cont'd)

6.3 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 FY2021, all the Directors had attended trainings, seminars, conferences, and exhibitions which the Directors considered vital in keeping abreast with the changes in laws and regulations, business environment, and corporate government development, as detailed hereunder:-

Name of Director	Course Attended	Date
Gan Hung Keng	The Sustainability Accelerator	27 April 2021 24 May 2021 7 June 2021 21 June 2021
	Awareness Training: Anti Bribery Management, Grievance Procedures & Business Continuity Management	22 December 2021
Ong Weng Leong	The Sustainability Accelerator	27 April 2021 24 May 2021 7 June 2021 21 June 2021
	ESG: What matters to you	26 March 2021
	Awareness Training: Anti Bribery Management, Grievance Procedures & Business Continuity Management	22 December 2021
Chan Thian Kiat	Choose To Challenge International Women's Day 2021.	12 March 2021
	Managing Human Rights: Why is it important to corporations?	11 March 2021
	KPMG Board and Audit Committee Priorities 2021	7 May 2021
	Sustainable Finance: Making better financial decisions	9 April 2021
	The Sustainability Accelerator	27 April 2021 24 May 2021 7 June 2021 21 June 2021
	Audit Oversight Board Conversation with Audit Committees	29 November 2021
	Awareness Training: Anti Bribery Management, Grievance Procedures & Business Continuity Management	22 December 2021

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

Part II – Board Composition (Cont'd)

6. Overall Board Effectiveness (Cont'd)

6.3 Board Commitment (Cont'd)

Name of Director	Course Attended	Date
Tan Chuan Yong	Audit Oversight Board Conversation with Audit Committees	29 November 2021
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	The Sustainability Accelerator	27 April 2021 24 May 2021 7 June 2021 21 June 2021
Soo Yuit Weng	MIA Webinar Series: Avoiding Transfer Pricing Mistakes	10 September 2021
	MIA Webinar Series: ISQC 1, ISQM 1 & ISQM 2, and ISA 220 (Revised), Incorporating Root Cause Analysis	6 & 7 July 2021
	MIA Webinar Series: Essential Tax Considerations for YA2020 & 2021	25 March 2021
	MIA Webinar Series: Tax Deductible Expenses-Principals and latest developments	8 March 2021
Ng Lee Kuan	The Sustainability Accelerator	27 April 2021 24 May 2021 7 June 2021 21 June 2021
	Awareness Training: Anti Bribery Management, Grievance Procedures & Business Continuity Management	22 December 2021
Soh Tong Hwa	The Sustainability Accelerator	27 April 2021 24 May 2021 7 June 2021 21 June 2021
Hu Keqin	Awareness Training: Anti Bribery Management, Grievance Procedures & Business Continuity Management	22 December 2021
Cham Teck Kuang	The Sustainability Accelerator	27 April 2021 24 May 2021 7 June 2021 21 June 2021

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

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

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

Part III - Remuneration

7. Level and Composition of Remuneration

7.1 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.

7.2 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 interests of shareholders, and further that the remuneration packages of Directors and key Senior Management Officers are sufficiently attractive to attract and retain persons of high calibre. The remuneration policy is available on the corporate website.

8. Remuneration of Directors and Senior Management

8.1 Detailed Disclosure of Directors' Remuneration

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

The remuneration of the Executive Directors is structured to link to their contributions for the year 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 or any meeting allowance for Board or Board Committee Meetings they attended. The remuneration package of the Executive Directors consists of a monthly salary, bonus and benefits-in-kind such as a company car and the benefit of Directors and Officers Liability Insurance in respect of any liabilities arising from acts committed in their capacity as Directors and Officers of the Company. The Directors and principal officers are required to contribute jointly towards the premium of the said policy.

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

Part III - Remuneration (Cont'd)

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

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

Details of the Directors' remuneration (including benefits-in-kind) of each Director during the financial year 2021 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	74,160	540,998	25,000	–	19,192	1,259,073
Ong Weng Leong	–	569,723	70,882	513,890	25,000	–	21,877	1,201,372
Total	–	1,169,446	145,042	1,054,888	50,000	–	41,069	2,460,445
Non-Executive Directors								
Chan Thian Kiat	48,400	–	–	–	–	–	400	48,800
Tan Chuan Yong	48,400	–	–	–	–	–	–	48,400
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	44,000	–	–	–	–	–	–	44,000
Soo Yuit Weng	48,400	–	–	–	–	–	600	49,000
Ng Lee Kuan	44,000	–	–	–	–	–	–	44,000
Cham Teck Kuang	–	–	–	–	–	–	–	–
Hu Keqin	–	–	–	–	–	–	–	–
Soh Tong Hwa	–	–	–	–	–	–	–	–
Total	233,200	–	–	–	–	–	1,000	234,200
Total Directors' Remuneration	233,200	1,169,446	145,042	1,054,888	50,000	–	42,069	2,694,645

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

Part III - Remuneration (Cont'd)

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

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

Details of the Directors' remuneration (including benefits-in-kind) of each Director during the financial year 2021 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	74,160	540,998	25,000	–	19,192	1,259,073
Ong Weng Leong	–	569,723	70,882	513,890	25,000	–	21,877	1,201,372
Total	–	1,169,446	145,042	1,054,888	50,000	–	41,069	2,460,445
Non-Executive Directors								
Chan Thian Kiat	48,400	–	–	–	–	–	400	48,800
Tan Chuan Yong	48,400	–	–	–	–	–	–	48,400
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	44,000	–	–	–	–	–	–	44,000
Soo Yuit Weng	48,400	–	–	–	–	–	600	49,000
Ng Lee Kuan	44,000	–	–	–	–	–	–	44,000
Cham Teck Kuang	–	370,100	9,182	185,049	–	–	–	564,331
Hu Keqin	–	449,360	10,980	222,061	–	–	–	682,401
Soh Tong Hwa	–	491,733	53,996	167,492	21,250	–	–	734,471
Total	233,200	1,312,193	74,158	574,602	21,250	–	1,000	2,215,403
	233,200	2,481,639	219,200	1,629,490	71,250	–	1,000	4,675,848

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

Part III - Remuneration (Cont'd)

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

8.2 Remuneration of Top Five (5) Senior Management

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

9. Audit Committee

Composition of Audit Committee

The Audit Committee ('AC") 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 situations. The AC also undertakes to provide oversight on the risk management framework of the Group.

The AC is comprised solely of independent directors and is chaired by a Senior Independent Non-Executive Director, who is distinct from the Chairman of the Board. All members of the Audit Committee are financially literate. The composition of the AC, including its roles and responsibilities as well as a summary of its activities carried out during the financial year 2021, are set out in the Audit Committee Report on pages 124 to 128 of this Annual Report.

The Board was satisfied with the performance of the AC and confirmed that they had carried out their duties and responsibilities effectively in accordance with the ToR.

Relationships with the External Auditors

The AC 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 AC, and the said policy has been incorporated into the Terms of Reference of the AC.

The AC 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 AC and the Board.

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

Part I – Audit Committee (Cont'd)

9. Audit Committee (Cont'd)

Relationships with the External Auditors (Cont'd)

The AC 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 AC prior to submission to the Board for approval. Feedback based on the assessment areas is obtained from the AC, the Chief Financial Officer, the Internal Auditor and Senior Management.

The AC 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 that are able to provide clear efficiencies and value-added benefits to the Group and do not impede the External Auditors' audit work will be accepted by the AC.

On the other hand, the AC 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 a declaration in their annual audit plan, presented to the Audit Committee prior to the commencement of the audit for a particular financial year.

In this regard, the AC had, on 26 April 2022, 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 AC was satisfied with Crowe's technical competency and audit independence and took note that the quantum of non-audit fees charged thereto was not material as compared to the total audit fees paid to Crowe. Details of statutory audit, audit-related and non-audit fees paid/ payable in the FY2021 to the External Auditors are set out in the Additional Compliance Information of this Annual Report. Having satisfied itself with their performance and fulfilment of criteria as set out in the Non-Audit Services Policy, as well as having received the assurance from Crowe as stated above, the AC will recommend their reappointment to the Board, upon which the shareholders' approval will be sought at the 22nd AGM.

The details of the External Auditors Policy are available for reference at our corporate webpage.

Part II – Risk Management and Internal Control Framework

10. 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 by approving and overseeing the operation of the Group's Risk Management Framework, assessing its effectiveness and reviewing any major or significant risk facing the Group.

The Board supports the implementation of the ISO 31000:2018 certified Enterprise Risk Management Framework, ensuring its effectiveness in identifying and mitigating risks. The Executive Management Committee is tasked with reviewing the risk profiles of all Business Units compiled during daily operations before reporting them to the Risk Management Committee ("RMC"). The RMC would then communicate any critical risks to the Board as well as provide recommendations to mitigate identified risks.

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

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

10. Risk Management and Internal Control Framework (Cont'd)

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

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

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

Details of the main features of the Company's risk management and internal control framework are further elaborated in the Audit Committee Report and the Statement on Internal Control and Risk Management on page 114 of this Annual Report.

11. 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 page 113 of this Annual Report provides the overview of the internal control framework adopted by the Company during the financial year ended 31 December 2021.

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

Part I – Communication with Stakeholders

12. 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 end, 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 of ensuring 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 comprised of Executive Directors and Chief Financial Officer.

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

Part I – Communication with Stakeholders (Cont'd)

12. Continuous Communication Between company and Stakeholders (Cont'd)

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

Part II – Conduct of General Meetings

13. Shareholder Participation at General Meetings

The AGM is the principal forum for shareholder dialogue and 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 be present in person to engage directly with, and be accountable to, the shareholders for their stewardship of the Company the AGM. During the AGM, the Board encourages shareholders' participation in deliberating resolutions being proposed or on the Group's operation in general.

All Directors of the Company attended the 21st AGM held on 15 June 2021. The Directors, Chief Financial Officer and External Auditors were in attendance to answer questions raised by the shareholders.

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 https://www.kelington-group.com/general-meeting.php.

The 21st AGM and EGM of the Company held on 15 June 2021 were conducted on a virtual basis through live streaming and online remote voting at the Broadcast Venue, Lot 9-11 Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad Brickfields, 50470 Kuala Lumpur via Dvote Online website at https://www.dvote.my using the Remote Participation and Voting Facilities ("RPV"). Dvote Services Sdn. Bhd. ("Dvote") was appointed as the Poll Administrator for the 21st AGM & EGM of the Company to facilitate the RPV via its Dvote Online website at https://www.dvote.my. The Company has engaged Dvote to provide the RPV. Dvote has confirmed to the Company that it implemented an IT policy and Information Security policy, endpoint controls, data classification for cyber hygiene practices of its staff. Stress test and penetration testing had been performed on Dvote online in June 2021 to test its resiliency. Dvote Online is hosted in a secure cloud platform and the data center is ISO27001 certified.

All the shareholders could raise questions including but not limited to the Company's financial and non-financial performance and long-term strategies. With respect to the 21st AGM and EGM held in June 2021, shareholders submitted their questions prior to the conduct of the meetings via email to ccid@kelington-group.com.

Besides, shareholders were also allowed to submit their questions via the RPV during the meetings. Directors and senior management answered the questions raised by shareholders during the meetings.

The minutes of the 21st AGM and EGM of the Company was made available on the Company's website at https://www.kelington-group.com/general-meeting.php within 30 business days from the date of meetings.

FUTURE PRIORITIES

The Board will continue to enhance the corporate disclosure requirements in the best interest of the Company's shareholders and stakeholders in the upcoming years. 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.

This Corporate Governance Overview Statement, together with the Corporate Governance Report, was approved by the Board on 26 April 2022.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are required to prepare the financial statements for each financial year which have been made 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 the Company at the end of the financial year and of the results and cash flows of the Group and 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 a 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 the Statement on Risk Management and Internal Control which outlines the nature and scope of risk management and internal control for the financial year ended ("FYE") 31 December 2021. This statement is prepared pursuant to paragraph 15.26 (b) of Bursa Malaysia's Main Market Listing Requirements, and is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

As outlined in the Malaysian Code on Corporate Governance, the objective of establishing a sound risk management framework and an adequate and effective system of internal control is to build a strong governance culture and to safeguard shareholders' investment.

The adequacy and effectiveness of internal controls were reviewed by the Audit Committee ("AC") in relation to the audits conducted by Internal Audit ("IA") during the year. Audit issues and actions taken by Management to address the issues tabled by IA were deliberated on during the AC meetings. Minutes of the AC meetings which recorded these deliberations were presented to the Board.

Board Responsibility

The Board is committed to ensure the effectiveness of the Group's risk management and internal control systems by continuously reviewing its adequacy of control and effectiveness to ensure that the Group's assets and shareholders' interests are safeguarded. The Board also acknowledges that the Group's risk management and internal control systems are designed to mitigate risks threatening the achievement of the Group's business objectives and that the systems in place can provide only reasonable, not absolute assurance.

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.

To ensure the integration of effective governance structures and processes, the Board has set up a Risk Management Committee ("RMC") comprising wholly Non-Executive Directors and chaired by an Independent Director to oversee the Group's risk management strategies, framework, policies and procedures. The RMC assists the Board in the implementation and monitoring of policies and procedures on risk management and internal control ensuring they are operating adequately and effectively to mitigate and reduce the Group risk exposure.

During FYE 2021, the RMC reviewed, appraised, and assessed the controls and actions in place to mitigate and manage the overall Group risk exposure, as well as raised issues of concern 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.

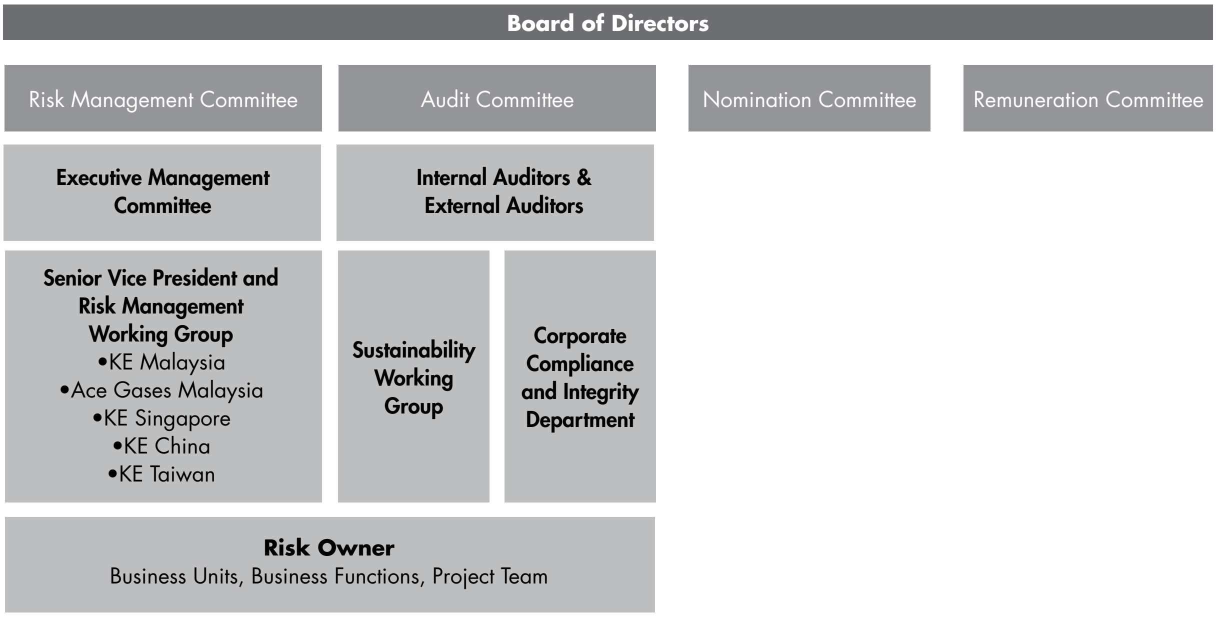
During the financial year, the adequacy and effectiveness of the system of internal controls were reviewed by the Audit Committee in relation to the internal audits conducted by GRC Consulting Services Sdn. Bhd..

Key Features of the Risk Management and Internal Control Frameworks

The Board acknowledges that the Group business activities involve some degree of risk, and thus, key management staff and heads 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 for reviewing the adequacy and effectiveness of the risk management and internal control systems.

Authority and Responsibility



- 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 oversight role of risk management is carried out by the RMC as delegated by the Board which has the ultimate oversight responsibility. The RMC of KGB is formed by representatives of the Board and is chaired by an independent director. The role of RMC is to ensure the risk management in the Group operates effectively based on the risk management policy approved by the Board. Significant risk issues evaluated by the RMC will be discussed at the Board meetings. The principal roles and responsibilities of the RMC are stated in its Terms of Reference.

- 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 contributions of each individual Director (including Board Committees) on an annual basis.

- 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.

Authority and Responsibility (Cont'd)

- The Senior Vice President of the respective business divisions of the Group manages their operations and reports to the Executive Management Committee at the Group Level.

  The responsibilities of the Senior Vice President and its Risk Management Working Group are as follows:

  o Communicate the Board's vision, strategy, policy, responsibilities and reporting lines to all personnel across the Group;

  o Review risk profiles and performance of the business units and departments;

  o Aggregate the Group's risk position and report to the RMC on the risk situation;

  o Provide guidance to the business units and departments on the Group's risk appetite and other criteria which, when exceeded, trigger an obligation to report upwards to the RMC and the Board;

  o Identify and communicate to the RMC the critical risks (present and potential) at the respective business units and support departments, their changes and the management's action plans to manage the risks;

  o Train and communicate ERM details within the Group; and

  o Review and update risk management methodologies applied to the relevant business units and support departments, especially those related to risk identification, measuring, controlling, monitoring and reporting.

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

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

- Day-to-day risk management resides with the respective business units and support departments. The principal roles and responsibilities of business units and support departments are as follows:

  - Manage the business units' and support departments' risk profiles;
  - Report risk exposure to the Risk Management Working Group;
  - Develop and implement action plans to manage risks;
  - Report status of action plans to the Risk Management Working Group; and
  - Ensure that critical risks are considered in the action plans.

Risk Management Policy

The Group adopt a risk management policy in identifying, assessing, treating and monitoring the ever-changing risks facing the Group and takes 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 complying with all statutory and legal requirements, as well as effectively responding to crises.

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 them. It enhances and encourages the identification of opportunities through continuous improvement and innovation.

The Group's established risk management practise 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.

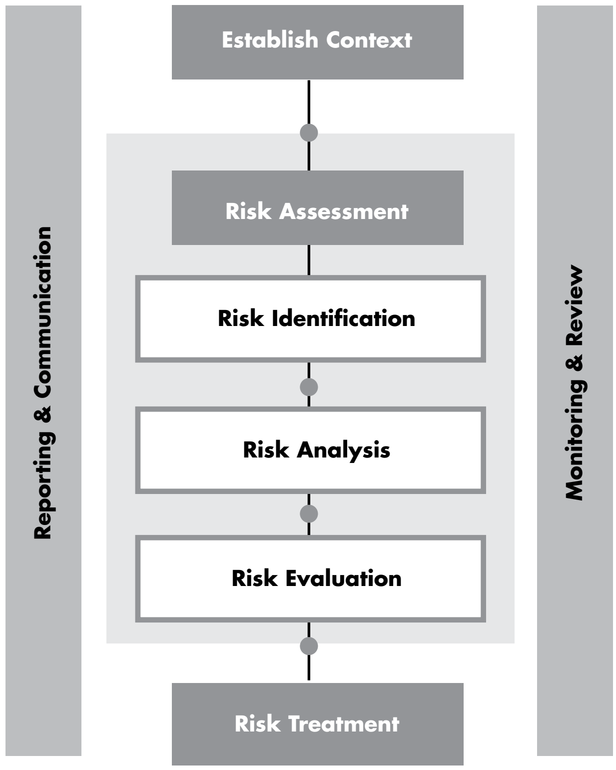
Risk Analysis
- Consequences and likelihood are expressed and combined to determine level of risk that is consistent with the risk criteria.
- Existing controls should be taken into account.

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.



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 updated risk profile was last presented to the RMC on 25 November 2021. The RMC reviewed the risk management process and the status of the implementation of the risk mitigation plan on 25 November 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 Appetite and Tolerance

Risk appetite is measured in terms of the variability of return (i.e. risk) in order to achieve a desired level of result (i.e. return) as set out in the risk parameters. The Board, through the Risk Management Committee and the Executive Management Committee, establishes the risk parameters for the Group. The defined risk parameters, i.e. financial and non-financial parameters, are reviewed at least annually by Management and the Board in line with the Group's business strategies and operating environment.

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.

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

During FYE2021, an updated risk register was established at group level with eight top risks being identified that 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 FYE 2021 are outlined below:

	Key Risk & Impact	**Mitigation**
1	**Uncertainties of Economy**	
	In the current economic climate of geopolitical tensions, trade wars and the disruption of pandemics globally, the slowdown in the local and global economy may affect the construction and manufacturing industries. The Government response to the COVID-19 pandemic has adversely impacted the industry, primarily due to the Movement Control Order, which has imposed restrictions on manufacturers, thereby hindering them from operating at full capacity. Project deliveries were impacted by the additional safe work procedure for the prevention of COVID-19 at the workplace ("SOP"). During financial year ("FY") 2021, the Group incurred some unavoidable direct costs and was faced with a 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.

Risk Management (Cont'd)

The management of the Group's significant risks identified for FYE2021 are outlined below: (Cont'd)

	Key Risk & Impact	Mitigation
2	**Ability to achieve strategic plan**	
	In FY 2021, the continued COVID-19 flare-ups and lingering supply bottlenecks had dampened the Group's ability to achieve the strategic plan. However, these external risks do not affect the overall prospect for growth of Kelington Group in FY 2021.	The Executive Management monitor the strategic plan through monthly analysis of operational activities and financial reports.
3	**Ability to achieve Key Performance Indicators**	
	The disruption of pandemic globally and the supply bottlenecks affect our project schedules and manufacturing operations in FY 2021. However, the slowdown in project progress and manufacturing operations does not affect the overall performance of Kelington Group.	Clear communication of KPIs and Monitor KPIs achievement of subsidiaries via quarterly report at monthly meeting.
4	**Intense Competition**	
4a	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) that has 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.
4b	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 FY 2021.	• 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 FYE2021 are outlined below: (Cont'd)

	Key Risk & Impact	Mitigation
5	**Slow recoverability of debts/ bad debts**	
	As at FYE 31 December 2021, the balance of trade receivables amounted to approximately RM92.1 million of which approximately RM18.6 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 progressive claims and project financing facilities. 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	**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 2021, AGSB's paid up capital was recorded at RM25,500,000 and KGB is holding 24,783,000 shares (97.19%) in AGSB. In FY 2021, AGSB achieved a revenue growth of 56%. The risk rating was remained high until AGSB is able to produce a return on investment.	• A management with specialist expertise and commercial experience. • Continuously identify market opportunity for business growth.
7	**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 2021, there is three on-going legal cases involved contractual disputes with a Customer and two Sub-Contractors. The dispute amount was fully impaired and was reflected in the audited financial statements as at 31 December 2021. Depending on the outcome of the legal proceedings, any recovery of the claimed sum will have positive impact on the Company's earnings and net assets for the financial reporting year.	• 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.

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 124 to 128 of this Annual Report.

Internal Control

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal control include:

(a) Integrity and Ethical Values

The Group is committed to upholding a strong culture of integrity and ethical values, as emphasised in the Code of Ethics and Conduct which shall be observed by all Directors and employees within the Group as well as third parties performing works or services for and on behalf of the of the Group. The Code will be reviewed as and when necessary to ensure that it remains current and relevant in addressing any ethical issues that may arise within the organisation.

The Group also put in place a whistleblowing policy which allows, supports and encourages its employees and third parties to report and disclose any improper or illegal activities within the Group. It is the Group's commitment to investigate any suspected serious misconduct or any breach reported, as well as to protect those who come forward to report such activities.

(b) Management Structure

The Group has a management structure which formally defines the lines of reporting, as well as the accountabilities and responsibilities of the various functions within the Group. In addition, the Board of Directors and its various Board Committees are all governed by defined terms of reference.

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.

(c) Limits of Authority

The Group has established financial limits of authority which defines the approving limits that have been assigned and delegated to each approving authority within the Group. The limits of authority are reviewed and updated in line with changes in the organisation.

(d) 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 oversees Management and 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.

Internal Control (Cont'd)

(e) Policies and Procedures

Elements of internal control have been embedded and documented in the form of policies and procedures which are reviewed and updated to reflect changes in the business environment. Accountability and responsibility for key processes have been established in the standard operating procedures.

(f) Compliance Framework

The Group has in place a compliance framework to minimise financial, reputational and operational risks arising from regulatory non-compliance. The Group has not noted any incidents of regulatory non-compliances to date.

(g) Performance Review

Comprehensive information on financial performance and progress of key projects are communicated to the Board on a quarterly basis.

Ad-hoc and scheduled meetings are held at operational and management levels to identify operational issues, review achievement of key performance indicators, discuss and review the business plans, budgets, financial and operational performances of the Group, and etc. to ensure business sustainability.

(h) 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.

(i) ISO Quality Management System

Our Business Operations at	Group Operating Revenue (%)	Quality Management System
Singapore	33%	ISO 9001:2015 Quality Management System certified since November 2018
China	25%	ISO 9001:2015 Quality Management System certified since June 2019
Malaysia	38%	ISO 9001:2015 Quality Management System certified since March 2018
Taiwan	3%	Operated as a branch of KGB in Taiwan. Target to obtain ISO 9001:2015 Quality Management System certification by FY 2023.

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

Internal Control (Cont'd)

(j) Sustainability

The Group has a sustainability governance structure to oversee the implementation of sustainable practices across all our operations. The Board is responsible for steering the Group in the direction of achieving overall sustainable growth.

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

The Health and Safety Working Committee and Environmental Working Committee are responsible for overseeing the health & safety working environment and environmental management and ensure 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	33%	ISO 45001:2018 certified since December 2020
China	25%	Certified to OHSAS 18001:2007 from June 2019 to June 2020 ISO 45001:2018 certified since August 2020
Malaysia	38%	Certified to OHSAS 18001:2007 from July 2014 to Sept 2019 ISO 45001:2018 certified since July 2020
Taiwan	3%	Operated as a branch of KGB in Taiwan. Target to obtain ISO 45001:2018 certification by FY 2024.

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

(l) External Audit

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

(m) 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 systems 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 practises 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 Bursa Securities Listing Requirements, the External Auditors have reviewed this Statement on Risk Management and Internal Control in accordance with the 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 the 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 systems including the assessment and opinion by the Board and Management thereon. The 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 is made in accordance with the resolution of the Board of Directors dated 26 April 2022.

AUDIT COMMITTEE REPORT

The primary function of the Audit Committee ("AC") is to assist the Board of Directors in fulfilling its fiduciary duties as well as providing oversight on the integrity of the Group's financial reporting and its audit processes. The Board presents the AC Report to provide insights on the discharge of the AC's functions for the Group in the year 2021. This report is prepared in compliance with paragraph 15.15 of the Main Market Listing Requirement ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

During the financial year, the AC carried out its duties and responsibilities in accordance with its terms of reference ("TOR") 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 MEETINGS

The AC comprises three members, all of whom are Independent Non-Executive Directors. This meets the requirements of Paragraphs 15.09(1) and (2) of the MMLR of Bursa Securities.

The Chairman of the Board was not involved in Board Committees to ensure there is check and balance as well as objective review by the Board. The composition of the Committee is in line with Practice 9.1 and Step-Up Practice 9.4 under the Malaysian Code on Corporate Governance 2021 ("MCCG 2021").

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.

A total of 5 meetings were held in Financial Year 2021 ("FY2021"). Despite the implementation of several Movement Control Orders by the Government of Malaysia throughout FY2021, the AC meetings were held virtually as scheduled in order for the AC members to discharge their duties and responsibilities effectively.

The AC members and details of attendance of each member at the AC meetings held during the FY2021 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 Executive Directors, Chief Financial Officer, External and Internal Auditors together with the relevant personnel from the Management were invited to join the meetings and provide clarifications on the agenda items.

The reports and discussion papers of the AC meetings were distributed via a secured digital portal within a reasonable period to allow the AC members to have sufficient time to review and obtain further clarification, if necessary, during the meetings. This would enable focused and constructive deliberation at meetings. All reports and discussion papers were presented in a clear and concise manner, to enable the AC members to analyse and discharge their duties effectively.

The AC had two private sessions with the External Auditors, Crowe Malaysia PLT without the presence of Executive Board members and the Management to facilitate discussions on key audit challenges.

Minutes of each AC meeting was properly recorded and tabled for confirmation at the following AC meeting and subsequently tabled to the Board for notation. The AC Chairman reports to the Board on activities undertaken and key recommendations for the Board's consideration and decision. The AC Chairman also conveyed to the Board matters which are of significant concern raised by the External Auditors and Internal Auditors.

TERM OF REFERENCE & PERFORMANCE

In order to assess the term of office of the AC members and the performance of the AC in accordance with paragraph 15.20 of the MMLR of Bursa Malaysia, each of the AC members has performed self and peer evaluation assessments and the results were tabled to the Nomination Committee for review and discussion prior to presenting the reports to the Board for evaluation.

The AC was assessed based on three key areas, namely quality and composition, skills and competencies, and meeting administration and conduct, to determine whether the AC had carried out its duties in accordance with its terms of reference.

As the appropriate level of knowledge, skills, experience, and commitment of its members is 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 FYE 31 December 2021.

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 supports the Board in ensuring that the Group upholds appropriate standards of corporate governance.

SUMMARY OF ACTIVITIES OF THE FINANCIAL YEAR

As at the date of this report, the AC has undertaken the following in discharging its functions and duties, which are in line with its responsibilities as set out in its TOR:

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 2020. In the review of the annual audited financial statements, the AC 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 practises for 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, and areas of audit emphasis prior to the commencement of their annual audit;

(b) Reviewed and discussed with the External Auditors' audit report and areas of concern highlighted in the management letter, including Management 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 the audit; and

SUMMARY OF ACTIVITIES OF THE FINANCIAL YEAR (CONTINUED)

Reviewing the Audit Findings of the External Auditors and Assessing their Performance, Suitability, and Independence of External Auditors: (Cont'd)

(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 the independence and objectivity of the External Auditors and the cost effectiveness of their audit, before recommending it to the Board for approval.

Crowe Malaysia PLT also confirmed that they are independent of the Group and have fulfilled their other ethical responsibilities in accordance with the by-Laws of the MIA and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants.

The non-audit services provided or to be provided by the External Auditors and their affiliates to the Group have been approved by the AC. The AC having considered the nature, scope, and quantum of non-audit fees, was satisfied that there was no conflict of interest and that the non-audit services would not impair the independence of the External Auditors. The details of the audit and non-audit services rendered by the External Auditors and their affiliates for FY2021 are disclosed in the Additional Compliance Information section of this Annual Report.

Based on the External Auditors Policy, the AC shall carry out an annual assessment of the External Auditors which shall encompass an assessment of the qualifications and performance of the Auditors.

A questionnaire assessment was carried out to assess the independence and effectiveness of the External Auditors of the respective companies, namely Crowe Malaysia PLT based on the feedback from Management. The AC was satisfied that the External Auditors have the capability and expertise to act as the Auditors for the respective companies and recommended the re-appointment of Crowe Malaysia as External Auditors of the Company for FY2022 to the Board for consideration. The re-appointment of Crowe Malaysia PLT is subject to shareholders' approval being sought at the forthcoming Annual General Meeting ("AGM").

Overseeing the Governance Practices in the Group:

(a) Reviewed the AC Report and Statement of Risk Management and Internal Control before recommending it 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 systems 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.

SUMMARY OF ACTIVITIES OF THE FINANCIAL YEAR (CONTINUED)

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 ("IA") 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 on 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 IA process to ensure the appropriate actions are taken on the recommendations of the IA function.

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 which assists the AC in the discharge of its duties and functions. Its role is to independently assess 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 has served previously as the Honorary Treasurer and Honorary Secretary of IIAM. He is a Chartered Member of the 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 the Association of Certified Fraud Examiners (US), Member of the Business Continuity Institute (UK) – MBCI (UK), Affiliate Member of the Institute of Risk Management (UK), Certified Business Continuity Institute (UK) Professional - CBCI with Merit (UK), Member of the Institute of Corporate Directors Malaysia and Associate Member of the Asian Institute of Chartered Bankers.

The number of staff deployed for the IA reviews ranges from 3 to 4 per visit, including the engagement Executive Director. The staff involved in the IA reviews possess professional qualifications 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 that could impair their objectivity and independence. The IA were conducted using a risk-based approach and was guided by the International Professional Practice Framework ("IPPF").

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

IA FUNCTION (CONTINUED)

During the FYE 31 December 2021, the outsourced IA function undertook review on the following business of the Group: -

Entity	Scope of Internal Audit
• Kelington Technologies Sdn Bhd	o Governance Review o Sales & marketing functions o Project Management o Supply Chain Management o Human Resources Management o Financing & Liquidity o Legal & Contract administration o Compliance risk & testing of Internal controls
• Kelington Engineering (S) Pte Ltd & Puritec Technologies (S) Pte Ltd	o Governance Review o Sales & marketing functions o Project Management o Supply Chain Management o Human Resources Management o Financing & Liquidity o Legal & Contract administration o 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 would carry 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 RM44,000 for the FYE 31 December 2021.

The AC Report is made in accordance with the resolution of the Board of Directors' Meeting held on 26 April 2022.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

There were no proceeds 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 2021 is as follows:-

Details of Auditors' Remuneration	Group (RM)	Company (RM)
- Statutory Audit Fees	467	153
- Non-Audit Fees	5	5
Total	472	158

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 INVOLVING DIRECTORS' OR MAJOR SHAREHOLDERS' INTEREST

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 2021 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 2021.

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. All the ESS Shares have been fully granted and does not have any outstanding awards which are granted, unvested or unexercised under the ESS.

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 2021.

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	29,700	5,355
Attributable to:-		
Owners of the Company	28,958	5,355
Non-controlling interests	742	–
	29,700	5,355

DIVIDENDS

Dividends paid or declared by the Company since 31 December 2020 are as follows:-

	RM'000
Ordinary Share	
In respect of the financial year 31 December 2020	
An interim dividend of 1 sen per ordinary share, paid on 11 June 2021	3,215
In respect of the financial year 31 December 2021	
An interim dividend of 0.5 sen per ordinary share, paid on 1 October 2021	3,215

On 25 February 2022, the Company declared a second interim dividend of 1 sen per ordinary share amounting to RM6,430,072 in respect of the current financial year, payable on 6 April 2022, to shareholders whose names appeared in the record of depositors on 16 March 2022. 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 2022.

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 fully paid-up number of ordinary shares from 322,623,476 to 645,246,952 by issuance of 322,623,476 bonus shares at no consideration together with 214,333,821 free detachable warrants on the basis of 1 bonus share together with 1 warrant for every 3 existing ordinary shares held on 2 July 2021.

    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 2021, the Company held a total of 2,239,800 (2020 - 1,119,900) treasury shares out of the total 645,246,952 (2020 - 322,623,476) issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of approximately RM534,000 (2020 - 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.

WARRANTS

On 26 July 2021, the Company issued 214,338,821 warrants pursuant to bonus issue of warrants to all the entitled shareholders of the Company on the basis of one (1) warrant for every three (3) existing ordinary shares held in the Company.

The warrants are constituted under a Deed Poll dated 31 May 2021 and each warrant entitles the registered holder the right at any time during the exercise period from 26 July 2021 to 24 July 2026 to subscribe in cash for one new ordinary share of the Company at an exercise price of RM1.38 each.

The new ordinary shares allotted and issued upon exercise of the warrants shall rank pari passu in all respects with the existing ordinary shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new ordinary shares arising from the exercise of the warrants.

As at 31 December 2021, the total number of warrants that remain unexercised were 214,338,821 units. The details of the warrants are disclosed in Note 19 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 there are no known bad debts 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 writing off of bad debts, or the 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
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 1.1.2021	Bonus issue	Bought	Sold	At 31.12.2021
Direct Interests					
Gan Hung Keng	2,348,166	2,348,166	–	–	4,696,332
Ong Weng Leong	2,195,900	2,195,900	–	–	4,391,800
Chan Thian Kiat	158,366	108,366	–	(266,700)	32
Tan Chuan Yong	331,666	231,666	–	(100,000)	463,332
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	55,000	40,000	–	(45,000)	50,000
Soo Yuit Weng	380,066	642,000	261,934	(60,000)	1,224,000
Soh Tong Hwa	737,766	737,766	–	–	1,475,532
Indirect Interests					
Gan Hung Keng *	67,533,490	67,703,490	170,000	–	135,406,980
Ong Weng Leong *	67,533,490	67,703,490	170,000	–	135,406,980
Soh Tong Hwa *	67,533,490	67,703,490	170,000	–	135,406,980
Cham Teck Kuang *	67,533,490	67,703,490	170,000	–	135,406,980
Hu Keqin *	67,533,490	67,703,490	170,000	–	135,406,980

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

	< ----------------------- Number of Warrants ----------------------- >				
	At 1.1.2021	Granted	Bought	Sold	At 31.12.2021
Warrants of the Company					
Direct Interests					
Gan Hung Keng	–	1,565,444	–	–	1,565,444
Ong Weng Leong	–	1,463,933	–	–	1,463,933
Chan Thian Kiat	–	72,244	–	(72,200)	44
Tan Chuan Yong	–	154,444	–	–	154,444
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	–	26,666	–	(26,666)	–
Soo Yuit Weng	–	428,000	–	(20,000)	408,000
Soh Tong Hwa	–	491,844	40,000	(40,000)	491,844
Indirect Interests					
Gan Hung Keng *	–	45,135,660	7,735,500	–	52,871,160
Ong Weng Leong *	–	45,135,660	7,735,500	–	52,871,160
Soh Tong Hwa *	–	45,135,660	7,735,500	–	52,871,160
Cham Teck Kuang *	–	45,135,660	7,735,500	–	52,871,160
Hu Keqin *	–	45,135,660	7,735,500	–	52,871,160

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

DIRECTORS' INTERESTS (CONT'D)

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 directors' remuneration as disclosed in Note 39(a) to the financial statements) 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 40 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.

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 39(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 RM15,000 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 44 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 31 to the financial statements.

Signed in accordance with a resolution of the directors dated 26 April 2022

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 131 to 249 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 2021 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 26 April 2022

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 131 to 249 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 26 April 2022

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 2021 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 131 to 249.

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 2021, 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 13 and 27 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;
- Assessed the management's assumptions in determining the liquidated and ascertained damages;
- Inspected documentation to support cost estimates made including contract variations and cost contingencies;
- Compared contract budgets to actual outcomes to assess the reliability of management's estimation;
- Verified actual progress billings issued and actual costs incurred for the financial year;
- Checked subsequent billings of contract assets; and
- Recomputed profit recognised and checked calculation of the percentage of completion.

Key Audit Matters (Cont'd)

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

Key Audit Matter

The balance of trade receivables amounted to approximately RM92.1 million of which approximately RM18.6 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 2021 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
03329/10/2023 J
Chartered Accountant

Kuala Lumpur

26 April 2022

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

		The Group		The Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	–	–	48,672	48,672
Property, plant and equipment	6	64,358	59,691	3,009	3,203
Right-of-use assets	7	5,655	4,366	–	–
Goodwill	8	6,449	6,356	–	–
Deferred tax assets	9	272	308	–	–
		76,734	70,721	51,681	51,875
CURRENT ASSETS					
Inventories	10	6,856	2,801	–	–
Trade receivables	11	92,136	74,208	2,482	1,479
Other receivables, deposits and prepayments	12	10,186	8,609	764	1,633
Contract assets	13	111,111	61,798	5,196	3,008
Amount owing by subsidiaries	14	–	–	10,066	9,634
Current tax assets		448	227	441	172
Fixed deposits with licensed banks	15	25,410	26,226	16,110	21,264
Cash and bank balances	16	81,087	105,753	9,759	4,374
		327,234	279,622	44,818	41,564
TOTAL ASSETS		403,968	350,343	96,499	93,439

Statements of Financial Position (cont'd)

	Note	The Group 2021 RM'000	The Group 2020 RM'000	The Company 2021 RM'000	The Company 2020 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	73,292	73,292	73,292	73,292
Treasury shares	18	(534)	(534)	(534)	(534)
Reserves	19	118,934	95,261	7,679	10,126
Equity attributable to the owners of the Company		191,692	168,019	80,437	82,884
Non-controlling interests	5	1,055	310	–	–
TOTAL EQUITY		192,747	168,329	80,437	82,884
NON-CURRENT LIABILITIES					
Deferred tax liabilities	9	777	218	–	–
Lease liabilities	20	2,679	2,134	–	–
Term loans	21	23,168	27,203	–	71
		26,624	29,555	–	71
CURRENT LIABILITIES					
Trade payables	22	94,042	72,017	5,841	2,026
Contract liabilities	13	30,854	29,772	78	96
Other payables and accruals	23	24,868	17,107	2,263	1,891
Amount owing to a subsidiary	14	–	–	3,878	3,789
Provisions	24	403	984	93	114
Lease liabilities	20	1,495	922	–	–
Short-term borrowings	25	29,019	28,067	3,909	2,568
Bank overdraft	26	160	188	–	–
Current tax liabilities		3,756	3,402	–	–
		184,597	152,459	16,062	10,484
TOTAL LIABILITIES		211,221	182,014	16,062	10,555
TOTAL EQUITY AND LIABILITIES		403,968	350,343	96,499	93,439

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 2021

		The Group		The Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
REVENUE	27	514,554	394,599	12,877	13,305
COST OF SALES	28	(429,306)	(335,805)	(13,069)	(11,320)
GROSS PROFIT/(LOSS)		85,248	58,794	(192)	1,985
OTHER INCOME	29	6,081	8,662	14,956	13,529
		91,329	67,456	14,764	15,514
SELLING AND DISTRIBUTION EXPENSES	30	(2,579)	(1,630)	(84)	(124)
ADMINISTRATIVE EXPENSES	31	(44,093)	(35,114)	(7,232)	(6,085)
OTHER EXPENSES	32	(2,231)	(2,310)	(304)	(439)
FINANCE COSTS	33	(2,635)	(2,476)	(195)	(186)
NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS	34	(4,097)	(4,981)	(1,751)	(62)
PROFIT BEFORE TAXATION		35,694	20,945	5,198	8,618
INCOME TAX (EXPENSE)/INCOME	35	(5,994)	(3,354)	157	(69)
PROFIT AFTER TAXATION		29,700	17,591	5,355	8,549
OTHER COMPREHENSIVE INCOME/(EXPENSES)					
Item that Will be Reclassified Subsequently to Profit or Loss					
Foreign currency translation differences		1,148	(338)	(1,372)	(1,149)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		30,848	17,253	3,983	7,400
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		28,958	17,504	5,355	8,549
Non-controlling interests		742	87	–	–
		29,700	17,591	5,355	8,549

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

		The Group		The Company	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
Owners of the Company		30,103	17,166	3,983	7,400
Non-controlling interests		745	87	–	–
		30,848	17,253	3,983	7,400
EARNINGS PER SHARE (SEN)	36				
- Basic		6.01	3.67		
- Diluted		6.01	3.67		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

				←Non-distributable		→	Distributable			
The Group	**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**	**Attributable to Owners of the Company RM'000**	**Non-controlling Interests RM'000**	**Total Equity RM'000**
Balance at 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	37	–	–	–	–	–	(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 Group	Note	Share Capital RM'000	Treasury Shares RM'000	Capital Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
		←Non-distributable→				Distributable			
Balance at 31.12.2020/1.1.2021		73,292	(534)	9,734	3,702	81,825	168,019	310	168,329
Profit after taxation for the financial year		–	–	–	–	28,958	28,958	742	29,700
Other comprehensive expenses for the financial year:									
- Foreign currency translation differences		–	–	–	1,145	–	1,145	3	1,148
Total comprehensive income for the financial year		–	–	–	1,145	28,958	30,103	745	30,848
Contributions by and distributions to owners of the Company:									
- Dividends	37	–	–	–	–	(6,430)	(6,430)	–	(6,430)
- Transfer of non-distributable reserve funds by a subsidiary		–	–	784	–	(784)	–	–	–
Total transactions with owners		–	–	784	–	(7,214)	(6,430)	–	(6,430)
Balance at 31.12.2021		73,292	(534)	10,518	4,847	103,569	191,692	1,055	192,747

Statements of Changes In Equity (cont'd)

The Company	Note	Share Capital RM'000	Treasury Shares RM'000	← Non-distributable → Capital Reserve RM'000	Employee Share Scheme Reserve RM'000	Exchange Fluctuation Reserve RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
Balance at 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	37	–	–	–	–	–	(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

Statements of Changes In Equity (cont'd)

The Company	Note	Share Capital RM'000	Treasury Shares RM'000	Capital Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
				←Non-distributable→		Distributable	
Balance at 31.12.2020/1.1.2021		73,292	(534)	1,044	(1,743)	10,825	82,884
Profit after taxation for the financial year		–	–	–	–	5,355	5,355
Other comprehensive expenses for the financial year:							
- Foreign currency translation differences		–	–	–	(1,372)	–	(1,372)
Total comprehensive income for the financial year		–	–	–	(1,372)	5,355	3,983
Distribution to owners of the Company/ Total transaction with owners:							
- Dividends	37	–	–	–	–	(6,430)	(6,430)
Balance at 31.12.2021		73,292	(534)	1,044	(3,115)	9,750	80,437

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES				
Profit before taxation	35,694	20,945	5,198	8,618
Adjustments for:-				
Bad debts written off	–	4	–	–
Current tax assets written off	–	30	–	–
Depreciation of property, plant and equipment	4,726	4,440	263	177
Depreciation of right-of-use assets	960	698	–	–
Impairment losses on financial assets and contract assets	4,097	4,981	1,751	62
Interest expense on lease liabilities	174	205	–	–
Other interest expenses	2,461	2,271	195	186
Loss on disposal of right-of-use assets	193	–	–	–
Loss on liquidation of a subsidiary	–	236	–	–
Property, plant and equipment written off	170	47	–	24
(Reversal of provision)/Provision for warranty costs	(397)	143	53	150
Share-based payments	–	419	–	(272)
Dividend income	–	–	(8,986)	(8,505)
Gain on disposal of property, plant and equipment	–	(2)	–	–
Interest income	(582)	(729)	(513)	(655)
Net reversal of provision for unutilised leave	(46)	(10)	–	–
Unrealised gain on foreign exchange	(1,681)	(1,224)	(1,472)	(1,102)
Write back of contract assets	–	(517)	–	–
Operating profit/(loss) before working capital changes	45,769	31,937	(3,511)	(1,317)
Increase in inventories	(3,848)	(2,218)	–	–
Increase in contract assets/(liabilities)	(46,045)	(13,273)	(2,627)	(2,288)
(Increase)/Decrease in trade and other receivables	(21,417)	17,953	(1,052)	509
Increase/(Decrease) in trade, other payables and provisions	26,479	15,874	3,909	(611)
Increase in amount owing by subsidiaries	–	–	518	354
Increase/(Decrease) in amount owing to subsidiaries	–	–	506	(3,401)
CASH FROM/(FOR) OPERATIONS	938	50,273	(2,257)	(6,754)
Income tax paid	(5,326)	(5,113)	(112)	(91)
Interest paid	(143)	(145)	(86)	(104)
Interest received	582	729	298	503
NET CASH (FOR)/FROM OPERATING ACTIVITIES	(3,949)	45,744	(2,157)	(6,446)

Statements of Cash Flows (cont'd)

	Note	The Group 2021 RM'000	The Group 2020 RM'000	The Company 2021 RM'000	The Company 2020 RM'000
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Additional investment in subsidiaries		–	–	–	(1,150)
Additions to right-of-use assets	38(a)	(243)	(74)	–	–
Advances to subsidiaries		–	–	(950)	(2,200)
Dividends received		–	–	8,986	8,505
Interest income received		–	–	215	152
Purchase of property, plant and equipment		(9,292)	(11,130)	(63)	(514)
Proceeds from disposal of property, plant and equipment		–	92	–	–
Proceeds from disposal of right-of-use assets		142	–	–	–
Net repayment from subsidiaries for employee share scheme		–	–	–	629
(Increase)/Decrease in pledged fixed deposits and bank balances with licensed banks		(3,287)	(1,237)	581	(662)
Withdrawal of fixed deposits with original maturity more than 3 months		–	304	–	–
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(12,680)	(12,045)	8,769	4,760
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Repayment of lease liabilities	38(b)	(1,214)	(918)	–	–
Net (repayment)/drawdown of invoice financing	38(b)	(4,668)	8,659	2,304	(643)
Net drawdown of revolving credit	38(b)	1,500	–	1,500	–
Net (repayment)/drawdown of term loans	38(b)	(2,133)	8,530	(2,670)	1,425
Net (repayment)/drawdown of bankers' acceptances	38(b)	(2,140)	2,140	–	–
Net drawdown of trust receipts	38(b)	3,339	–	–	–
Dividends paid	37	(6,430)	(4,820)	(6,430)	(4,820)
Interest paid	38(b)	(2,492)	(2,331)	(109)	(82)
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(14,238)	11,260	(5,405)	(4,120)

Statements of Cash Flows
(cont'd)

	Note	The Group 2021 RM'000	The Group 2020 RM'000	The Company 2021 RM'000	The Company 2020 RM'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(30,867)	44,959	1,207	(5,806)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		2,126	831	(395)	575
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		113,787	67,997	13,080	18,311
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	38(c)	85,046	113,787	13,892	13,080

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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 26 April 2022.

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)
Amendment to MFRS 16: Covid-19-Related Rent Concessions
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2

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 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 beyond 30 June 2021	1 April 2021
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information	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 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment 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 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 amount of property, plant and equipment as at the reporting date is disclosed in Note 6 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 which are subject to higher degree of estimation uncertainties due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in markets in which the Group operates. The carrying amount of goodwill as at the reporting date is disclosed in Note 8 to the financial statements.

(c) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 10 to the financial statements.

(d) Impairment of Trade Receivables and Contract Assets

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. 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 trade receivables and contract assets as at the reporting date are disclosed in Notes 11 and 13 to the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(e) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default (probability of default) and expected loss if a default happens (loss given default). 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 amounts owing by subsidiaries as at the reporting date are disclosed in Notes 12 and 14 to the financial statements respectively.

(f) Revenue Recognition for Construction Contracts

The Group recognises construction revenue by reference to the construction progress using the input method, determined based on the proportion of construction costs incurred for work performed to date over the estimated total construction costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists. The carrying amounts of contract assets and contract liabilities as at the reporting date are disclosed in Note 13 to the financial statements.

(g) Income Taxes

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

	The Group		**The Company**	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Current tax assets	448	227	441	172
Current tax liabilities	3,756	3,402	–	–

(h) Discount Rates used in Leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

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:-

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).

4.2 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

(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 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.

4.11 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.

4.12 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 IMPAIRMENT (CONT'D)

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 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.

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.

4.13 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 PROVISIONS (CONT'D)

(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.

4.14 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.

4.15 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 goodwill or 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 INCOME TAXES (CONT'D)

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.

4.16 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.

4.17 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.

4.18 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.

4.19 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 FAIR VALUE MEASUREMENTS (CONT'D)

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.

4.20 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.20 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

(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.

4.21 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 2021 RM'000	The Company 2020 RM'000
Unquoted shares, at cost:		
- in Malaysia	26,224	26,224
- outside Malaysia	22,618	22,618
	48,842	48,842
Accumulated impairment losses	(170)	(170)
	48,672	48,672
Unquoted shares, at cost:-		
At 1 January	48,842	47,630
Additions during the financial year:		
- outside Malaysia	–	1,150
Employee share scheme ("ESS") granted to employees of subsidiaries:		
- ESS granted	–	691
- ESS repayment	–	(629)
At 31 December	48,842	48,842

In the previous financial year, included in the investments in subsidiaries was an amount of approximately RM1,139,000 related to the ESS 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 2021 %	Percentage of Issued Share Capital Held by Parent 2020 %	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. #

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 2021 %	2020 %	Principal Activities
Subsidiaries of the Company (Cont'd)				
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.
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 2021 %	2020 %	Principal Activities
Subsidiaries of KESG				
Puritec Technologies (S) Pte. Ltd. ("PTS") *	Singapore	100	100	Provision of engineering services in clean energy system.
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	
	2021	2020	2021	2020
	%	%	RM'000	RM'000
KNSB Group	10	10	(89)	(88)
KASSB	45	45	147	101
AGSB Group	2.8	2.8	924	248
KESG Group:				
- KSP	10	10	41	44
CLSB	18	18	32	5
			1,055	310

(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.

6. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.1.2021 RM'000	Additions RM'000	Transfer From/(To) RM'000	Written Off RM'000	Exchange Fluctuation Differences RM'000	Depreciation Charges RM'000	At 31.12.2021 RM'000
2021							
Carrying amount							
Freehold land	4,030	–	–	–	–	–	4,030
Building	1,631	–	–	–	–	(43)	1,588
Motor vehicles	959	–	201	–	22	(189)	993
Office and computer equipment	1,732	688	–	(2)	32	(534)	1,916
Tools and equipment	4,804	1,063	200	(168)	73	(1,169)	4,803
Furniture, fittings and renovation	3,407	552	–	–	141	(445)	3,655
Plant and machinery	42,028	771	1,983	–	3	(2,346)	42,439
Capital work-in-progress	1,100	6,218	(2,384)	–	–	–	4,934
	59,691	9,292	–	(170)	271	(4,726)	64,358

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

The Group	At 1.1.2021 RM'000	Additions RM'000	Transfer From/(To) RM'000	Disposals RM'000	Written Off RM'000	Exchange Fluctuation Differences RM'000	Depreciation Charges RM'000	At 31.12.2021 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	985	20	–	(36)	15	(400)	1,732
Tools and equipment	5,208	764	21	(1)	–	58	(1,246)	4,804
Furniture, fittings and renovation	3,510	187	–	–	(3)	103	(390)	3,407
Plant and machinery	40,076	1,067	3,057	–	–	–	(2,172)	42,028
Capital work-in-progress	93	4,105	(3,098)	–	–	–	–	1,100
	52,959	11,130	–	(90)	(47)	179	(4,440)	59,691

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

	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
The Group			
2021			
Freehold land	4,030	–	4,030
Building	2,150	(562)	1,588
Motor vehicles	2,697	(1,704)	993
Office and computer equipment	4,343	(2,427)	1,916
Tools and equipment	14,234	(9,431)	4,803
Furniture, fittings and renovation	5,766	(2,111)	3,655
Plant and machinery	48,109	(5,670)	42,439
Capital work-in-progress	4,934	–	4,934
	86,263	(21,905)	64,358
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

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

The Company	At 1.1.2021 RM'000	Additions RM'000	Exchange Fluctuation Difference RM'000	Depreciation Charges RM'000	At 31.12.2021 RM'000
2020					
Carrying Amount					
Freehold land	1,300	–	–	–	1,300
Building	896	–	–	(28)	868
Motor vehicles	12	–	1	(6)	7
Office and computer equipment	579	48	–	(138)	489
Tools and equipment	87	15	4	(46)	60
Furniture, fittings and renovation	329	–	1	(45)	285
	3,203	63	6	(263)	3,009

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

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

The Company	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
2021			
Freehold land	1,300	–	1,300
Building	1,400	(532)	868
Motor vehicles	167	(160)	7
Office and computer equipment	932	(443)	489
Tools and equipment	761	(701)	60
Furniture, fittings and renovation	911	(626)	285
	5,471	(2,462)	3,009
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	(2,208)	3,203

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	Disposals RM'000	Depreciation Charges RM'000	Exchange Fluctuation Differences RM'000	At 31.12.2020 RM'000
2020						
Carrying Amount						
Leasehold land	–	147	–	(1)	–	146
Office premises	66	1,297	–	(282)	1	1,082
Warehouse	112	83	–	(168)	2	29
Motor vehicles	4,188	1,036	(335)	(509)	18	4,398
	4,366	2,563	(335)	(960)	21	5,655

	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

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

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

(i)	Leasehold land	The Group has entered into 1 (2020 - Nil) non-cancellable operating lease agreement for the use of land. The lease is for a period of 60 years. The lease does not allow the Group to assign, transfer or sublease or create any charge, lien or trust in respect of or dispose of the whole or any part of the land. A tenancy is, however, allowed with the consent of the lessor.
(ii)	Office premises	The Group has leased a number of office premises between 1 and 2 (2020 - 1 and 2) years, with an option to renew the lease after that date. The Group is not allowed to sublease the office premises.
(iii)	Warehouse	The Group has leased a warehouse for 2 (2020 - 2) years, with an option to renew the lease after that date.
(iv)	Motor vehicles	The Group has leased its motor vehicles under hire purchases arrangements. The leases are secured by the leased assets. The Group has an option to purchase the asset at the expiry of the lease period at an insignificant amount.

8. GOODWILL

	The Group	
	2021 RM'000	2020 RM'000
At 1 January	6,356	6,360
Foreign exchange adjustments	93	(4)
At 31 December	6,449	6,356

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

	The Group	
	2021 RM'000	2020 RM'000
PTS:		
- provision of engineering services in clean energy system	6,219	6,126
Other cash-generating units without significant goodwill	230	230
	6,449	6,356

8. GOODWILL (CONT'D)

(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**	
2021	**2020**	**2021**	**2020**	**2021**	**2020**
15%	15%	3% to 6%	3% to 18%	13.53%	8.88%

(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	
	2021	**2020**
	RM'000	**RM'000**
Deferred Tax Assets		
At 1 January	308	1,350
Recognised in Profit or Loss (Note 35)	(55)	(1,093)
Effect of foreign exchange translation	19	51
At 31 December	272	308
Deferred Tax Liabilities		
At 1 January	218	92
Recognised in Profit or Loss (Note 35)	559	126
At 31 December	777	218

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

	The Group	
	2021	**2020**
	RM'000	**RM'000**
Contract liabilities	272	308
Accelerated capital allowances	(777)	(218)

10. INVENTORIES

	The Group	
	2021	**2020**
	RM'000	**RM'000**
Materials for contracts	5,940	2,183
Industrial gases	916	618
	6,856	2,801
<u>Recognised in profit or loss:-</u>		
Inventories recognised as cost of sales	6,257	4,390

11. TRADE RECEIVABLES

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade receivables	107,727	85,389	3,597	1,509
Allowance for impairment losses	(15,591)	(11,181)	(1,115)	(30)
	92,136	74,208	2,482	1,479
Allowance for impairment losses:-				
At 1 January	(11,181)	(6,660)	(30)	(18)
Additions during the financial year (Note 34)	(4,326)	(4,763)	(1,095)	(11)
Reversal during the financial year (Note 34)	128	401	–	1
Effect of foreign exchange translation	(212)	(159)	10	(2)
At 31 December	(15,591)	(11,181)	(1,115)	(30)

(a) The Group's normal trade credit terms range from 30 to 120 (2020 - 30 to 120) days. Other credit terms are assessed and approved on a case-by-case basis.

(b) Included in trade receivables of the Group and of the Company at the end of the reporting period is an amount of approximately RM8,549,000 and RM25,000 (2020 - RM942,000 and RM24,000), being project retention sums to be received from customers in accordance with the terms of respective contracts.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

		The Group		The Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Other receivables:-					
Third parties		3,358	1,718	8	8
Advances paid to a supplier	(a)	1,816	3,561	–	–
Goods and Services Tax ("GST") recoverable		491	80	–	–
		5,665	5,359	8	8
Deposits		1,592	1,815	126	904
Prepayments		2,929	1,435	630	721
		10,186	8,609	764	1,633

(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.

13. CONTRACT ASSETS/(LIABILITIES)

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Contract Assets				
Contract assets relating to construction contracts	112,054	62,787	5,902	3,059
Allowance for impairment losses	(943)	(989)	(706)	(51)
	111,111	61,798	5,196	3,008
Allowance for impairment losses:-				
At 1 January	(989)	(363)	(51)	–
Addition during the financial year (Note 34)	(656)	(619)	(656)	(52)
Reversal during the financial year (Note 34)	757	–	–	–
Effect of foreign exchange translation	(55)	(7)	1	1
At 31 December	(943)	(989)	(706)	(51)
Contract Liabilities				
Contract liabilities relating to construction contracts	(30,854)	(29,772)	(78)	(96)

(a) The contract assets primarily relate to the Group's right to consideration for 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 RM6,167,000 and Nil (2020 - RM3,218,000 and RM334,000) respectively. The retention sums are to be collected in accordance with the term of the respective contracts.

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

13. 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 January	32,026	18,368	2,912	643
Revenue recognised in profit or loss during the financial year (Note 27)*	474,353	369,881	12,877	13,305
Billings to customers during the financial year	(430,750)	(357,064)	(10,377)	(10,995)
Reversal of impairment losses/ (Impairment losses) on contract assets (Note 34)	101	(619)	(656)	(52)
Write back of contract assets (Note 29)	–	517	–	–
Foreign exchange adjustments	4,527	943	362	11
At 31 December	80,257	32,026	5,118	2,912
Represented by:-				
Contract assets	111,111	61,798	5,196	3,008
Contract liabilities	(30,854)	(29,772)	(78)	(96)
	80,257	32,026	5,118	2,912

* - Included amount of approximately RM23,102,000 and RM70,000 (2020 - RM30,515,000 and RM257,000) of the Group and the Company that were included in contract liabilities at the beginning of the financial year.

(d) Revenue expected to be recognised in the future relating to performance obligations that are partially or unsatisfied as at the reporting date is summarised below:-

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Within 1 year	595,873	243,404	10,277	4,025
Between 1 and 2 years	251,381	23,068	1,854	215
	847,254	266,472	12,131	4,240

13. 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Direct contract costs	370,807	293,195	12,599	10,809
Depreciation of property, plant and equipment	841	987	57	54
Staff costs:				
- salaries, wages, bonuses, allowances and others	28,989	23,922	413	457
- defined contribution plan	3,918	2,245	–	–
Total contract costs (Note 28)	404,555	320,349	13,069	11,320

14. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	The Company	
	2021 RM'000	2020 RM'000
Amount owing by:-		
Non-trade balances:		
- interest-free	4,381	4,899
- interest bearing ranging from 3.39% to 3.69% (2020 - 3.39% to 4.39%)	6,150	5,200
	10,531	10,099
Allowance for impairment losses	(465)	(465)
	10,066	9,634
Amount owing to:-		
Non-trade balances:		
- interest-free	(3,878)	(3,789)

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Effective interest rates (%)	1.25 - 3.50	1.25 - 3.50	1.25 - 2.65	1.25 - 3.00
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 RM18,064,000 and RM11,977,000 (2020 - RM15,466,000 and RM12,558,000) 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 RM3,227,000 (2020 - RM2,538,000) which has been pledged to a licensed bank as security for banking facilities granted to the Group.

17. SHARE CAPITAL

	The Group/The Company			
	2021 Number Of Shares	2020 Number Of Shares	2021 RM'000	2020 RM'000
Issued And Fully Paid-Up				
Ordinary shares				
At 1 January	322,623,476	311,459,126	73,292	71,276
Bonus issue	322,623,476	–	–	–
New shares issued under ESS for cash (Note 19(c))	–	11,164,350	–	2,016
At 31 December	645,246,952	322,623,476	73,292	73,292

(a) During the financial year, the Company increased its issued and fully paid-up number of ordinary shares from 322,623,476 to 645,246,952 by issuance of 322,623,476 bonus shares at no consideration together with 214,333,821 free detachable warrants on the basis of 1 bonus share together with 1 warrant for every 3 existing ordinary shares held on 2 July 2021.

(b) In the previous 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.

(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 2017, granted their approval for the Company's plan to resale its own ordinary shares. The directors of the Company are committed to enhance the value of 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 645,246,952 (2020 - 322,623,476) issued and fully paid-up ordinary shares at the end of the reporting period, 2,239,800 (2020 - 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	
		2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Non-distributable reserves:-	Note				
Capital reserve	(a)	10,518	9,734	1,044	1,044
Exchange fluctuation reserve	(b)	4,847	3,702	(3,115)	(1,743)
		15,365	13,436	(2,071)	(699)
Distributable reserve:-					
Retained profits		103,569	81,825	9,750	10,825
		118,934	95,261	7,679	10,126

(a) Capital Reserve

	The Group		The Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Capital reserve is represented by:-				
Transfer of non-distributable reserve funds by a subsidiary	2,272	1,488	–	–
Bonus shares issued by:				
- branch	1,044	1,044	1,044	1,044
- subsidiaries	7,202	7,202	–	–
	10,518	9,734	1,044	1,044

19. RESERVES (CONT'D)

(a) Capital Reserve (Cont'd)

According to the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of a 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 against losses or be converted into paid-up share capital.

(b) Exchange Fluctuation Reserve

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries and a foreign branch whose functional currencies are different from the Group's presentation currency.

(c) ESS Reserve

The ESS reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options and is reduced by the expiry or exercise of the share options.

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

The main features of ESS are as follows:-

1. The ESS shall be in force for a period of five (5) years and may be extended by the Board at its absolute discretion, without having to obtain the approval of its shareholders, for up to another five (5) years immediately from the expiry of the first five (5) years, and shall not in aggregate exceed ten (10) years from the effective date of implementation of the ESS, being the date of full compliance with all relevant provision of the Listing Requirements of Bursa Securities in relation to the ESS;

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.

19. RESERVES (CONT'D)

(c) ESS Reserve (Cont'd)

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. In the previous financial year, the fair value of the share options measured at grant date and the assumptions used were as follows:-

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

* - Not applicable as the shares will be awarded upon vesting to the eligible employees without any cash consideration, upon achieving the applicable performance measurements.

In the previous financial year, the expenses recognised for employee services received were as follows:-

	The Group 2020 RM'000	**The Company 2020 RM'000**
Overcharged of equity-settled share-based payment	419	–
Expenses arising from equity-settled share-based payment transaction	–	(272)

In the previous financial year, the exercise price and the details in the movement of the options granted were 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)	–

19. RESERVES (CONT'D)

(d) Warrant

On 26 July 2021, the Company issued 214,338,821 warrants pursuant to bonus issue of warrants to all the entitled shareholders of the Company on the basis of one (1) warrant for every three (3) existing ordinary shares held in the Company.

The warrants are constituted under a Deed Poll dated 31 May 2021 and each warrant entitles the registered holder the right at any time during the exercise period from 26 July 2021 to 24 July 2026 to subscribe in cash for one new ordinary share of the Company at an exercise price of RM1.38 each.

As at 31 December 2021, the total number of warrants that remain unexercised were 214,338,821 units.

Salient features of the Warrants 2021/2026 are as follows:-

(i) Each warrant will entitle the registered holder to subscribe for 1 new ordinary share in the Company at an exercise price of RM 1.38 each subject to adjustment in accordance with the conditions stipulated in the Deed Poll.

(ii) The warrants may be exercised at any time on or before the maturity date falling five years (2021/2026) from the date of issue of the warrants on 26 July 2021. Warrants not exercised after the exercise period will thereafter lapse and cease to be valid.

(iii) The new shares 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 ordinary shares; and

(iv) 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 warrants for new ordinary shares.

20. LEASE LIABILITIES

	The Company	
	2021	2020
	RM'000	RM'000
At 1 January	3,056	3,283
Addition during the financial year (Note 38(a))	2,320	691
Interest expense recognised in profit or loss (Note 33)	174	205
Repayment of principal	(1,214)	(918)
Repayment of interest expenses	(174)	(205)
Effect of foreign exchange translation	12	–
At 31 December	4,174	3,056
Analysed by:-		
Current liabilities	1,495	922
Non-current liabilities	2,679	2,134
	4,174	3,056

21. TERM LOANS

	The Group		The Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Current liabilities (Note 25)	8,874	6,869	–	2,496
Non-current liabilities	23,168	27,203	–	71
	32,042	34,072	–	2,567

(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. 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;
iv. debenture incorporating fixed and floating charge over all present and future assets of the Group; and
v. a corporate guarantee 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	
	2021	2020	2021	2020
	%	%	RM'000	RM'000
Fixed rate term loans	3.09 - 6.53	3.32 - 6.53	3,416	4,633
Floating rate term loans	4.08 - 4.95	4.84 - 4.95	28,626	29,439
			32,042	34,072

	Effective Interest Rate		The Company	
	2021	2020	2021	2020
	%	%	RM'000	RM'000
Fixed rate term loans	–	3.32 - 3.45	–	2,567

22. TRADE PAYABLES

The normal trade credit terms granted to the Group and the Company range from 30 to 90 (2020 - 30 to 60) days.

23. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Other payables:-				
Third parties	2,505	2,663	20	396
Advances received from customers	3,993	793	–	–
Goods and Services Tax payables	79	2,253	–	–
	6,577	5,709	20	396
Accruals	18,291	11,398	2,243	1,495
	24,868	17,107	2,263	1,891

24. PROVISIONS

		The Group 2021 RM'000	The Group 2020 RM'000	The Company 2021 RM'000	The Company 2020 RM'000
Provision for warranty costs	(i)	354	889	93	114
Provision for unutilised leave	(ii)	3	49	–	–
Provision for decommission liability	(iii)	46	46	–	–
		403	984	93	114

	Note	The Group 2021 RM'000	The Group 2020 RM'000	The Company 2021 RM'000	The Company 2020 RM'000
Provision for warranty costs:-	(i)				
At 1 January		889	923	114	66
Addition during the financial year		168	304	53	150
Utilised during the financial year		(142)	(184)	(69)	(105)
Reversal during the financial year		(565)	(161)	–	–
Effect of foreign exchange translation		4	7	(5)	3
At 31 December	(a)	354	889	93	114
Provision for unutilised leave:-	(ii)				
At 1 January		49	59	–	–
Addition during the financial year		3	49	–	–
Reversal during the financial year		(49)	(59)	–	–
At 31 December		3	49	–	–
Provision for decommission liability:-	(iii)				
At 1 January		46	46	–	–
Addition during the financial year		–	–	–	–
At 31 December	(b)	46	46	–	–
		403	984	93	114

24. PROVISIONS (CONT'D)

(a) 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.

(b) 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 (2020 - 2 to 6) years. The discount rate used to determine the obligation as at the reporting date was 3.05% (2020 - 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Term loans (Note 21)	8,874	6,869	–	2,496
Invoice financing	15,306	19,058	2,409	72
Bankers' acceptances	–	2,140	–	–
Trust receipts	3,339	–	–	–
Revolving credit	1,500	–	1,500	–
	29,019	28,067	3,909	2,568

(a) The invoice financing, bankers' acceptances, trust receipts and revolving credit 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	
	2021 %	2020 %	2021 %	2020 %
Invoice financing	2.41 - 3.60	2.36 - 3.60	3.57	3.30
Bankers' acceptances	–	3.47 - 3.51	–	–
Trust receipts	2.67 - 2.73	–	–	–
Revolving credit	3.16	–	3.16	–

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 trust receipts are secured by corporate guarantee of the Company.

(d) The revolving credit is 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; and
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.

(e) In the previous financial year, the bankers' acceptances are secured by corporate guarantee of the Company.

26. BANK OVERDRAFT

(a) The bank overdraft of the Group is secured by corporate guarantee of the Company.

(b) The bank overdraft of the Group at the end of the reporting period bore floating interest rate at 6.35% (2020 - 6.35%) per annum.

27. REVENUE

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue from contracts with customers				
Recognised over time				
Contract revenue (Note 13)	474,353	369,881	12,877	13,305
Recognised at a point in time				
Sale of goods	39,126	23,943	–	–
Services	1,075	775	–	–
	40,201	24,718	–	–
	514,554	394,599	12,877	13,305

(a) The information on the disaggregation of revenue by geographical market is disclosed in Note 41.2 to the financial statements.

(b) The information on the unsatisfied performance obligations is disclosed in Note 13(d) to the financial statements.

28. COST OF SALES

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Contract costs (Note 13)	404,555	320,349	13,069	11,320
Depreciation of property, plant and equipment	2,734	2,523	–	–
Depreciation of right-of-use assets	218	188	–	–
Staff costs:				
- salaries, wages, bonuses, allowances and others	4,294	2,368	–	–
- defined contribution plan	242	115	–	–
Others	17,263	10,262	–	–
	429,306	335,805	13,069	11,320

29. OTHER INCOME

Included in other income are the following items:-

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
COVID-19-related subsidies from government	2,206	4,409	5	22
Dividend income from subsidiaries	–	–	8,986	8,505
Gain on foreign exchange:				
- realised	30	169	1	50
- unrealised	1,812	1,264	1,472	1,102
Gain on disposal of property, plant and equipment	–	2	–	–
Interest income on financial assets measured at amortised cost:				
- financial institutions	582	729	298	503
- a subsidiary	–	–	215	152
Lease income from property	–	–	229	226
Management fees	–	–	3,639	2,937
Write back of contract assets	–	517	–	–

30. SELLING AND DISTRIBUTION EXPENSES

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

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Entertainment	1,323	654	54	68
Travelling expenses	611	401	30	56
Staff costs:				
- salaries, wages, bonuses, allowances and others	405	439	–	–
- defined contribution plan	39	29	–	–

31. ADMINISTRATIVE EXPENSES

Included in administrative expenses are the following items:-

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Auditors' remuneration:				
- audit fees:				
- Crowe Malaysia PLT:				
- statutory audit for the financial year	249	258	123	125
- underprovision in the previous financial year	(1)	2	–	–
- overseas affiliates of Crowe Malaysia PLT	30	29	30	29
- other auditors:				
- statutory audit for the financial year	189	177	–	–
- non-audit fees:				
- auditor of the Company	5	5	5	5
Directors' remuneration (Note 39(a))	4,604	4,598	2,644	2,641
Lease expenses:				
- short-term leases	933	945	189	214
- low-value assets	8	8	–	–
Legal and professional fees	4,028	3,915	358	–
Provision for unutilised leave	3	49	–	–
Reversal of provision for unutilised leave	(49)	(59)	–	–
Research expenses	3,570	4,158	–	–
Staff costs (including other key management personnel as disclosed in Note 39(b)):				
- salaries, wages, bonuses, allowances and others	23,513	14,658	2,547	2,036
- defined contribution plan	1,751	927	150	122
- share-based payments	–	231	–	(362)

32. OTHER EXPENSES

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Bad debts written off	–	4	–	–
Current tax assets written off	–	30	–	–
Depreciation:				
- property, plant and equipment	1,151	930	206	123
- right-of-use assets	742	510	–	–
Loss on disposal of right-of-use assets	193	–	–	–
Loss on liquidation of a subsidiary	–	236	–	–
Loss on foreign exchange:				
- realised	241	370	45	142
- unrealised	131	40	–	–
Property, plant and equipment written off	170	47	–	24
Provision for warranty costs	168	304	53	150
Reversal of provision for warranty costs	(565)	(161)	–	–
	2,231	2,310	304	439

33. FINANCE COSTS

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest expense on financial liabilities that are not at fair value through profit or loss:				
- bank overdraft	18	21	1	–
- bankers' acceptances	45	43	–	–
- invoice financing	794	389	–	–
- revolving credits	19	6	19	6
- term loans	1,420	1,688	90	76
- trust receipts	40	–	–	–
- others	125	124	85	104
Interest expense on lease liabilities	174	205	–	–
	2,635	2,476	195	186

34. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Impairment losses:				
- Trade receivables (Note 11)	4,326	4,763	1,095	11
- Contract assets (Note 13)	656	619	656	52
Reversal of impairment losses:				
- Trade receivables (Note 11)	(128)	(401)	–	(1)
- Contract assets (Note 13)	(757)	–	–	–
	4,097	4,981	1,751	62

35. INCOME TAX EXPENSE

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Income tax:				
- Malaysian tax	3,298	3,847	–	157
- Foreign tax	3,207	119	–	–
	6,505	3,966	–	157
Under/(Over)provision in the previous financial year:				
- Malaysian tax	(1,354)	(269)	(157)	(88)
- Foreign tax	229	(1,562)	–	–
	(1,125)	(1,831)	(157)	(88)
	5,380	2,135	(157)	69
Deferred tax (Note 9):				
- Origination and reversal of temporary differences	867	1,219	–	–
- Overprovision in the previous financial year	(253)	–	–	–
	614	1,219	–	–
	5,994	3,354	(157)	69

35. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before taxation	35,694	20,945	5,198	8,618
Tax at Malaysian statutory tax rate of 24% (2020 - 24%)	8,567	5,027	1,248	2,068
Tax effects of:-				
Differential in tax rates	(1,120)	(264)	49	(59)
Non-deductible expenses	2,126	1,313	1,217	380
Tax-exempt income	(58)	–	–	–
Non-taxable gains	(1,022)	(1,743)	(2,326)	(2,319)
Overprovision in the previous financial year:				
- current tax	(1,125)	(1,831)	(157)	(88)
- deferred tax	(253)	–	–	–
Deferred tax assets not recognised during the current financial year	547	1,192	109	127
Utilisation of deferred tax assets not recognised in the previous financial year	(1,668)	(340)	(297)	(40)
Income tax expense for the financial year	5,994	3,354	(157)	69

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2020 - 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.

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

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deferred tax assets:				
- unabsorbed capital allowances	–	–	45	–
- unused tax losses	1,531	8,823	3,139	4,266
- provision of bonus	3,484	2,014	1,474	1,176
- others	9,457	8,307	–	–
	14,472	19,144	4,658	5,442

35. INCOME TAX EXPENSE (CONT'D)

For the Malaysia entities, the unused tax losses and unabsorbed export allowances are allowed to be utilised for 10 (2020 - 7) consecutive years of assessment ("YA") while unabsorbed capital allowances are allowed to be carried forward indefinitely.

The Group's unused tax losses of RM996,000, RM254,000 and RM47,000 can be carried forward up to YA 2028, YA 2029 and YA 2031 respectively (2020 - RM4,033,000, RM1,602,000 and RM18,000 can be carried forward up to YA 2025, YA 2026 and YA 2027 respectively).

The used 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.

36. EARNINGS PER SHARE

	The Group	
	2021	**2020**
Profit attributable to owners of the Company (RM'000)	28,958	17,504
Number of shares in issue as of 1 January	322,623,476	317,418,858
Effects through:		
- bonus issue*	161,431,272	161,431,272
- treasury shares	(2,239,800)	(2,239,800)
Weighted average number of ordinary shares for basic earnings per share computation	481,814,948	476,610,330
Basic earnings per ordinary share attributable to owners of the Company (sen)	6.01	3.67

* - The comparative figure for the weighted average number of ordinary shares in issue has been restated to reflect the adjustments arising from bonus issue, which were completed on 2 July 2021.

The potential conversion of warrants is anti-dilutive as its exercise price is higher than the average market price of the Company's ordinary shares during the current financial year and hence, the diluted earnings per share is equal to the basic earnings per share.

37. DIVIDENDS

	The Group/ The Company 2021 RM'000	2020 RM'000
Paid:-		
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
Interim dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2020	3,215	–
Interim dividend of 0.5 sen per ordinary share in respect of the financial year ended 31 December 2021	3,215	–
	6,430	4,820

38. CASH FLOW INFORMATION

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

	The Group 2021 RM'000	2020 RM'000	The Company 2021 RM'000	2020 RM'000
Right-of-use assets				
Cost of right-of-use assets acquired (Note 7)	2,563	765	–	–
Addition of new lease liabilities (Note (b) below)	(2,320)	(691)	–	–
	243	74	–	–

38. 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	Trust Receipts RM'000	Total RM'000
The Group							
2021							
At 1 January	3,056	19,058	–	2,140	34,072	–	58,326
Changes in Financing Cash Flows							
Proceeds from drawdown	–	20,433	1,500	–	2,849	5,096	29,878
Repayment of principal	(1,214)	(25,101)	–	(2,140)	(4,982)	(1,757)	(35,194)
Repayment of interests	(174)	(794)	(19)	(45)	(1,420)	(40)	(2,492)
	(1,388)	(5,462)	1,481	(2,185)	(3,553)	3,299	(7,808)
Non-cash Changes							
Acquisition of new leases (Note (a) above)	2,320	–	–	–	–	–	2,320
Interest expense recognised in profit or loss	174	794	19	45	1,420	40	2,492
Foreign exchange adjustments	12	916	–	–	103	–	1,031
	2,506	1,710	19	45	1,522	40	5,843
At 31 December	4,174	15,306	1,500	–	32,042	3,339	56,361

38. CASH FLOW INFORMATION (CONT'D)

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

	Lease Liabilities RM'000	Invoice Financing RM'000	Revolving Credit RM'000	Bankers' Acceptances 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	–	483	–	–	50	533
	896	871	6	43	1,738	3,555
At 31 December	3,056	19,058	–	2,140	34,072	58,326

38. CASH FLOW INFORMATION (CONT'D)

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

	Invoice Financing RM'000	Revolving Credit RM'000	Terms Loans RM'000	Total RM'000
The Company				
2021				
At 1 January	72	–	2,567	2,639
Changes in Financing Cash Flows				
Proceeds from drawdown	2,378	1,500	–	3,878
Repayment of principal	(74)	–	(2,670)	(2,744)
Repayment of interests	–	(19)	(90)	(109)
	2,304	1,481	(2,760)	1,025
Non-cash Changes				
Interest expense recognised in profit or loss	–	19	90	109
Foreign exchange adjustments	33	–	103	136
	33	19	193	245
At 31 December	2,409	1,500	–	3,909

38. CASH FLOW INFORMATION (CONT'D)

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

	Invoice Financing RM'000	Revolving Credit 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	81
	31	6	126	163
At 31 December	72	–	2,567	2,639

38. CASH FLOW INFORMATION (CONT'D)

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

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed deposits with licensed banks	25,410	26,226	16,110	21,264
Cash and bank balances	81,087	105,753	9,759	4,374
Bank overdrafts	(160)	(188)	–	–
	106,337	131,791	25,869	25,638
Less: Bank balance pledged to licensed bank (Note 16)	(3,227)	(2,538)	–	–
Less: Fixed deposits pledged to licensed banks (Note 15)	(18,064)	(15,466)	(11,977)	(12,558)
	85,046	113,787	13,892	13,080

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

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Payment of short-term leases	933	945	189	214
Payment of low-value assets	8	8	–	–
Interest paid on lease liabilities	174	205	–	–
Payment of lease liabilities	1,214	918	–	–
	2,329	2,076	189	214

39. 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(a) Directors of the Company:-				
Short-term employee benefits:				
- fee	233	233	233	233
- salaries, bonuses and other benefits	4,152	3,893	2,266	2,178
Defined contribution benefits	219	284	145	140
Share-based payments	–	188	–	90
	4,604	4,598	2,644	2,641

The estimated monetary value of benefits-in-kind provided by the Group and the Company to the directors of the Group and of the Company were RM71,250 (2020 - RM53,750) and RM50,000 (2020 - RM32,500).

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(b) Other key management personnel:-				
Short-term employee benefits:				
- salaries, bonuses and other benefits	5,163	3,947	921	675
Defined contribution benefits	220	197	66	36
Share-based payments	–	262	–	59
	5,383	4,406	987	770

The estimated monetary value of benefits-in-kind provided by the Group and the Company to the other key management personnel were approximately RM6,000 (2020 - RM9,000) and RM6,000 (2020 - RM9,000).

40. 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	
	2021 RM'000	**2020 RM'000**
Dividend from subsidiaries	8,986	8,505
Management fees from subsidiaries	3,639	2,937
Interest charged to a subsidiary	215	152
Rental charged to subsidiaries	229	226

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

41. 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.

41. OPERATING SEGMENTS (CONT'D)

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Income taxes were managed on a group basis and were not allocated to operating segments.

Assets, liabilities, and expenses which were common and cannot be meaningfully allocated to the operating segments were presented under unallocated items. Unallocated items comprise mainly current tax assets, current tax liabilities, deferred tax assets and deferred tax liabilities.

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

41.1 BUSINESS SEGMENTS

	Service Segment RM'000	Manufacturing and Trading Segment RM'000	Construction Segment RM'000	The Group RM'000
2021				
Revenue				
External revenue	1,075	39,126	474,353	514,554
Inter-segment revenue	125	14,937	2,429	17,491
	1,200	54,063	476,782	532,045
Consolidated adjustments				(17,491)
				514,554
Represented by:-				
Revenue recognised at a point of time				
- Services	1,200	–	–	1,200
- Sale of goods	–	54,063	–	54,063
Revenue recognised over time				
- Contract revenue	–	–	476,782	476,782
	1,200	54,063	476,782	532,045
				(17,491)
				514,554

41. OPERATING SEGMENTS (CONT'D)

41.1 BUSINESS SEGMENTS (CONT'D)

	Service Segment RM'000	Manufacturing and Trading Segment RM'000	Construction Segment RM'000	The Group RM'000
2021				
Results				
Segment profit before interest and taxation	356	7,496	40,162	48,014
Interest income				582
Finance costs				(2,635)
				45,961
Consolidated adjustments				(10,267)
Consolidated profit before taxation				35,694
Income tax expense				(5,994)
Consolidated profit after taxation				29,700
Segment profit includes the following:-				
Interest income	–	9	573	582
Finance costs	–	(1,536)	(1,099)	(2,635)
Unrealised gain/(loss) on foreign exchange	–	(63)	1,744	1,681
Impairment losses on financial assets and contract assets	(1)	(1,056)	(3,925)	(4,982)
Reversal of impairment losses on financial assets and contract assets	–	25	860	885
Depreciation of property, plant and equipment	(96)	(2,844)	(1,786)	(4,726)
Depreciation of right-of-use assets	–	(326)	(634)	(960)

41. OPERATING SEGMENTS (CONT'D)

41.1 BUSINESS SEGMENTS (CONT'D)

	Service Segment RM'000	Manufacturing and Trading Segment RM'000	Construction Segment RM'000	The Group RM'000
2021				
Assets				
Segment assets	3,986	86,298	330,892	421,176
Unallocated assets:				
- Current tax assets				448
- Deferred tax assets				272
Consolidation adjustments				(17,928)
				403,968
Additions to non-current assets other than financial instruments and deferred tax assets are:				
- Property, plant and equipment	862	6,208	2,222	9,292
- Right-of-use assets	–	729	1,834	2,563
Liabilities				
Segment liabilities	3,397	55,623	164,899	223,919
Unallocated liabilities:				
- Current tax liabilities				3,756
- Deferred tax liabilities				777
Consolidation adjustments				(17,231)
				211,221

41. OPERATING SEGMENTS (CONT'D)

41.1 BUSINESS SEGMENTS (CONT'D)

	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:-				
<u>Revenue recognised at a point of time</u>				
- Services	813	–	–	813
- Sale of goods	–	40,315	–	40,315
<u>Revenue recognised over time</u>				
- Contract revenue	–	–	371,819	371,819
	813	40,315	371,819	412,947
				(18,348)
				394,599

41. OPERATING SEGMENTS (CONT'D)

41.1 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)

41. OPERATING SEGMENTS (CONT'D)

41.1 BUSINESS SEGMENTS (CONT'D)

	Service Segment RM'000	Manufacturing and Trading Segment RM'000	Construction Segment RM'000	The Group RM'000
2021				
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

41. OPERATING SEGMENTS (CONT'D)

41.2 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
The Group				
Malaysia	199,109	122,913	61,644	57,293
Singapore	169,454	127,451	11,367	9,158
Taiwan	13,361	14,816	104	133
PRC	129,217	124,706	3,347	3,829
Vietnam	–	3,601	–	–
Indonesia	–	729	–	–
Philippines	3,413	383	–	–
	514,554	394,599	76,462	70,413

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

	At A Point In Time		Over Time		The Group	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
The Group						
Malaysia	21,721	17,118	177,388	105,834	199,109	122,952
Singapore	10,045	3,955	159,409	123,457	169,454	127,412
Taiwan	497	1,511	12,864	13,305	13,361	14,816
PRC	4,525	1,751	124,692	122,955	129,217	124,706
Vietnam	–	–	–	3,601	–	3,601
Indonesia	–	–	–	729	–	729
Philippines	3,413	383	–	–	3,413	383
	40,201	24,718	474,353	369,881	514,554	394,599

41. OPERATING SEGMENTS (CONT'D)

41.3 MAJOR CUSTOMERS

The major customers with revenue equal or more than 10% of the Group's revenue is Nil (2020 - Nil).

42. CAPITAL COMMITMENTS

	The Group		The Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Purchase of property, plant and equipment	2,038	1,723	–	–

43. 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.

43.1 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"), 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.

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 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
2021						
Financial Assets						
Trade receivables	16,805	2,044	2,482	14,502	–	–
Other receivables	2,231	–	8	373	–	–
Fixed deposits with licensed banks	–	1,370	–	–	–	–
Cash and bank balances	24,395	2,691	1,761	27,177	1	2
	43,431	6,105	4,251	42,052	1	2
Financial Liabilities						
Lease liabilities	–	–	–	(1,554)	–	–
Term loans	–	–	–	(1,851)	–	–
Invoice financing	(7,628)	–	(2,409)	–	–	–
Trade payables	(30,131)	(8,452)	(5,599)	(12,027)	–	–
Other payables and accruals	(4,712)	(5)	(329)	(8,851)	(13)	–
	(42,471)	(8,457)	(8,337)	(24,283)	(13)	–
Net financial assets/(liabilities)	960	(2,352)	(4,086)	17,769	(12)	2
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(2,021)	–	4,086	(13,235)	12	–
Net currency exposure	(1,061)	(2,352)	–	4,534	–	2

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 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	PESO RM'000	EUR RM'000
2020						
Financial Assets						
Trade receivables	9,268	660	1,479	30,686	–	–
Other receivables	1,388	–	2	278	–	–
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	67,504	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

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 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**
2021			
Financial Assets			
Trade receivables	–	2,482	–
Other receivables	–	8	–
Amount owing by subsidiaries	–	–	559
Fixed deposits with licensed banks	1,205	1,761	4,467
Cash and bank balances	1,370	–	–
	2,575	4,251	5,026
Financial Liabilities			
Invoice financing	–	(2,409)	–
Trade payables	(242)	(5,599)	–
Other payables and accruals	–	(329)	–
Amount owing to a subsidiary	(3,789)	–	–
	(4,031)	(8,337)	–
Net financial (liabilities)/assets	(1,456)	(4,086)	5,026
Less: Net financial liabilities denominated in the entity's functional currency	–	4,086	–
Net currency exposure	(1,456)	–	5,026

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 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)	(4,511)	–
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

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Effects on profit after taxation				
CNY				
- strengthened by 10%	(106)	(237)	–	–
- weakened by 10%	106	237	–	–
USD				
- strengthened by 10%	(235)	729	(146)	56
- weakened by 10%	235	(729)	146	(56)
SGD				
- strengthened by 10%	453	367	503	559
- weakened by 10%	(453)	(367)	(503)	(559)
Others				
- strengthened by 10%	*	*	–	–
- weakened by 10%	*	*	–	–

** - Less than RM1,000*

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(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.

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	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Effects on profit after taxation				
Increase of 100 basis points	(489)	(508)	(39)	(1)
Decrease of 100 basis points	489	508	39	1

(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.

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

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.

(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:-

	2021	2020
The Group		
Major concentration of credit risk	15%	29%
Number of customers	1	2
The Company		
Major concentration of credit risk	81%	80%
Number of customers	3	3

In addition, the Group and the Company also determine concentration of credit risk by monitoring the geographical region of their trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables at the end of the reporting period is as follows:-

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Malaysia	56,303	32,115	–	–
PRC	16,805	9,268	–	–
Singapore	14,502	30,871	–	–
Taiwan	2,482	1,479	2,482	1,479
Middle East	45	–	–	–
Philippines	65	5	–	–
United States	1,934	470	–	–
	92,136	74,208	2,482	1,479

(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).

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(ii) Exposure to Credit Risk (Cont'd)

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.

(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 against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:
- Significant financial difficult of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty; and
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

The Group and the Company considers a receivable to be in default when the receivable is unlikely to repay its debt to the Group and Company in full or is more than 1 year past due.

<u>Trade Receivables and Contract Assets</u>

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.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

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.

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

The expected loss rates are based on the payment profiles of sales over 1 year (2020 - 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. The Group and the Company have identified the unemployment rate as the key macroeconomic The factor of the forward-looking information.

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 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)

Inputs, Assumptions and Techniques used for Estimating Impairment Losses (Cont'd)

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.

Allowance for Impairment Losses

The Group	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
2021				
Current (not past due)	73,702	–	(189)	73,513
Less than 3 months past due	9,373	–	(743)	8,630
3 to 6 months past due	8,499	(11)	(376)	8,112
More than 6 months past due	4,425	–	(2,544)	1,881
Credit impaired	11,728	(11,728)	–	–
Trade receivables	107,727	(11,739)	(3,852)	92,136
Contract assets	112,054	(394)	(549)	111,111
	219,781	(12,133)	(4,401)	203,247
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	868	–	(601)	267
Credit impaired	9,989	(9,989)	–	–
Trade receivables	85,389	(9,989)	(1,192)	74,208
Contract assets	62,787	–	(989)	61,798
	148,176	(9,989)	(2,181)	136,006

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 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)

Allowance for Impairment Losses (Cont'd)

The Company	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
2021				
Current (not past due)	2,379	–	(120)	2,259
Less than 3 months past due	474	–	(260)	214
3 to 6 months past due	33	–	(33)	–
More than 6 months	711	–	(702)	9
Trade receivables	3,597	–	(1,115)	2,482
Contract assets	5,902	(394)	(312)	5,196
	9,499	(394)	(1,427)	7,678
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

The movements in the loss allowances in respect of trade receivables and contract assets are disclosed in Notes 11 and 13 to the financial statements respectively.

Other Receivables

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables.

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables (Cont'd)

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

Under this approach, the Group assesses whether there is a significant increase in credit risk for receivables by comparing the risk of a default as at the reporting date with the risk of default as at the date of initial recognition. The Group considers there has been a significant increase in credit risk when there are changes in contractual terms or delay in payment. 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 uses 3 categories to reflect their credit risk and how the loss allowance is determined for each category:-

Category	Definition of Category	Loss Allowance
Performing:	Receivables have a low risk of default and a strong capacity to meet contractual cash flows	12-months expected credit losses
Underperforming:	Receivables for which there is a significant increase in credit risk	Lifetime expected credit losses
Not performing:	There is evidence indicating the receivable is credit impaired or more than 365 days past due	Lifetime expected credit losses

The Group measures the expected credit losses of receivables having significant balances, receivables that are credit impaired and receivables with a high risk of default on individual basis. Other receivables are grouped based on shared credit risk characteristics and assessed on collective basis.

Loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

In deriving the PD and LGD, the Group considers the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the receivable to settle its debts. The Group has identified the unemployment rate as the key macroeconomic factor of the forward-looking information.

Allowance for Impairment Losses

Based on the assessment performed, the identified impairment loss was immaterial and hence, it is not provided for.

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group considers the licensed banks 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.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

The Company measures the expected credit losses on individual basis, which is aligned with its credit risk management practices on the inter-company balances.

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.

For loans and advances that are repayable on demand, impairment loss is assessed based on the assumption that repayment of the outstanding balances is demanded at the reporting date. If the subsidiary does not have sufficient highly liquid resources when the loans and advances are demanded, the Company will consider the expected manner of recovery to measure the impairment loss; the recovery manner could be either through 'repayable over time' or a fire sale of less liquid assets by the subsidiary.

For loans and advances that are not repayable on demand, impairment loss is measured using techniques that are similar for estimating the impairment losses of other receivables as disclosed above.

Allowance for Impairment Losses

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.

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 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					
2021					
Non-derivative Financial Liabilities					
Lease liabilities	4,174	4,495	1,546	2,949	–
Term loans	32,042	41,180	10,101	28,547	2,532
Invoice financing	15,306	15,851	15,851	–	–
Trust receipts	3,339	3,339	3,339	–	–
Revolving credit	1,500	1,500	1,500	–	–
Trade payables	94,042	94,042	94,042	–	–
Other payables and accruals	20,796	20,796	20,796	–	–
Bank overdraft	160	160	160	–	–
	171,359	181,363	147,335	31,496	2,532
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	72,017	72,017	72,017	–	–
Other payables and accruals	14,061	14,061	14,061	–	–
Bank overdrafts	188	188	188	–	–
	144,592	150,412	117,544	29,995	2,873

43. FINANCIAL INSTRUMENTS (CONT'D)

43.1 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				
2021				
Non-derivative Financial Liabilities				
Invoice financing	2,409	2,495	2,495	–
Revolving credits	1,500	1,500	1,500	–
Amount owing to subsidiaries	3,878	3,878	3,878	–
Trade payables	5,841	5,841	5,841	–
Other payables and accruals	2,263	2,263	2,263	–
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	–	95,704	95,704	–
	15,891	111,681	111,681	–
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

43. FINANCIAL INSTRUMENTS (CONT'D)

43.2 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.

43.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		**The Company**	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Financial Asset				
<u>Amortised Cost</u>				
Trade receivables	92,136	74,208	2,482	1,479
Other receivables	3,358	1,718	8	8
Amount owing by subsidiaries	–	–	10,066	9,634
Fixed deposits with licensed banks	25,410	26,226	16,110	21,264
Cash and bank balances	81,087	105,753	9,759	4,374
	201,991	207,905	38,425	36,759
Financial Liability				
<u>Amortised Cost</u>				
Lease liabilities	4,174	3,056	–	–
Term loans	32,042	34,072	–	2,567
Invoice financing	15,306	19,058	2,409	72
Bankers' acceptances	–	2,140	–	–
Trust receipts	3,339	–	–	–
Revolving credit	1,500	–	1,500	–
Amount owing to subsidiaries	–	–	3,878	3,789
Trade payables	94,042	72,017	5,841	2,026
Other payables and accruals	20,796	14,061	2,263	1,891
Bank overdraft	160	188	–	–
	171,359	144,099	15,891	10,345

43. FINANCIAL INSTRUMENTS (CONT'D)

43.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Financial Asset				
Amortised Cost				
Net gains/(losses) recognised in profit or loss by:				
- Bad debts written off	–	(4)	–	–
- Interest income:				
- financial institutions	582	729	298	503
- a subsidiary	–	–	215	152
- Impairment losses:				
- trade receivables	(4,326)	(4,763)	(1,095)	(11)
- contract assets	(656)	(619)	(656)	(52)
- Reversal of impairment losses:				
- trade receivables	128	401	–	1
- contract assets	757	–	–	–
Write back of contract assets	–	517	–	–
Unrealised gain on foreign exchange	1,681	1,555	856	1,434
Financial Liability				
Amortised Cost				
Net gains/(losses) recognised in profit or loss by:				
- Interest expense	(2,635)	(2,476)	(195)	(186)
Realised loss on foreign exchange	(211)	(201)	(44)	(92)
Unrealised loss on foreign exchange	–	(331)	616	(332)

43. FINANCIAL INSTRUMENTS (CONT'D)

43.5 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 Fair Value	Carrying Amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	RM'000	RM'000
The Group								
2021								
Financial Liability								
Term loans:								
- fixed rate	–	–	–	–	3,409	–	3,409	3,416
- floating rate	–	–	–	–	28,626	–	28,626	28,626
2020								
Financial Liability								
Term loans:								
- fixed rate	–	–	–	–	4,832	–	4,832	4,633
- floating rate	–	–	–	–	29,439	–	29,439	29,439

43. FINANCIAL INSTRUMENTS (CONT'D)

43.5 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								
2021								
Financial Liability								
Term loan:								
- fixed rate	–	–	–	–	–	–	–	–
2020								
Financial Liability								
Term loans:								
- fixed rate	–	–	–	–	2,567	–	2,567	2,567

43. FINANCIAL INSTRUMENTS (CONT'D)

43.5 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**	
	2021	**2020**	**2021**	**2020**
	%	**%**	**%**	**%**
Term loans (fixed rate)	3.09 - 6.54	3.32 - 6.54	–	3.32 - 3.45

44. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

(a) 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.

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

(a) 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 SGD1,051,245 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.

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

(a) 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 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.

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

(a) 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.

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

(a) On 18 June 2021, KESG replied to the Respondent's request dated 3 May 2021 for further and better particulars ("F&BP") of KESG's Statement of Reply and Defence to Counterclaim dated 3 February 2021.

The Respondent has provided KESG with F&BP in respect of their Defence and Counterclaim on 13 April 2021 and filed and served its Statement of Reply on 23 April 2021.

The Company will make the necessary announcement on further material development of the above matter in due course.

(b) 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 2020.

On 18 February 2020, 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.

On 8 June 2021, KTSB received the Adjudication Determination under the Construction Industry Payment & Adjudication Act 2012 ("CIPAA").

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

(b) The adjudicator determined that:-

1. JCT as the Respondent shall pay to KTSB the sum of RM1,292,484.84;

2. The Respondent shall pay to the Claimant interest at the prevailing Maybank Base Lending Rate plus one percent (1%) per annum calculated upon the sum of:

    i. RM407,788.33 from 17th April 2019 to 14th February 2020;
    ii. RM1,031,826.28 from 13th May 2019 to 14th February 2020;
    iii. RM1,743,379.36 from 12th June 2019 to 14th February 2020;
    iv. RM1,490,397.45 from 19th July 2019 to 14th February 2020;
    v. RM713,958.59 from 15th August 2019 to 14th February 2020;
    vi. RM784,004.25 from 16th October 2019 to 14th February 2020;
    vii. RM1,001,114.41 from 25th December 2019 to 14th February 2020; and
    viii. RM392,050.14 from 5th February 2020 to 14th February 2020.

3. The Respondent shall pay to KTSB interest at the prevailing Maybank Base Lending Rate plus one percent (1%) per annum calculated upon the sum of:

    i. RM7,564,518.81 from 21st February 2020 to 5th March 2020;
    ii. RM1,292,484.84 from 6th March 2020 to the date of this Adjudication Decision; and
    iii. RM1,292,484.84 from the date of this Adjudication Decision to the date of full payment.

4. Each Party is to bear its own legal costs.

5. The Claimant and the Respondent shall bear the adjudicator's fees and minimum expenses in the total sum of RM50,500 and the AIAC's administrative fee (including SST) in the sum of RM10,600 in equal shares.

The Board of Directors is of the view that the above Adjudication Determination will not have significant impact on its earnings for the financial year ended 31 December 2021 as the relevant provision for impairment on trade receivables for JCT has been made during the financial years ended 31 December 2019 and 31 December 2020.

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

(c) 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.

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

(c) 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.

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.

On 18 October 2021, the High Court, Taiwan has fixed the final hearing on 25 November 2021.

On 25 November 2021, the High Court, Taiwan has requested for further clarification and fixed the next hearing on 27 December 2021.

On 27 December 2021, the High Court, Taiwan has fixed the final hearing on 14 February 2022.

On 14 February 2022, the High Court, Taiwan has fixed the final hearing on 8 June 2022 for judgement.

The Company will make the necessary announcement on further material development of the above matter in due course.

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

(d) On 2 July 2021, the Company issued a bonus share of 322,623,476 new ordinary shares ("Bonus Share(s)") on the basis of 1 Bonus Share for every 1 existing ordinary share.

On 26 July 2021, the Company issued 214,338,821 warrants pursuant to bonus issue of warrants to all the entitled shareholders of the Company on the basis of one (1) warrant for every three (3) existing ordinary shares held in the Company.

The warrants are constituted under a Deed Poll dated 31 May 2021 and each warrant entitles the registered holder the right at any time during the exercise period from 26 July 2021 to 24 July 2026 to subscribe in cash for one new ordinary share of the Company at an exercise price of RM1.38 each. At the end of the reporting period, 214,338,821 units of warrants remained unexercised.

(e) On 2 March 2022, the Company proposed to undertake the following:-

(i) termination of the Company's existing employees' share scheme ("Proposed ESS Termination"); and

(ii) establishment and implementation an employee share which entails a share grant scheme of up to 4% of the issued shares of the Company (excluding treasury shares of the Company, if any) at any point in time during the duration of the Proposed ESS for the eligible employees and Directors (including Non-Executive Directors) of the Company and its subsidiary companies, which are not dormant, who fulfil the eligibility criteria as set out in the by-laws of the employee share scheme ("Eligible Employees") ("Proposed ESS").

On 16 March 2022, the listing application in relation to the Proposed ESS has been submitted to Bursa Malaysia Securities Berhad.

On 31 March 2022, Bursa Malaysia Securities Berhad had approved the listing of and quotation for such number of new Shares representing up to 4% of the total number of issued Shares of the Company (excluding treasury shares) to be issued pursuant to the Proposed ESS.

The approval granted by Bursa Malaysia Securities Berhad for the Proposed ESS is subject to the following conditions:-

(i) the Company and UOB Kay Hian Securities (M) Sdn. Bhd. ("UOBKH") must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed ESS;

(ii) UOBKH is required to submit a confirmation to Bursa Malaysia Securities Berhad of full compliance of the Proposed ESS pursuant to Paragraph 6.43(1) of the Listing Requirement and stating the effective date of the implementation together with certified true copy of the resolution passed by shareholders in general meeting approving the Proposed ESS; and

(iii) The Company is required to furnish Bursa Malaysia Securities Berhad on a quarterly basis of summary of the total number of Shares listed pursuant to the Proposed ESS as at the end of each quarter together with a detail computation of listing fees payable.

45. COMPARATIVE FIGURES

The following figures have been reclassified to conform with the presentation of current financial year:-

	As Previously Reported RM'000	As Restated RM'000
Consolidated Statement of Financial Position (Extract):-		
Trade payables	71,524	72,017
Other payables and accruals	17,600	17,107
Short-term borrowings	28,255	28,067
Bank overdraft	–	188
Statement of Cash Flows (Extract):-		
Net cash for operating activities	(6,294)	(6,446)
Net cash from investing activities	4,608	4,760

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2022

Issued and Paid-up share capital	:	RM 73,291,770.85 comprising of 645,246,952 ordinary shares. (Including 2,239,800 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	100	1.37	4,123	0.00
100-1,000	946	12.94	634,993	0.09
1,001-10,000	4,020	54.98	20,249,100	3.14
10,001-100,000	1,851	25.31	58,692,464	9.10
100,001- less than 5%	393	5.37	390,623,826*	60.54
5% and above	2	0.03	175,042,446	27.13
TOTAL	**7,312**	**100.00**	**645,246,952**	**100.00**

*Including 2,239,800 treasury shares.

LIST OF SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2022

	Direct Interest		Indirect Interest	
Names	**No. of Shares**	**%**	**No. of Shares**	**%**
Palace Star Sdn. Bhd.	135,406,980	21.06	–	–
Sun Lead International Limited	39,635,466	6.16	–	–
Gan Hung Keng	4,696,332	0.73	135,406,980 (1)	21.06 (1)
Ong Weng Leong	4,391,800	0.68	135,406,980 (1)	21.06 (1)
Cham Teck Kuang	–	–	135,406,980 (1)	21.06 (1)
Hu Ke Qin	–	–	135,406,980 (1)	21.06 (1)
Soh Tong Hwa	1,475,532	0.23	137,877,778 (2)	21.44 (2)
Fortune Dragon Holding Inc.	–	–	39,635,466 (3)	6.16 (3)
Lien Hwa Industrial Holdings Corp.	–	–	39,635,466 (4)	6.16 (4)

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.

Analysis of Shareholdings (cont'd)

LIST OF DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2022

	Direct Interest		Indirect Interest	
Names	**No. of Shares**	**%**	**No. of Shares**	**%**
Gan Hung Keng[1]	4,696,332	0.73	135,406,980 [1]	21.06 [1]
Ong Weng Leong[1]	4,391,800	0.68	135,406,980 [1]	21.06 [1]
Chan Thian Kiat	32	0.00	–	–
Tan Chuan Yong	463,332	0.07	–	–
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	47,600	0.01	–	–
Soo Yuit Weng	1,404,000	0.22	–	–
Cham Teck Kuang	–	–	135,406,980 [1]	21.06 [1]
Soh Tong Hwa	1,475,532		137,877,778 [2]	21.44 [2]
Hu Keqin	–	–	135,406,980 [1]	21.06 [1]
Ng Lee Kuan	–	–	–	–

Note:

(1) Deemed interested under Section 8 of the Companies Act 2016 by virtue of their direct shareholding interests in Palace Star Sdn. Bhd..

(2) Deemed interested under Section 8 of the Act by virtue of his direct interests in Palace Star and Sin Huat Hing Farm Sdn. Bhd and deemed interested under Section 59(11)(c) of the Companies Act 2016 by virtue of shares held by his spouse and child.

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 31 MARCH 2022

(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	135,406,980	21.06%
2	SUN LEAD INTERNATIONAL LIMITED	39,635,466	6.16%
3	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	29,138,400	4.53%
4	CARTABAN NOMINEES (TEMPATAN) SDN BHD ICAPITAL.BIZ BERHAD	28,383,200	4.41%
5	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND	23,884,100	3.71%
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)	18,612,700	2.89%
7	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (PF)	13,000,000	2.02%
8	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AMUNDI)	12,908,100	2.01%
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND	7,988,200	1.24%
10	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA SHARIAH GROWTH OPPORTUNITIES FUND (50156 TR01)	6,907,300	1.07%
11	AMANAHRAYA TRUSTEES BERHAD PMB SHARIAH GROWTH FUND	6,800,900	1.06%
12	LEE BEE SENG	6,725,000	1.05%
13	AMANAHRAYA TRUSTEES BERHAD PB ISLAMIC SMALLCAP FUND	6,695,400	1.04%
14	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG	5,837,657	0.91%
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM KENANGA) (410196)	5,357,000	0.83%
16	GAN HUNG KENG	4,696,332	0.73%
17	ONG WENG LEONG	4,391,800	0.68%

Analysis of Shareholdings (cont'd)

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 31 MARCH 2022 (CONT'D)

(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name of Shareholders	No. of Shares	%
18	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD - KENANGA SYARIAH GROWTH FUND	4,090,000	0.64%
19	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR PRINCIPAL DALI EQUITY FUND	3,961,800	0.62%
20	CARTABAN NOMINEES (TEMPATAN) SDN BHD CN CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA GROWTH FUND SERIES 2	3,707,800	0.57%
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC INDUSTRY GROWTH FUND (N14011930270)	3,176,000	0.49%
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (PRINCIPAL EQITS)	3,084,100	0.48%
23	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (PRINCIPAL 2)	3,060,900	0.48%
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PRINCIPAL SMALL CAP OPPORTUNITIES FUND (240218)	2,925,400	0.45%
25	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	2,877,666	0.45%
26	AMANAHRAYA TRUSTEES BERHAD PUBLIC EMERGING OPPORTUNITIES FUND	2,800,000	0.44%
27	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	2,798,300	0.44%
28	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (AMUNDI 2)	2,771,300	0.43%
29	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR SOH CHIN LEH	2,746,200	0.43%
30	CHIA ZHEN CONG	2,516,000	0.39%

ANALYSIS OF WARRANT HOLDINGS
AS AT 31 MARCH 2022

Type of Securities : Warrants 2021/2026

Date of Expiry : 5 years (expiring on 24 July 2026)

Exercise Rights : Each warrant carries the entitlement to subscribe for one (1) new ordinary share in the Company at an exercise price of RM1.38

Voting Right : The holder of warrants is not entitled to any voting rights

Size of shareholdings	No. of Holders	Percentage (%)	No. of Warrant	Percentage (%)
Less than 100	850	16.76	39,672	0.02
100-1,000	746	14.70	424,296	0.20
1,001-10,000	2,117	41.73	9,356,839	4.37
10,001-100,000	1,158	22.83	38,057,751	17.76
100,001- less than 5%	200	3.94	99,932,281	46.62
5% and above	2	0.04	66,522,982	31.03
TOTAL	**5,073**	**100**	**214,333,821**	**100**

LIST OF DIRECTORS' WARRANT HOLDINGS AS PER THE REGISTER OF DIRECTORS' WARRANTS HOLDINGS AS AT 31 MARCH 2022

	Direct Interest		Indirect Interest	
Names	No. of Shares	%	No. of Shares	%
Gan Hung Keng	1,565,444	0.73	53,311,160 [1]	24.87
Ong Weng Leong	1,463,933	0.68	53,311,160 [1]	24.87
Chan Thian Kiat	44	0.00	–	–
Tan Chuan Yong	154,444	0.07	–	–
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	–	–	–	–
Soo Yuit Weng	408,000	0.19	–	–
Ng Lee Kuan	–	–	–	–
Soh Tong Hwa	491,844	0.23	54,134,758 [2]	25.26
Cham Teck Kuang	–	–	53,311,160 [1]	24.87
Hu Keqin	–	–	53,311,160 [1]	24.87

Notes:

(1) Deemed interested under Section 8 of the Companies Act 2016 by virtue of their direct shareholding interests in Palace Star Sdn. Bhd.

(2) Deemed interested under Section 8 of the Act by virtue of his direct interests in Palace Star and Sin Huat Hing Farm Sdn. Bhd and deemed interested under Section 59(11)(c) of the Companies Act 2016 by virtue of shares held by his spouse and child.

Analysis of Warrant Holdings (cont'd)

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 31 MARCH 2022

(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name of Warrant Holders	No. of Warrant	%
1	PALACE STAR SDN BHD	53,311,160	24.87%
2	SUN LEAD INTERNATIONAL LIMITED	13,211,822	6.16%
3	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	9,712,800	4.53%
4	CARTABAN NOMINEES (TEMPATAN) SDN BHD ICAPITAL.BIZ BERHAD	9,461,066	4.41%
5	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR SOH CHIN LEH	2,805,400	1.31%
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	2,734,866	1.28%
7	AMANAHRAYA TRUSTEES BERHAD PB ISLAMIC SMALLCAP FUND	2,423,466	1.13%
8	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN KAM TONG	2,158,666	1.01%
9	LOW FUI KIEN	1,600,000	0.75%
10	GAN HUNG KENG	1,565,444	0.73%
11	CHIA HIANG NOOI	1,500,000	0.70%
12	OOI POH KEOH	1,470,000	0.69%
13	ONG WENG LEONG	1,463,933	0.68%
14	LOH AIK BIN	1,429,200	0.67%
15	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (PF)	1,400,666	0.65%
16	CHUA ENG KIAT	1,307,477	0.61%
17	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEH SEH BEE (E-KPG)	1,300,333	0.61%
18	LEE BEE SENG	1,296,200	0.60%
19	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG CHEN VOON	1,218,000	0.57%

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 31 MARCH 2022 (CONT'D)
(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name of Warrant Holders	No. of Warrant	%
20	CHANG KIN MOH	1,040,000	0.49%
21	KOH TAT MENG	1,000,000	0.47%
22	PANG BENG LYE	1,000,000	0.47%
23	ONG SENG HENG	939,533	0.44%
24	AMANAHRAYA TRUSTEES BERHAD PUBLIC EMERGING OPPORTUNITIES FUND	933,333	0.44%
25	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	915,590	0.43%
26	SOH CHIN LEH	904,000	0.42%
27	CHAN CHEE CHOY	891,000	0.42%
28	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (AMUNDI 2)	880,000	0.41%
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NASUTION BIN MOHAMED	800,000	0.37%
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD CAPITAL DYNAMICS ASSET MANAGEMENT SDN BHD FOR KESM INDUSTRIES BERHAD (CDAM30-990472)	789,800	0.37%

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Second Annual General Meeting ("22nd AGM") of **Kelington Group Berhad** ("KGB" or "Company") will be conducted fully virtual from the Broadcast Venue at Lot 9-11 Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur on Tuesday, 31 May 2022 at 10:00 a.m. or at any adjournment thereof, for the purpose of considering the following businesses:

AGENDA

Ordinary Business

1. To lay before the Meeting the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of the Directors and the Auditors thereon. **(Refer to Explanatory Note (a))**

2. To re-elect the following Directors who are retiring in accordance with the Clause 97 of the Company's Constitution, and being eligible, have offered themselves for re-election:

   (i) Ong Weng Leong **(Ordinary Resolution 1)**

   (ii) Chan Thian Kiat **(Ordinary Resolution 2)**

   (iii) Tan Chuan Yong **(Ordinary Resolution 3)**

3. To approve the payment of Directors' remuneration payable to the Board of the Company amounting to RM287,000 for the period from 1 July 2022 until 30 June 2023. **(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)**

(iii) "THAT approval be and is hereby given to Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman 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 8)**

(iv) "THAT approval be and is hereby given to Soo Yuit Weng who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company." **(Ordinary Resolution 9)**

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

"THAT subject always to the Companies Act 2016 ("the Act"), Constitution of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 75 of the Act to issue and allot not more than ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company pursuant to Section 76 of the Act and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof." **(Ordinary Resolution 10)**

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

"THAT subject to the Companies Act 2016 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Constitution and the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that: **(Ordinary Resolution 11)**

(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."

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

BY ORDER OF THE BOARD

LIM LEE KUAN (SSM PC No. 202008001079 & MAICSA 7017753)
TEO MEE HUI (SSM PC No. 202008001081 & MAICSA 7050642)

Company Secretaries

Kuala Lumpur
Dated this 29th day of April 2022

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 24 May 2022 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 2021.

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 22nd AGM on the Directors' remuneration in Resolution 4 on payment of Directors' remuneration for the period from 1 July 2022 until 30 June 2023 ("Relevant Period").

The Directors' remuneration comprises the Directors' fee and meeting allowances payable to the Board of the Company is set out as follows:

	Executive Directors (RM)	**Non-Executive Directors (RM)**
Director Fee	–	270,000
Meeting allowance	–	17,000
Total	**–**	**287,000**

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 22nd 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, 8 and 9*
Continuing in Office as Independent Non-Executive Directors

The Board has assessed the independence of Chan Thian Kiat, Tan Chuan Yong, Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman and Soo Yuit Weng, 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 be able to function as a checks and balances, 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 its shareholders.

The Board considered Chan Thian Kiat, Tan Chuan Yong, Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman and Soo Yuit Weng to be independent based on the above justifications and recommended that they to be retained as Independent Non-Executive Directors of the Company.

(d) Ordinary Resolution 10
Authority to Issue and Allot Shares

The proposed Ordinary Resolution 10, if passed, will give flexibility to the Directors to issue shares to such persons at any time in their absolute discretion without convening a general meeting. This authorisation will expire at the conclusion of next Annual General Meeting of the Company.

This is a new mandate and the purpose of this general mandate is for possible fund-raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

The previous mandate obtained from the members at the last AGM was not utilised and will be lapsed on 30 June 2022.

(e) Ordinary Resolution 11
Proposed Authority for Purchase of Own Shares by the Company

The proposed Ordinary Resolution 11, 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 29 April 2022.

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

FORM OF PROXY

Number of Shares Held

CDS Account No.

* I/We .... NRIC/Passport/Registration No. .... of ....

Tel No./Email .... 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-Second Annual General Meeting of the Company to be conducted fully virtual from the Broadcast Venue at Lot 9-11 Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur on Tuesday, 31 May 2022 at 10:00 a.m. or at any adjournment thereof and to vote as indicated below:

Ordinary Business		**Resolution**	**For**	**Against**
1	To re-elect Ong Weng Leong as Director	Resolution 1		
2	To re-elect Chan Thian Kiat as Director	Resolution 2		
3	To re-elect Tan Chuan Yong as Director	Resolution 3		
4	To approve the payment of Directors' remuneration payable to the Board of the Company for the financial period from 1 July 2022 until 30 June 2023	Resolution 4		
5	To re-appoint Messrs Crowe Malaysia PLT as Auditors of the Company	Resolution 5		
Special Business				
6	To approve the continuing in office for Chan Thian Kiat as an Independent Non-Executive Director	Resolution 6		
7	To approve the continuing in office for Tan Chuan Yong as an Independent Non-Executive Director	Resolution 7		
8	To approve the continuing in office for Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman as an Independent Non-Executive Director	Resolution 8		
9	To approve the continuing in office for Soo Yuit Weng as an Independent Non-Executive Director	Resolution 9		
10	Authority to Issue and Allot Shares	Resolution 10		
11	Proposed Authority for purchase of own shares by the Company	Resolution 11		

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 2022

....
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 24 May 2022 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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