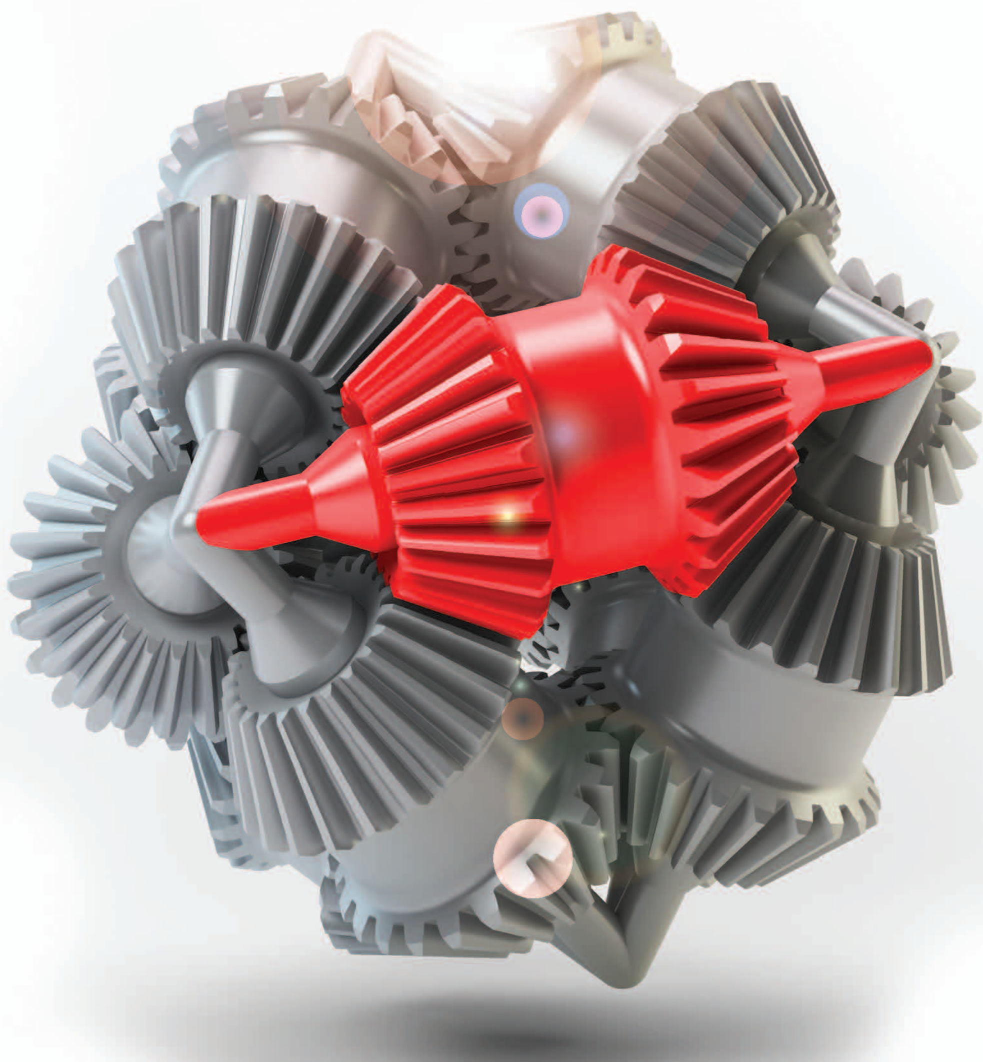


WE ENGINEER SOLUTIONS

ANNUAL REPORT 2015

KELINGTON GROUP BERHAD (501386-P)

CONTENTS

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.

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

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

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

1999 *Incorporation of Kelington Technologies Sdn Bhd*

2000 *Secured our FIRST **semiconductor** project in Malaysia*

2002 *Set up office in Shanghai, China*

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

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

2006

Set up office in Singapore

2007

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

2008

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

2009

Listed on the ACE Market of Bursa Malaysia Securities Berhad

2010

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

2011

*Secured our FIRST **glass manufacturing plant** project in Vietnam*

*Secured our FIRST **bioscience** project in Singapore*

2012

Transferred to Main Market of Bursa Malaysia Securities Berhad

Expanded business offerings by acquiring Puritec Technologies (S) Pte. Ltd in Singapore

Incorporated a healthcare and renewable energy subsidiaries under the Group in anticipation of securing projects from the respective sectors

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*

2015

Set up subsidiary in Indonesia

Set up subsidiary in Philippines

Secured large value project for a wafer fabrication facility in Singapore

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

Chan Thian Kiat
Senior Independent Non-Executive Director

Tan Chuan Yong
Senior Independent Non-Executive Director

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

Soo Yuit Weng
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

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

Ong Weng Leong
Member
Executive Director/COO

NOMINATION COMMITTEE

Tan Chuan Yong
Chairman
Senior Independent Non-Executive Director

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

Soo Yuit Weng
Member
Independent Non-Executive Director

OPTION COMMITTEE

Ir. Gan Hung Keng
Chairman/CEO

Ong Weng Leong
Member
Executive Director/COO

Tan Chuan Yong
Member
Senior Independent Non-Executive Director

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTORS

Tan Chuan Yong
tcy@kllaw.com.my

Chan Thian Kiat
steventkchan@yahoo.com

COMPANY SECRETARIES

Lim Lee Kuan
(MAICSA 7017753)

Teo Mee Hui
(MAICSA 7050642)

REGISTERED OFFICE

10th Floor, Menara Hap Seng
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

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
(378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : +603-7841 8000
Fax : +603-7841 8151/8152

AUDITORS

Messrs. Crowe Horwath [AF 1018]
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. 43 & 45
Jalan Metro Perdana 7
Taman Usahawan, Kepong
Kepong Utara
52100 Kuala Lumpur, Malaysia
Tel : +603-6254 6890
Fax : +603-6259 5027

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Ordinary Shares
Stock Name : KGB
Stock Code : 0151

Warrants 2014/2019
Stock Name: KGB-WA
Stock Code: 0151WA

CORPORATE STRUCTURE

KELINGTON GROUP BERHAD
(Incorporated in Malaysia)

KELINGTON GROUP BERHAD (TAIWAN) BRANCH
(Registered as branch office in Taiwan)

100%
KELINGTON TECHNOLOGIES SDN. BHD.
(Incorporated in Malaysia)

100%
KELINGTON ENGINEERING (S) PTE. LTD.
(Incorporated in Singapore)

- **100%**
  KELINGTON HEALTHCARE TECHNOLOGIES (S) PTE. LTD.
  (Incorporated in Singapore)
- **80%**
  KELINGTON SOLOMON PHILIPPINES, INC
  (Incorporated in Philippines)
- **80%**
  PT. MITRACON GRAHA SOLUSINDO
  (Incorporated in Indonesia)
- **100%**
  PURITEC TECHNOLOGIES (S) PTE. LTD.
  (Incorporated in Singapore)
  - **100%**
    PURITEC TECHNOLOGIES (M) SDN. BHD.
    (Incorporated in Malaysia)

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%
KELINGTON ENERGY SDN. BHD.
(Incorporated in Malaysia)

85%
KELINGTON NAWIK SDN. BHD.
(Incorporated in Malaysia)

- **100%**
  KELINGTON NAWIK (PNG) LIMITED
  (Incorporated in Papua New Guinea)

55%
KELINGTON ANALYTICAL SERVICES SDN. BHD.
(Incorporated in Malaysia)

OUR STRATEGIC INTENTS

OUR VISION

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

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

OUR MISSION

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

OUR CORE VALUES

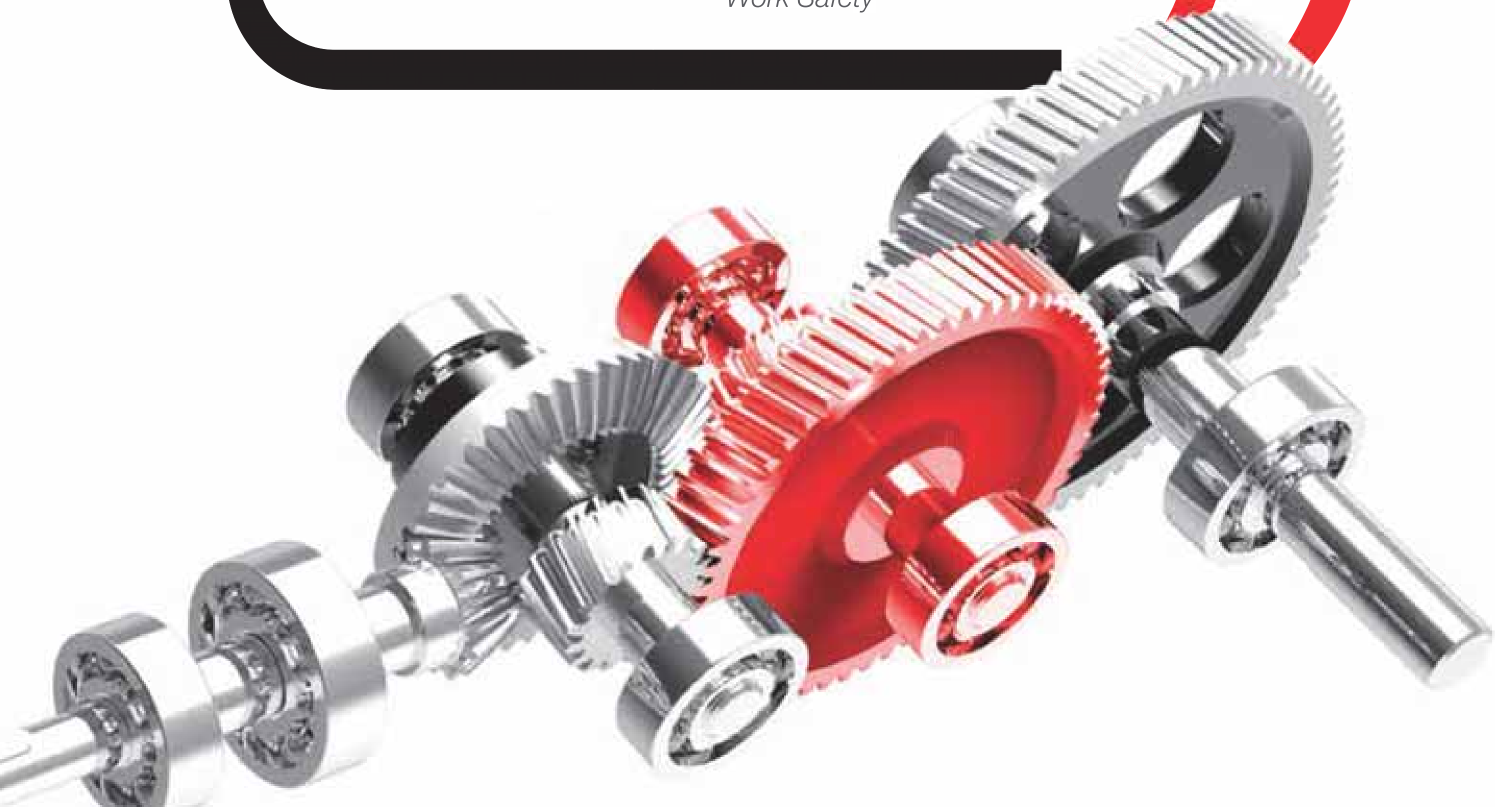
In our drive towards our vision, we uphold the following four core values:

Building Partnership

Continuous Improvement

Encourage Innovation

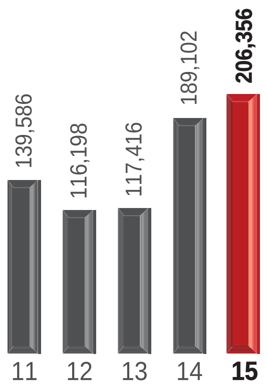
Work Safety



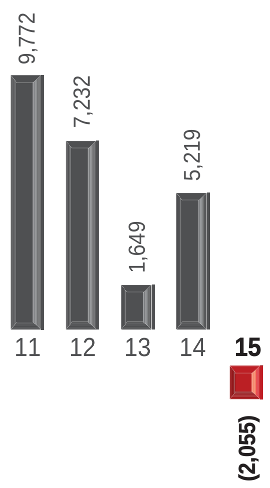
FINANCIAL HIGHLIGHTS

	2011	2012	2013	2014	2015
Revenue (RM'000)	139,586	116,198	117,416	189,102	**206,356**
Profit before taxation (RM'000)	9,772	7,232	1,649	5,219	**(2,055)**
Profit after taxation (RM'000)	8,728	6,081	1,611	5,149	**(2,521)**
Shareholders' Funds (RM'000)	50,401	53,824	54,035	59,334	**59,399**
Total Assets (RM'000)	98,872	109,181	116,583	163,718	**174,534**
Number of Ordinary shares ('000)	79,110	159,595	160,680	216,966	**220,080**
Net Assets Per Share (RM)	0.64	0.34	0.34	0.27	**0.27**

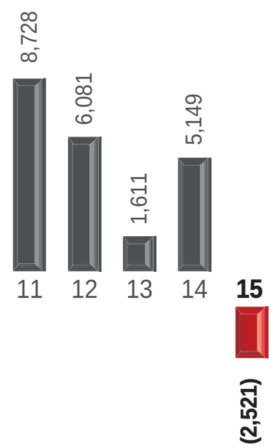
Revenue
(RM'000)



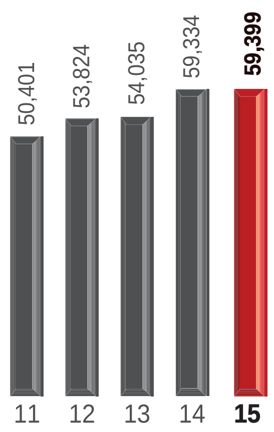
Profit Before Taxation
(RM'000)



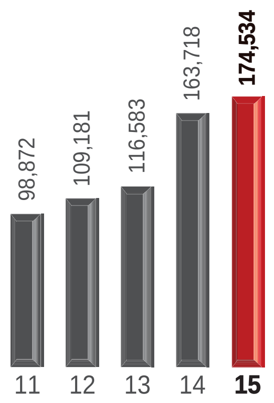
Profit After Taxation
(RM'000)



Shareholders' Funds
(RM'000)



Total Assets
(RM'000)



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of KGB for the financial year ended 31 December 2015 ("FY2015").

FY2015 was a challenging year for the global economy as we experienced falling commodity prices, tightening of financial conditions, lower ringgit and a slowdown in the Chinese economy.

OPERATIONAL REVIEW

During FY2015, the Group had successfully expanded outside our four core markets, which have traditionally been Malaysia, China, Taiwan and Singapore.

We had clinched projects in Philippines and Indonesia totaling RM35 million. We view this progress positively and will continue to develop our track record and relationships in those countries to expand further.

CHAIRMAN'S STATEMENT
cont'd

Our Group's total orders secured during the year continue to grow. In the 12 months period ended 31 December 2015, we secured new orders amounting to RM286.9 million. This is 27% higher than the total amount of new orders secured in the previous year of RM 225.3 million.

We are gaining traction in Singapore and are expanding our presence there. We secured two project packages amounting to SGD36 million (approximately RM106 million) for the expansion of Micron's flash memory fabrication facility in Singapore. Micron is a global leader in the semiconductor industry with more than 30,000 employees in 20 countries worldwide. We view this project win as a strong testament to KGB's capabilities and adds strength to our growing list of international clients.

FINANCIAL REVIEW

For the financial year ended 31 December 2015, our revenue increased by 9.1% to RM206.4 million from RM189.1 million in the previous year.

During the year, the Group recognised impairment losses on certain projects, trade receivables and amounts owing by contract customers.

As a result, the Group reported a net loss after tax of RM2.5 million for the year.

Our financial position continues to remain strong in FY2015 as we remained in a net cash position. Deposits, cash and bank balances stood at RM27.0 million as at 31 December 2015, a decrease of 21.5% from RM34.4 million in the previous year.

DIVIDEND

Despite the losses reported in FY2015, the Board has proposed a final tax exempt dividend of 0.5 sen per share or total dividend of approximately RM1.1 million for the FY2015. The proposed pay-out is subject to shareholders' approval at the forthcoming Annual General Meeting ("AGM").

FUTURE PROSPECTS

The outstanding orderbook carried forward into FY2016 stood at RM174.5 million.

Going forward, the Group will continue to focus on expanding our geographical footprint across the new countries we have successfully penetrated into, namely Philippines and Indonesia.

In line with our plans to diversify our client base and exposure, we signed a collaborative agreement with Petro Allied International Dmcest to pursue opportunities in the oil and gas industry in the Middle East region.

The Group remains committed to identify new expansion opportunities that would enable us to achieve financial growth and grow shareholder value.

ACKNOWLEDGMENT

On behalf of the Board of Directors, I would like to acknowledge and sincerely appreciate the hard work and dedication shown by our staff throughout the year.

I also wish to express our sincere gratitude and appreciation to our shareholders, customers, suppliers, bankers, and all other business associates for your continued confidence in KGB.

We look forward to your continued support in moving the Group forward.

Thank you.

IR. GAN HUNG KENG
Chairman

BOARD OF DIRECTORS' PROFILE

IR. GAN HUNG KENG
aged 52, Malaysian
Chairman/CEO

Ir. Gan Hung Keng is a 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 the CEO, he is responsible for the overall strategic direction and management functions of the Group and in particular, the Group's new ventures. He is also the Chairman of the Option Committee. He graduated with a Bachelor of Chemical & Process Engineering degree from Universiti Kebangsaan Malaysia, Malaysia. He is also a Professional Engineer on the Board of Engineers, Malaysia.

He has held various managerial roles beginning with a water treatment company in Singapore in 1988 as an Engineer responsible for engineering projects execution of pure water and waste water treatment. He then went on to lead various engineering projects as a Project Engineer until 1994 where he joined Malaysian Oxygen Berhad ("MOX") as a Project Manager for their Ultra Clean Division. He served in MOX for four (4) years before moving to Eastern Oxygen Berhad as the Project Manager for the Ultra Clean System. In 1999, he held the position of Manager (Process) in M+W Zander Pte Ltd (Singapore) for a year before taking up his current position.

Through the various positions held, he has acquired expertise in the detailed designing of all gas delivery system (inert and hazardous gases) for Semiconductor Wafer Fabrication and Flat Panel Display plants, engineering and construction management of large scale and fast track project for gas and chemical related projects, and general management of a business unit and a company.

Ir. Gan is a corporate representative of Palace Star Sdn. Bhd. ("Palace Star"), a major shareholder of the Company. He is also a Director of a few subsidiaries of the Company.

He does not hold any other directorships of public companies.

ONG WENG LEONG
aged 48, Malaysian
Executive Director/COO

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 the COO, he is responsible for the management of the day to-day functions and operations of the Group in Taiwan and China. He is also a member of the Remuneration Committee and Option Committee. He graduated in 1992 with a Bachelor of Chemical Engineering degree from Universiti Teknologi Malaysia, Malaysia. He also received a Master in Business Administration from the University of Bath, United Kingdom in 2002. He is also a fellow member of Malaysian Institute of Management and was elected as a General Council member of the Institution in 2015 – 2016.

He began taking up managerial roles in 1996 while at MOX as the Production Manager after which he became the Operations Manager from 1998 to 2000, responsible for managing plant operations located in the central and east coast region. Later in 2000, he was promoted to National Engineering Manager at MOX which he carried out for 3 years until 2004 where he was promoted to the National Sales Manager (Electronics) at MOX. Soon after that, he joined the Company in 2005 as the General Manager.

Throughout more than ten (10) years at MOX and more than nine (9) years at 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 does not hold any other directorships of public companies.

BOARD OF DIRECTORS' PROFILE
cont'd

CHAN THIAN KIAT
aged 60, Malaysian
Senior Independent Non-Executive Director

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.

He does not hold any other directorships of public companies.

TAN CHUAN YONG
aged 60, Malaysian
Senior Independent Non-Executive Director

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 the Chairman of the Nomination Committee. He is also a member of the Audit Committee, Remuneration Committee and Option 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 currently an Independent Non-Executive Director of TAFI Industries Berhad, a public company listed on the Main Market of Bursa Malaysia Securities Berhad and also a Director of a few private limited companies.

BOARD OF DIRECTORS' PROFILE

cont'd

VICE ADMIRAL (RETIRED) DATUK HAJI JAMIL BIN HAJI OSMAN
Aged 58, Malaysian
Independent Non-Executive Director

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 ("MAF") 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 does not hold any other directorships of public companies.

SOO YUIT WENG
Aged 48, Malaysian
Independent Non-Executive Director

Mr Soo Yuit Weng was appointed as an Independent Non-Executive Director on 1 February 2013. He is also a member of the Audit Committee and the Nomination 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 more than 23 years' 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.

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 10 years.

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 24 of this Annual Report.

Shareholdings

The details of Directors' shareholdings are set out in the Analysis of Shareholding(s) on pages 130 and 132 of this Annual Report.

CORPORATE HIGHLIGHTS

"KE Malaysia"

19 Nov – 22 Nov 2015
4D3N Phuket trip

"KE Malaysia"

26 Nov – 29 Nov 2015
4D3N Phuket trip

"KE Malaysia"

23 – 24 May 2015 Family day
Cameron Highlands

"KE Malaysia"

Annual Dinner 2016 -
Masquerade Night

"Annual General Meeting "

KGB: 24 June 2015
Tropicana Golf and Country Resort

CORPORATE HIGHLIGHTS
cont'd

11th Malaysian Occupational Safety & Health Practitioner's Association (MOSHPA) "OSH NATIONAL EXCELLENCE AWARD 2015"

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") of KGB recognises the importance of adopting a good corporate governance culture in the organisation. The Board also took cognisant of the fact that appropriate standard of corporate governance will generate long term values to the shareholders of the Company as well as other stakeholders. Therefore, the Board is committed to implement the Principles and Recommendations as set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") with reference to the Corporate Governance Guide ("the Guide") issued by Bursa Malaysia Securities Berhad ("Bursa Securities").

The Board is pleased to provide the following statement which outlined the principles and recommendations of the MCCG 2012 that have been in place throughout the financial year 2015:-

1.0 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear functions of the Board and those delegated to Management

The Board is responsible for formulating and reviewing KGB's strategic plans and key policies, and charting the course of the Group's business operations whilst providing effective oversight of Management's performance, risk assessment and controls over business operations.

The role of Management is to support the Executive Directors and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

The responsibility for the operation and administration of the Group is delegated by the Board to the Executive Directors.

The Board delegates and confers some of the Board's authorities and discretion on the Executive Directors as well as on properly constituted Committees comprising Non-Executive Directors which operates within clearly defined terms of reference. The Board Committees consist of Audit Committee ("AC"), Nomination Committee ("NC"), Remuneration Committee ("RC"), and Option Committee ("OC"). Key matters that reserved for the Board's approval include, amongst others the following:-

- Key corporate announcements including annual financial statements and interim reports.
- Declaration of dividends.
- Board strategy, business plans and annual operating budget and of any subsequent material changes in strategic direction or material deviations in business plans.
- Treasury policies and bank mandate.
- The prosecution, defence or settlement of legal or arbitration proceedings where material and except in the ordinary course of business.
- The approval and authority to issue Circular to Shareholders of the Company.
- Key human resource issue and Succession Planning.
- Material acquisitions and disposition of assets not in the ordinary course of business.
- Investments in capital projects.
- Authority levels.
- Risk management policies.

The Board has established the roles and responsibilities of the Chairman which is distinct and separate from the duties and responsibilities of the CEO as set out in the Board Charter. The Chairman is responsible for, amongst others, the following:-

- Leading the Board in setting the values and standards of the Company;
- Maintaining a relationship of trust with and between the Executive and Non-Executive Directors;
- Ensuring the provision of accurate, timely and clear information to Directors;
- Ensuring effective communication with shareholders and relevant stakeholders;
- Arranging evaluation of the performance of the Board, its Committees and individual Directors;
- Facilitating the effective contribution of Non-Executive Directors and ensuring constructive relations be maintained between Executive and Non-Executive Directors;
- Facilitating the on-going development of all Directors; and
- Setting the agenda for meetings and ensuring that orderly conduct and proceedings of the Board and general meetings.

CORPORATE GOVERNANCE STATEMENT
cont'd

1.0 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd*

1.1 Clear functions of the Board and those delegated to Management *cont'd*

The CEO is primarily accountable for overseeing the day-to-day operations to ensure the smooth and effective running of the Group. He is responsible for the development and implementation of the strategies for the Group and setting the overall strategic policy and direction of the Group's business operations based on effective risk management controls. He shall ensure that the financial management practice is performed at the highest level of integrity and transparency and that the business and affairs of the Group are carried out in an ethical manner and in compliance with the relevant laws and regulations. Besides, he provides effective leadership to the Group and is responsible for ensuring high management competency and that an effective management succession plan is in place to sustain continuity of operations.

The CEO is the conduit between the Board and Management in ensuring the success of the Company's governance and management functions. He implements the policies, strategies and decisions adopted by the Board. All Board authorities conferred on Management is delegated through the CEO and this will be considered as the CEO's authority and accountability as far as the Board is concerned.

This segregation between the duties of the Chairman and CEO, ensures an appropriate balance of role, responsibility and accountability at Board level. The Chairman of the Board is Ir. Gan Hung Keng, an Executive Chairman cum CEO. He will continue to carry out his roles as Executive Chairman cum CEO of the Company given by his wide experience in engineering services until the appropriate candidate is identified and the roles will be segregated.

The Non-Executive Directors are independent of Management. Their roles are to constructively challenge Management and monitor the success of Management in delivering the approved targets and business plans within the risk appetite set by the Board. They have free and open contact with Management at all levels, and they engage with the External and Internal Auditors to address matters concerning Management and oversight of the Company's business and operations.

Since 2013, the Delegation of Authority ("DOA") has been put in place to ensure balance between operational efficiency and control over corporate and financial governance. The DOA will be reviewed regularly to ensure that it is adhered to based on the level of approving authority limits for various aspects of the business by the Board and Management.

1.2 Clear roles and responsibilities in discharging fiduciary and leadership functions

The Board has discharged its responsibilities in the best interests of the Company. The following are among the key responsibilities of the Board:-

a. Reviewing and adopting the Company's strategic plans

The Board had implemented a strategy planning process, whereby Management presents to the Board its recommended strategy annually, together with its proposed business plans for the ensuing year for the Board's review and approval.

The Board will deliberate both Management's and its own perspectives, and challenges the Management's views and assumptions to ensure the best outcome.

b. Overseeing the conduct of the Company's business

The CEO is responsible for the day-to-day management of the business and operations of the Group to ensure the smooth and effective running of the Group. He is supported by the COO, the key personnel and Management and other Board Committees.

Management's performance, under the leadership of CEO, is assessed by the Board through monitoring the success of Management in delivering the approved targets and business plans against the performance of the Group.

CORPORATE GOVERNANCE STATEMENT
cont'd

1.0 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd*

1.2 Clear roles and responsibilities in discharging fiduciary and leadership functions *cont'd*

c. Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures

Through the AC, the Board oversees the Risk Management framework of the Group. The AC advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The AC reviews the action plans implemented and makes relevant recommendations to the Board to manage residual risks.

d. Succession Planning

The Board has entrusted the NC and RC with the responsibility to review candidates for the Board and key management positions and to determine compensation packages for these appointments, and to formulate nomination, selection compensation and succession policies for the Group.

The NC also undertakes yearly evaluation of the performance of the Chief Financial Officer ("CFO") whose remunerations is directly linked to performance, based on his score sheet. For this purpose, the performance evaluation for the year 2015 of the CFO was reviewed by the NC in April 2016.

e. Overseeing the development and implementation of a shareholder communications policy for the Company

The Company strongly believes that transparency and effective and timely communication are essential in maintaining good relations with the investors and investment community. The Company carried out its Investor Relations ("IR") activities with reference to its stated Corporate Disclosure Policy, which is available on its website.

The Company has identified Mr Tan Chuan Yong and Mr Chan Thian Kiat, as the Senior Independent Non-Executive Directors to whom concerns of shareholders and other stakeholders may be conveyed.

In addition to the above, shareholders and investors can make inquiries about IR matters with designated management personnel directly responsible for IR, via dedicated email addresses which are available on the Group's corporate website.

f. Reviewing the adequacy and integrity of management information and internal control system of the Company

The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system. Details pertaining to the Company's internal control system and the reviews of its effectiveness are set out in the Statement on Risk Management and Internal Control of this Annual Report.

1.3 Formalised ethical standards through Code of Ethics

The Board is guided by the Directors' Code of Ethics in discharging its oversight role effectively. The Code of Ethics requires all Directors to observe high ethical business standards, honesty and integrity and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders. A summary of the Code of Ethics was published on the corporate website.

In addition, the Company's Whistleblowing Policy as published on the Company's website seek to foster an environment where integrity and ethical behaviour are maintained and any illegal or improper action and/or wrongdoing in the Company may be exposed.

CORPORATE GOVERNANCE STATEMENT
cont'd

1.0 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd*

1.4 Strategies promoting sustainability

The Board has formalised the Company's strategies on promoting sustainability. A detailed report on sustainability was published on the corporate website.

1.5 Access to information and advice

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretaries in ensuring the effective functioning of the Board. The Directors may seek advice from Management on issues under their respective purview. The Directors may also interact directly with Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them.

In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties in relation to matters being deliberated.

Schedule of Board and Committee meetings are determined in advance before the new 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 members. The Board has a defined schedule of matter reserved for Board's decision and that the Board papers for meetings will be circulated to the Board about a week before the meeting.

1.6 Qualified and competent Company Secretaries

The Directors have ready and unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively.

The Board is regularly updated and apprised by the Company Secretary on new regulation issued by the regulatory authorities. The Company Secretary also serves notice to the Directors and Principal Officers to notify them of closed periods for trading in KGB securities.

The Company Secretary attends and ensures that all Board meetings are properly convened, and that accurate and proper record of the proceedings and resolutions passed are taken and maintained in the statutory register of the Company.

The Company Secretary works closely with Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees, and between the Non-Executive Directors and Management.

1.7 Board Charter

In discharging its duties, the Board of KGB is constantly mindful of the need to safeguard the interests of the Group's stakeholders. In order to facilitate the effective discharge of its duties, the Board is guided by the Board Charter together with a Board Manual. The Board Charter was published on the corporate website.

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

The Board Manual provides reference for Directors in relation to the Directors' duties and obligations and outlines processes and procedures to ensure the Group's Board and their Committees' effectiveness and efficiency. It shall be updated from time to time to reflect changes to the amendments of relevant rules and regulations, or to be reviewed at least once in two (2) years, whichever is earlier.

CORPORATE GOVERNANCE STATEMENT
cont'd

1.0 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd*

1.7 Board Charter *cont'd*

The chapters covered under the Board Manual are as follows:-

- Group's Standard of Business Conduct
- Directors' Duties and Obligations
- Appointment and Resignation of Directors
- Board and Board Committee Proceedings
- Remuneration and Benefits for Directors
- Supply of Information to the Board
- Delegation of Authority Table
- Training and Induction Programmes
- Annual Board Assessment
- Conflict of Interest and Related Party Transactions
- Code of Ethics and Conduct for Company Director
- Whistleblowing Policy
- Corporate Disclosure Policy
- Gender Diversity Policy

The Board Charter is reviewed regularly to ensure that it complies with the best practices and regulations and the last review of the Board Charter was conducted on 28 April 2015.

2.0 STRENGTHEN COMPOSITION

2.1 NC

The NC comprises exclusively independent Non-Executive Directors.

The Terms of Reference ("TOR") of the NC are as follows:-

- To recommend candidates for all directorships to be filled by shareholders or the Board;
- To recommend candidates to fill the seats on Board Committees;
- To recruit and retain the best available Directors;
- To assess the contribution of each individual Director;
- To review annually the Board structure, size, composition and the balance between Executive Directors, Non-Executive Directors and Independent Directors to ensure that the Board has the appropriate mix of skills and experience including core competencies which Directors should bring to the Board and other qualities to function effectively and efficiently;
- To take the necessary steps to ensure that women candidates are sought as part of the Company's recruitment exercise to meet its gender diversity policy;
- To review annually the independence of Independent Directors;
- To ensure existence of an appropriate framework and succession plan for the Executive Director and Senior Management of the Company;
- To recommend Directors who are retiring (by rotation) for re-election and termination of Board membership for appropriate reasons;
- To recommend to the Board the removal of a Director from the Board or Management if the Director or Management is inefficient, errant and negligent in discharging his/her responsibilities;
- To assess annually the contribution of CEO & CFO;
- To consider, in making its recommendation, candidates for CEO and CFO;
- To ensure that all Board appointees undergo the necessary training programmes prescribed by the applicable statutory and regulatory bodies;
- To ensure adequate training and orientation is given to new Directors with respect to the business, structure and management of the Group as well as the expectations of the Board with regards to their contribution to the Board and Group;
- To establish and implement processes for assessing the effectiveness of the Board as a whole, the Committees of the Board and assessing the contribution of each Director;
- To consider other matters as referred to the NC by the Board; and
- To identify suitable orientation, educational and training programmes for continuous developments of Directors.

CORPORATE GOVERNANCE STATEMENT
cont'd

2.0 STRENGTHEN COMPOSITION *cont'd*

2.2 Senior Independent Non-Executive Directors

The Board has identified the Independent Non-Executive Directors, Mr Tan Chuan Yong and Mr Chan Thian Kiat, as the Senior Independent Non-Executive Directors to whom concerns of shareholders and other stakeholders may be conveyed. The NC was chaired by Mr Tan Chuan Yong.

They can be contacted at tcy@kllaw.com.my and steventkchan@yahoo.com.

2.3 Develop, maintain and review criteria for recruitment and annual assessment of Directors

a. Board appointment process

The process for appointment of new Directors to the Board is set out in a formal and transparent procedure as stipulated in the Board Manual, the primary responsibility of which has been delegated to the NC.

The NC is responsible for identifying and recommending suitable candidates for Board membership and also for assessing the performance of the Directors on an on-going basis. The NC is guided by the Board Manual and the HR division in carrying out its responsibilities in respect of the nomination, selection and appointment process which also provided the requirements under the relevant regulations on the matter.

In making the selection of a suitable candidate, the NC will consider the following aspects:

- Probity, personal integrity and reputation – the person must have the personal qualities such as honesty, integrity, diligence, independence of mind and fairness.
- Competence and capability – the person must have the necessary skills, ability and commitment to carry out the role.

The Board will have the ultimate responsibility and final decision on the appointment. This process shall ensure the Board membership was 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.

Management shall then engage broadly to develop a pool of interested potential candidates meeting the skills, expertise, personal qualities and diversity requirements for both the Board and the Committee appointments.

The NC evaluates and matches the criteria of the candidate, and will consider diversity, including gender, where appropriate, and recommends to the Board for appointment.

Consideration will be given to those individuals possessing the identified skill, talent and experience.

The NC will contact those persons identified to determine interest in serving the Company. This communication will ensure that prospective Board members have clarity regarding the nomination process as well as Director/Board profiles, roles and responsibilities, expectations of time commitments and other information as required.

According to the Articles of Association of the Company, all Directors are required to submit themselves for re-election at intervals of not more than three (3) years. The Articles of Association also state that one-third (1/3) of the Board members shall retire from office at the AGM and shall be eligible for re-election at the same AGM.

The new Director(s) duly appointed by the Board shall then recommend for re-election at the AGM.

The Company shall then provide orientation and on-going education to the Board.

2.0 STRENGTHEN COMPOSITION *cont'd*

2.3 Develop, maintain and review criteria for recruitment and annual assessment of Directors *cont'd*

b. Annual Assessment

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 (Self & Peer) Assessment and an Assessment of Independence of Independent Directors.

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

For Individual (Self & Peer) Assessment, the assessment criteria include contribution to interaction, quality of inputs, understanding of roles and the Chairman's roles.

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

In addition, the NC has reviewed and evaluated the performance of CFO during the financial year.

c. Diversity in Gender, Ethnicity and Age

The Board acknowledges the importance of boardroom diversity and the recommendation of the Code pertaining to the establishment of a gender diversity policy.

The Company will endeavor to have at least one (1) female director by 2018 subject to the review of the Board from time to time. Nonetheless, the Company will endeavor to achieve a higher target through progressive refreshing of the Board as it implements the nine year policy for Independent Non-Executive Director.

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

2.4 Remuneration Policies and Procedures

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

The RC reviews annually the performance of the Executive Directors and submits recommendations to the Board on specific adjustments in remuneration and/or reward payments that reflect their respective contributions for the year, and which are depend 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 Board as a whole determines the remuneration of Non-Executive Directors and recommends the same for shareholders' approval.

The Non-Executive Directors are paid annual fees, and an attendance allowance for each Board meeting that they attended.

CORPORATE GOVERNANCE STATEMENT
cont'd

2.0 STRENGTHEN COMPOSITION *cont'd*

2.4 Remuneration Policies and Procedures *cont'd*

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

Details of the Directors' remuneration (including benefits-in-kind) of each Director during the financial year 2015 are as follows:

	Salary (RM)	Fees (RM)	Bonus (RM)	Benefits in- kind (RM)
Executive Directors				
Ir. Gan Hung Keng	363,000	-	202,356	7,500
Ong Weng Leong	363,000	-	202,356	7,500
Non-Executive Directors				
Chan Thian Kiat	-	40,000	-	-
Tan Chuan Yong	-	40,000	-	-
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	-	36,400	-	-
Soo Yuit Weng	-	40,000	-	-
Total	**726,000**	**156,400**	**404,712**	**15,000**

The number of Directors whose remuneration falls within the following bands is tabulated as below:

Range of Remuneration (RM)	Executive Directors	Non-Executive Directors
50,000 and below	-	4
50,001 to 150,000	-	-
150,001 to 300,000	-	-
300,001 to 400,000	-	-
400,001 to 500,000	-	-
500,001 to 600,000	2	-

3.0 REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

The Board, through the NC, assesses the independence of Independent Directors annually. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Company and his involvement in any significant transaction with the Company.

Based on the above assessment in 2015, the Board is generally satisfied with the level of independence demonstrated by all the Independent Directors, and their ability to bring independent and objective judgement to the board deliberations.

3.0 REINFORCE INDEPENDENCE *cont'd*

3.1 Annual Assessment of Independence *cont'd*

With respect to the Independent Non-Executive Directors who are seeking re-election at the forthcoming Sixteenth AGM, the NC is satisfied that Mr. Tan Chuan Yong and Mr. Soo Yuit Weng demonstrated that they are independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement. The Board therefore recommends and supports their proposed re-election.

3.2 Tenure of Independent Directors

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 shall justify and seek shareholders' approval at the AGM in the event it retains the Director as an Independent Director.

None of the Independent Non-Executive Directors served more than nine (9) years in the Company.

3.3 Shareholders' approval for the Continuance Office as Independent Directors

The Board would seek shareholders' approval at the AGM if the Independent Director who has served in that capacity for more than nine (9) years shall remain as an Independent Director.

The NC will assess the independence of the Independent Director based on the assessment criteria developed by the NC, and recommended to the Board for recommendation to shareholders for approval. Justification for the Board's recommendation would be provided to shareholders.

3.4 Separation of the Positions of the Chairman and the CEO

One of the recommendations of the MCCG 2012 states that the position of the Chairman and the CEO should be held by different individuals, and the Chairman must be a non-executive member of the Board. However, the roles of the Chairman and the CEO have not been separated and both functions continue to be held by Ir. Gan Hung Keng.

As at todate, KGB has yet to identify an Independent Chairman who is sufficiently suitable for the role with the right experience, strength and understanding of the Group's business operations as KGB involves in the high-technologies industry which provides end-to-end engineering solutions for Ultra High Purify gas and chemical delivery systems. To go beyond box ticking and fulfil the aspiration and objective of the MCCG 2012, KGB is working on a five-years succession plan to identify and develop potential personnel to increase KGB's standards of corporate governance in line with the MCCG 2012.

To ensure balance of power and authority on the Board, the Board comprises a majority of Independent Directors. 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.

3.5 Composition of the Board

The Board currently consists of six (6) members, comprising one (1) Executive Chairman, one (1) Executive Director and four (4) Independent Non-Executive Directors. The size of the Board is appropriate given the complexity and geographical spread of KGB's business.

The present composition of the Board is in compliance with Paragraph 15.02 of the Main Market Listing Requirements ("MMLR") as more than half of its members are Independent Directors.

The six (6) members of the Board are persons of high calibre and integrity, and they possess the appropriate skills and provide a wealth of knowledge, experience and skills in the key areas of accountancy, law, business operations and development, finance and risk management, amongst others.

CORPORATE GOVERNANCE STATEMENT
cont'd

3.0 REINFORCE INDEPENDENCE *cont'd*

3.5 Composition of the Board *cont'd*

Jointly with the Executive Director cum COO, the Executive Chairman cum CEO is accountable to the Board over the daily management and development of the Company.

The profile of each of the Member of the Board is presented on the pages 10 to 12 of this Annual Report.

4.0 FOSTER COMMITMENT

4.1 Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of KGB. This is evidenced by the attendance record of the Directors at Board Meetings, as set out in the table below.

Name of Director	Attendance (As at 31/12/2015)
Ir. Gan Hung Keng *(Chairman)*	5/5
Ong Weng Leong	5/5
Chan Thian Kiat	5/5
Tan Chuan Yong	5/5
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	3/5
Soo Yuit Weng	5/5

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

To facilitate the Directors' time planning, an annual meeting schedule is prepared and circulated at the beginning of every year, as well as the tentative closed periods for dealings in securities by Directors based on the targeted date of announcement of the Group's quarterly results.

4.2 Training

All Directors have completed the Mandatory Accreditation Programme ("MAP") as prescribed by Bursa Securities. 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, trade fairs (locally and internationally), seminars and training to keep abreast with the latest developments in the industry and to enhance their skills and knowledge.

CORPORATE GOVERNANCE STATEMENT
cont'd

4.0 FOSTER COMMITMENT *cont'd*

4.2 Training *cont'd*

During the FYE 31 December 2015, all the Directors have attended trainings, seminars, conferences and exhibitions which they considered vital in keeping abreast with changes in laws and regulation, business environment, and corporate government development, as detailed hereunder:-

No.	Name of Director	Course Attended	Date
1.	Ir. Gan Hung Keng	Practical Fundamentals of Heating, Ventilation & Air-conditioning (HVAC)	23 & 24 July 2015
		Bursa Malaysia CG Breakfast Series with Directors "The Board's response in light of rising shareholder engagement"	4 August 2015
2.	Ong Weng Leong	Practical Fundamentals of Heating, Ventilation & Air-conditioning (HVAC)	23 & 24 July 2015
		The 2nd Malaysia Talent Summit, themed, "Winning the War on Talent: The Next Frontier in Talent Acquisition"	13 August 2015
3.	Chan Thian Kiat	Bursa Malaysia CG Breakfast Series with Directors "*Bringing the Best out in Boardrooms*"	31 July 2015
		Bursa Malaysia CG Breakfast Series with Directors "The Board's response in light of rising shareholder engagement"	4 August 2015
		Corporate Governance Director's Workshop – The Interplay between Corporate Governance, Non-Financial Information and Investment Decisions	19 August 2015
		Bursa Malaysia CG Breakfast Series with Directors "How to Maximise Internal Audit	9 September 2015
4.	Tan Chuan Yong	Corporate Governance Director's Workshop – The Interplay between Corporate Governance, Non-Financial Information and Investment Decisions-What Boards of Listed Companies Need to Know	19 August 2015
5.	Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	Building Effective Finance Function: From Reporting to Analytics to Strategic Input	10 August 2015
6.	Soo Yuit Weng	Chartered Tax Institute of Malaysia Seminar: GST Tax Codes	20 May 2015
		Chartered Tax Institute of Malaysia Seminar: Maximising on capital expenditure.	12 August 2015
		The Malaysian Private Entities Reporting Standards	14 September 2015
		Accounting Issues For GST	2 November 2015
		Budget Seminar 2016	5 November 2015
		The Legal and Practical Aspects of Withholding Taxes	17 November 2015

CORPORATE GOVERNANCE STATEMENT
cont'd

5.0 UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with applicable financial reporting standards

The Board is committed to provide a balanced, clear and meaningful assessment of the financial performance and prospects of the Company via all disclosures and announcements made.

The Board is assisted by the AC to oversee and scrutinise the process and quality of the financial reporting, includes reviewing and monitoring the integrity of the financial statements and the appropriateness of the Company's accounting policies to ensure accuracy, adequacy and completeness of the report, as well as in compliance with the relevant accounting standards.

All the AC members, who are financially literate and have direct communication channels with the External and Internal auditors, reviewed the Company's financial statements prior to recommending them for approval by the Board.

The CEO formally presented to the AC and the Board details of the revenues and expenditures, trade receivable aging, trade payable aging and amount owing by contract customers for review of quarter-to-quarter and year-to-date financial performance against budget.

As part of the governance process in reviewing the quarterly and yearly financial statements by the AC, the CFO provided assurance to the AC on a quarterly basis that appropriate accounting policies had been adopted and applied consistently and that adequate processes and controls were in place for effective and efficient financial reporting and disclosures.

5.2 Assessment of suitability and independence of External Auditors

The AC is responsible for reviewing audit, recurring audit-related and non-audit services provided by the External Auditors. These recurring audit-related and non-audit services comprise regulatory reviews and reporting, interim reviews, tax advisory and compliance services.

The terms of engagement for services provided by the External Auditors are reviewed by the AC prior to submission to the Board for approval.

In the assessment of the External Auditors, the AC considered several factors, which included adequacy of experience and resources of the firm and the professional staff assigned to the audit, independence of Messrs Crowe Horwath.

The AC has also reviewed the provision of non-audit services by the External Auditors during the year and concluded that the provision of these services did not compromise the External Auditors' independence and objectivity as the amount of the fees paid for these services was not significant when compared to the total fees paid to the External Auditors.

Having satisfied itself with Messrs Crowe Horwath's performance, technical competency and audit independence as well as fulfilment of criteria as set out in the Auditor Independence Policy, the AC recommended the re-appointment of Messrs Crowe Horwath to the Board, upon which the shareholders' approval will be sought at the forthcoming AGM.

The Company has formally adopted an External Auditors Performance and Independent checklist in April 2016 to evaluate the performance of the Internal Auditors, including the review of the caliber of the audit firm, quality of processes, audit team, independence and objectivity, audit scope and planning, audit fees and audit communications.

CORPORATE GOVERNANCE STATEMENT
cont'd

6.0 RECOGNISE AND MANAGE RISKS

6.1 Sound framework to manage risks

The Board oversees, reviews and monitors the operation, adequacy and effectiveness of the Group's system of internal controls.

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

The 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 on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation, and makes relevant recommendations to the Board to manage residual risks. The Board has been integrating the risk issues into their decision making process whilst maintaining the flexibility to lead the business of the Group through the ever-changing internal and external environments.

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

6.2 Internal Audit ("IA") Function

Since 2009, the Company has outsourced its IA function to a professional services firm namely, Audex Governance Sdn. Bhd. to assist the AC in discharging its duties and responsibilities in respect of reviewing the adequacy and effectiveness of the Group's risk management and internal control systems.

The Company has formally adopted an IA Function Evaluation checklist in April 2016 to evaluate the performance of the Internal Auditors, including the review of the scopes, functions and competency to carry out the work.

The Statement on Risk Management and Internal Control as included on pages 30 to 32 of this Annual Report provides the overview of the internal control framework adopted by the Company during the FYE 31 December 2015.

7.0 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy and Procedures

The Company has put in place a Corporate Disclosure Policy with the objective to ensure communications to the public are timely, factual, accurate, complete, broadly disseminated and where necessary, filed with regulators in accordance with applicable laws.

A Disclosure Committee comprises of Executive Directors and CFO was established in year 2013 and responsible for:-

a) determining materiality of information;
b) ensuring timely, complete and accurate disclosure of material information to the investing public in accordance with securities laws and stock exchange rules and regulations, monitoring compliance with this policy and overseeing the disclosure controls and procedures;
c) providing sufficient information to the Company Secretary for drafting of necessary announcement; and
d) conducting proper verification and due diligence on the disclosure of material information.

Clear roles and responsibilities of Directors, Management, and employees are provided in the policy to ensure that the confidential information is handled properly to avoid leakage and improper use of such information.

The Board is mindful that information which is expected to be material must be announced immediately.

CORPORATE GOVERNANCE STATEMENT
cont'd

7.0 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE *cont'd*

7.2 Leverage on information technology for effective dissemination of information

KGB's website provides all relevant corporate information and it is accessible by the public. The Company's website enhances the IR function by including share price information, all announcements made by KGB, Annual Reports, financial results, corporate calendar as well as the corporate governance statement of KGB.

Through the Company's website, the stakeholders are able to direct queries to the Company.

8.0 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage shareholder participation at general meetings

In an effort to encourage greater shareholders' participation at AGMs, the Board takes cognisance in serving longer than the required minimum notice period for AGMs, when possible. The Chairman together with the Senior Independent Non-Executive Directors ensure that an open channel of communication is cultivated.

KGB encloses the Annual Report together with the Circular to Shareholders and notice of AGM with regard to, amongst others, details of the AGM, their entitlement to attend the AGM, the right to appoint proxy and also qualification of proxy.

The Company allows a shareholder to appoint a proxy who may not be a member of the Company. If the proxy is not a member of the Company, he/she need not be an advocate, an approved company auditors or a person approved by the Registrar of Companies.

To further promote participation of members through proxies, which in line with the MMLR, the Company had amended its Articles of Association to include explicitly the right of proxies to speak at general meetings.

8.2 Encourage poll voting

At the Fifteenth AGM of the Company held on 24 June 2015, all resolutions put forth for shareholders' approval at the meeting were voted on by show of hands.

The Chairman would ensure that shareholders were informed of their rights to demand a poll vote at the commencement of the AGM.

8.3 Effective communication and proactive engagement

At the Fifteenth AGM, all Directors were present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company. The Directors, Management and External Auditors were in attendance to respond to the shareholders' queries.

From the Company's perspective, the AGM also serves as a forum for Directors and Management to engage with the shareholders personally to understand their needs and seek their feedback. The Board welcomes questions and feedback from shareholders during and at the end of shareholders' meeting and ensures their queries are responded in a proper and systematic manner.

COMPLIANCE STATEMENT

The Board is satisfied that the Company has in 2015 complied with the principles and recommendations of the MCCG 2012 save for one (1) of the recommendations that the position of the Chairman and the CEO should be held by different individuals, and the Chairman must be a non-executive member of the Board.

This statement is made in accordance with the resolution of the Board dated 20 April 2016.

CORPORATE GOVERNANCE STATEMENT
cont'd

STATEMENT OF DIRECTORS' RESPONSIBILITY

Directors are legally required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results of the Group and of the Company for the financial year then ended.

In preparing those 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
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for ensuring that proper accounting and other records are kept which enable the preparation of the financial statement with reasonable accuracy on the disclosure of the financial position of the Group and of the Company, and to enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965 and the applicable accounting standards approved by the Malaysian Accounting Standards Board in Malaysia for Entities other than Private Entities. The Directors are also responsible for taking reasonable steps to ensure that appropriate systems are in place to safeguard the assets of the Group and of the Company and hence, to prevent and detect fraud and other irregularities.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of KGB is pleased to present its Statement on Risk Management and Internal Control for the FYE 31 December 2015, which has been prepared pursuant to paragraph 15.26 (b) of Bursa Securities' MMLR and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"), in this Annual Report. This statement outlines the nature and state of the risk management and internal controls of the Group during the financial year.

BOARD RESPONSIBILITY

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

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 material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

The Board acknowledges that the Group's business activities involve some degree of risk and Key Management staff and Head of Departments are delegated with the responsibility to manage identified risks within defined parameters and standards.

The Board has an on-going process for identifying, evaluating and managing the significant risks it faces. The risk management process is an ongoing process commencing from the beginning of any major new project, venture or change in operational environment for the year under review and up to the date of approval of this statement by the Board. The process includes the systematic application of management policies, procedures and practices to the activities of risk identification, assessment, treatment, monitoring and reporting. Significant risks are communicated to the AC and ultimately to the Board at their scheduled meetings.

In addition, subsequent to the FYE 31 December 2015, Executive Management updated the Group's key risk profile as facilitated by the external consultants. The results of the update of the key risk profile were presented to the AC on 24 February 2016.

During the FYE 31 December 2015, the outsourced internal audit function carried out internal audit reviews in accordance with the risk based internal audit plan approved by the AC. The results of the internal audit reviews were discussed with Senior Management and subsequently, presented to the AC at their scheduled meetings. Follow up visits were carried out to ensure that the management action plans in respect of matters highlighted in the internal audit reports have been satisfactorily addressed. Although a number of weaknesses were identified, none of weaknesses have resulted in any material losses that would require separate disclosure in this annual report.

The total cost incurred by the IA function is at RM57,394.23 for the FYE 31 December 2015.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

a) Management Structure

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

OTHER KEY ELEMENTS OF INTERNAL CONTROL *cont'd*

b) Strategic Business Plan and Annual Budget

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

The Group's annual strategic business plan and budget is reviewed, deliberated and approved by the Board. The expectations of the Board are clearly discussed with, and understood by, 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 the Management.

c) Reporting and Review

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

d) ISO Quality

Both KGB and Kelington Technologies Sdn. Bhd. ("KTSB") have been certified with ISO 9001:2008 Quality Management System since March 2010. Yearly surveillance audits and periodic re-assessments are carried out to ensure its adherence and application of the ISO quality policies and procedures.

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

Both KGB and KTSB achieved the OHSAS 18001 and MS 17021:2011 certification by Intertek since July 2014.

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

f) Internal Policies and Procedures

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

g) External Audit

In accordance with Paragraph 15.23 of Bursa Securities' MMLR, the External Auditors have performed a review on the statement on internal control and risk management for its inclusion into the Annual Report of the Company for FYE 31 December 2015, and reported to the Board that nothing has come to their attention that cause them to believe that the statement is inconsistent with their understanding of the state of internal control of the Group.

h) Related Party Transactions

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

MATERIAL EVENT DURING THE FINANCIAL YEAR

The Board made an announcement to Bursa Securities on 26 February 2016 on a material litigation. In relation to the appointment of Hui Neng Mechanical & Engineering Co ("Hui Neng") by Kelington Taiwan branch ("KETW") for its project in Taiwan where a provision of RM4.24 million has been made in the financial statements of the Company for the financial year ended 31 December 2015, the Management has carried out an internal review of the appointment of Hui Neng and the subsequent transactions between KETW and Hui Neng. Based on the review, the Management will increase its efforts to ensure strict compliance of the Standard Operating Procedure of the Company as regards to the appointment of subcontractor.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

ASSURANCE PROVIDED BY THE GROUP CEO AND CFO

In line with the Guidelines, the Group CEO and CFO have provided assurance to the Board 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 except for the matter relating to the appointment of Hui Neng by KETW mentioned in the previous paragraph for which remedial measures would be taken to strengthen the internal control system of KETW.

CONCLUSION

The Board is of the view that the risk management and internal control system under review is satisfactory except for the matter relating to the appointment of Hui Neng by KETW for which remedial measures would be taken to strengthen the internal control system of KETW.

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

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors dated on 20 April 2016.

AUDIT COMMITTEE REPORT

The Board presents the AC Report to provide insights on the discharge of the AC's functions for the Group in the year 2015.

COMPOSITION AND ATTENDANCE

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

The AC members and details of attendance of each member at the AC meetings held during the FYE 31 December 2015 are as follows:

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

The AC Chairman, Chan Thian Kiat, is a fellow member of CPA Australia and an Associate of the Institute of Chartered Secretaries and Administrators ("ACIS"). Accordingly, KGB complies with Paragraph 15.09(1)(c)(ii)(bb) of the MMLR.

The Board assesses the performance of the AC and its members through an annual Board Committee effectiveness evaluation and is satisfied that they are able to discharge their functions, duties and responsibilities in accordance with the TOR of the AC which are available on KGB's website, thereby supporting the Board in ensuring appropriate Corporate Governance standards within the Group.

MEETINGS

The AC held five (5) meetings in the year 2015 and the Executive Directors were invited to all AC meetings to facilitate direct communication and to provide clarification on audit issues and the operations of the Group. The Internal Auditors were present two (2) out of five (5) AC meetings to table the respective IA reports. Relevant Management were invited to brief the AC on specific issues arising from relevant audit reports.

The AC met with the External Auditors two (2) times in the year 2015 without the presence of the Executive Directors, Management or Internal Auditors. At this meeting, the AC enquired about Management's cooperation with the External Auditors, sharing of information and proficiency and adequacy of resources in financial reporting functions. During the AC meetings, the External Auditors were invited to raise any matter they considered important for the AC's attention.

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

Deliberations during the AC meetings, including the issues tabled and rationale adopted for decisions, were recorded. Minutes of the AC meetings were tabled for confirmation at the following AC meeting. The AC Chairman also conveyed to the Board matters of significant concern as and when raised by the External Auditors or Internal Auditors.

AUDIT COMMITTEE REPORT
cont'd

SUMMARY OF ACTIVITIES OF THE AC

The activities undertaken by the AC during the financial year 2015 are summarised as follows:-

i) Reviewed the annual audited financial statements, Directors' and Auditors' Report and other significant accounting issues arising from the FYE 31 December 2014;

ii) Reviewed the unaudited quarterly financial statements of the Company and the Group which focusing particularly on significant changes to accounting policies and practices, adjustments arising from the audits, compliance with accounting standards and other legal requirements;

iii) Reviewed the External Auditors' audit review memorandum for the FYE 31 December 2014 covered the significant audit findings, report on deficiencies in internal control, status of audit, independence of auditors, communication with AC, summary of audit adjustments and unadjusted differences;

iv) Reviewed the audit planning memorandum for the FYE 31 December 2015 which covered the engagement and reporting requirements, audit approach, areas of audit emphasis, communication with Management, engagement team, reporting and deliverables and proposed fee;

v) Reviewed the IA reports presented by the Internal Auditors;

vi) Reviewed the AC Report, Statement of Corporate Governance and Statement on Risk Management and Internal Control before recommending to the Board for their approval, for inclusion in the Annual Report;

vii) Reviewed the External Auditors' suitability, resources, competency and independence and considered their re-appointment; and

viii) Conducted two (2) meetings with the External Auditors without the presence of the Executive Directors and Management of the Company.

IA FUNCTIONS

The Company does not have an IA department. Since year 2009, the Company has outsourced its IA functions to a professional services firm named Audex Governance Sdn. Bhd. to assist the AC in discharging its duties and responsibilities in respect of reviewing the adequacy and effectiveness of the Group's risk management and internal control systems.

The role of the Internal Auditors is totally independent and not related to the Group's External Auditors. The Internal Auditors will include evaluation of the processes by which significant risks are identified, assessed and managed and ensuing that instituted controls are appropriate and effectively applied and the risk exposures are consistent with the Company's risk management policy.

During the FYE 31 December 2015, the areas audited included audits of various departments covering all the factories and subsidiaries within the Group. The IA reports were issued to the AC regularly and tabled in the AC meetings. The reports were also issued to the respective operations management, incorporating audit recommendations and Management's responses with regards to any audit findings on the weaknesses in the systems and controls of the operations. The Internal Auditors also follows up with Management on the implementation of the agreed audit recommendations. The total costs incurred for IA function of the Group for the FYE 31 December 2015 was amounted to RM57,394.23.

STATEMENT OF ALLOCATION OF EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

There was 75,000 options allocated during the financial year ended 31 December 2015.

The AC has verified the allocation of options that offered to the eligible persons under ESOS and satisfied that the allocation was in compliance with the ESOS By-law and criteria set out by the Option Committee.

AUDIT COMMITTEE REPORT
cont'd

SUMMARY OF TOR

1. Composition

The AC shall be appointed amongst the Board members and shall comprise no fewer than three (3) members; a majority of whom, including the Chairman, shall be Independent Directors and all members should be Non-Executive Directors. At least one (1) member must be a member of the Malaysian Institute of Accountants or possess such other qualifications and/or experience as approved and prescribed by Bursa Securities. No Alternate Director shall be appointed as a member of the AC.

In the event of any vacancy resulting that the number of members is reduced to below three (3), the vacancy shall be filled within three (3) months. Therefore, a member of the AC who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he leaves.

The terms of office and performance of the AC and each of its members shall be reviewed by the Board at least once every three (3) years to determine whether the AC and its members have carried out their duties in accordance with their TOR.

2. Quorum and Frequency of Meetings

The AC shall meet at least four (4) times in each financial year and may regulate its own procedure in lieu of convening a formal meeting by means of video or teleconference. The quorum for a meeting shall be the majority of members present, who shall be Independent Directors.

The AC may call for a meeting as and when required with reasonable notice as the Committee Members deem fit.

All decisions at such meeting shall be decided by a majority of votes.

3. Rights

The AC is accorded with the following rights in the performance of its duties and responsibilities:-

(a) has the authority to investigate any matter within its TOR;

(b) has the resources which are required to perform its duties and has full and unrestricted access to any information pertaining to the Group;

(c) has direct communication channels with the External Auditors and person(s) carrying out the IA function or activity;

(d) has the right to obtain independent professional or other advice at the Company's expense and the right to convene meetings with the External Auditors, excluding the presence of the executive board members, at least twice a year and whenever deemed necessary;

(e) promptly report to Bursa Securities, or such other name(s) as may be adopted by Bursa Securities, matters which have not been satisfactorily resolved by the Board of Directors resulting in a breach of the MMLR;

(f) has the right to pass resolutions by a simple majority vote from the Committee and that the Chairman shall have the casting vote should a tie arise; and

(g) the Chairman shall call for a meeting upon the request of the External Auditors, and the AC can meet as and when required on a reasonable notice.

AUDIT COMMITTEE REPORT

cont'd

SUMMARY OF TOR *cont'd*

4. Duties and Responsibilities

The AC, as required by applicable laws, rules, or regulations and otherwise to the extent it deems necessary or appropriate, shall carry out the following key matters:-

External Audit

(a) To consider the appointment and/or re-appointment of auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as auditors to the Board and to have policies and procedures to assess the suitability and independence of External Auditors.

(b) To review with the External Auditors on the nature and scope of the audit plan, evaluation of accounting policies and system of internal accounting controls within the Group, audit reports and the assistance given by the officers of the Company to the External Auditors.

(c) To review with Management the audit report and management letter issued by the External Auditors and implementation of audit recommendations, interim financial information report and the assistance given by the officers of the Company to the External Auditors.

(d) To discuss problems and reservations arising from interim and final audits, and any matter the External Auditors may wish to discuss (in the absence of management where necessary).

IA

(e) To review the adequacy of the scope, functions, competency and resources of the IA function, and the IA programme and results of the IA processes or investigation undertaken to ensure that appropriate actions are taken on the recommendations of the IA functions.

Risk Management and Internal Control

(f) To recommend such measures as to be taken by the Board on the effectiveness of the system of internal control and risk management practices of the Group and recommend to the Board the Directors' Statement on Internal Control and any changes to the said Statement.

(g) To evaluate the quality and effectiveness of Company's internal control system and management information systems.

Whistleblowing and fraud

(k) To review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action and review the Company's procedures for detecting fraud.

Overseeing Financial Reporting

(h) To monitor the integrity of the financial statements of the Company, including the quarterly reports on consolidated results and annual financial statements before recommendation to the Board of Director for approval for releasing to Bursa Securities.

Reviewing conflict of interest situations and related party transactions

(i) To monitor related party transactions entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Directors report such transactions annually to the shareholders via the Annual Report, and to review conflicts of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of Management integrity.

AUDIT COMMITTEE REPORT
cont'd

SUMMARY OF TOR *cont'd*

4. Duties and Responsibilities *cont'd*

Other Matters

(j) To verify the allocation of options pursuant to a share issuance scheme for employees as being in compliance with the criteria for allocation of options under the share scheme, at the end of each financial year.

5. TOR

The TOR should be assessed, reviewed and updated at least once every three (3) years by the AC or as and when there are changes to the MCCG 2012 and the MMLR.

The AC should recommend any change to the TOR to the Board for approval.

The assessment of the AC's TOR should be a vigorous process taking into consideration the Company's circumstances and any new regulations that may have an effect on the AC's responsibilities.

The AC Report is made in accordance with the resolution of the Board of Directors' Meeting held on 20 April 2016.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

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

2. SHARE BUY-BACK

During the FYE 31 December 2015, the Company has purchased 2,000 KGB Shares for a total consideration of RM794.63 and all purchased shares have been retained as treasury shares. None of the shares purchased has been resold or cancelled during the financial year.

Details of the shares purchased during the year are as follows:-

Date of Purchase	No. of shares purchased	Lowest Purchase Price (RM)	Highest Purchase Price (RM)	Average Price Paid (RM)	Purchase Consideration (RM)
02.06.2015	1,000	0.395	0.395	0.395	436.12
30.11.2015	1,000	0.315	0.315	0.315	358.51

3. OPTIONS OR CONVERTIBLE SECURITIES

During the financial year, the Company has issued 3,113,597 Ordinary Shares of RM0.10 each arising from the exercised of options under the ESOS of the Company.

4. DEPOSITORY RECEIPT PROGRAMME

During the financial year, the Company did not sponsor any depository receipt programme.

5. IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no material sanction and/or penalties imposed on the Company and its subsidiary companies, Directors or Management by the relevant regulatory bodies.

6. NON-AUDIT FEES

There was RM5,000 non-audit fees being payment for reviewing of Statement on Risk Management and Internal Control paid to the External Auditors for FYE 31 December 2015.

7. VARIATION IN RESULTS

There was no variation of 10% or more between the audited results and unaudited results of the Group for the FYE 31 December 2015.

8. 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.

ADDITIONAL COMPLIANCE INFORMATION

cont'd

9. MATERIAL CONTRACTS

Except for what is disclosed in the Related Party Transaction as stated below, there were no other material contracts entered into by the Group involving Directors' and Major Shareholders' interests either still subsisting as at 31 December 2015 or entered into since the end of the previous financial year.

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

At the last AGM held on 24 June 2015, the Company had obtained a mandate from its shareholders to enter into RRPT with a person who considered being a Related Party as defined in Chapter 10 of MMLR. Details of the RRPT during the financial year ended 31 December 2015 pursuant to Shareholders' Mandate are as follows:-

Transacting parties	Interested directors or major shareholders	Nature of transactions	Actual Value transacted (RM)
Provider: KGB Group **Recipient:** BOCLH Group	1) Sun Lead (1) 2) Fortune Dragon (2) 3) LHIC (2)	Kelington Group is supplying services in relation to UHP delivery systems solution to BOCLH Group	3,283,177
Provider: BOCLH Group **Recipient:** KGB Group	1) Sun Lead (1) 2) Fortune Dragon (2) 3) LHIC (2)	Kelington Group is purchasing equipment and consumables (welding and testing gases) for UHP delivery system from BOCLH Group	nil

Notes:-

a. BOCLH Group refers to BOC Lien Hwa Industrial Gases Co. Ltd and its subsidiary(ies).
b. KGB Group refers to KGB and its subsidiary(ies).
c. Sun Lead refers to Sun Lead International Limited.
d. Fortune Dragon refers to Fortune Dragon Holdings Inc.
e. LHIC refers to Lien Hwa Industrial Corp.

Nature of Interest:-

(1) Sun Lead is a Major Shareholder of the Company.
(2) Fortune Dragon and LHIC are Major shareholders of the Company through Sun Lead. LHIC is also a Major Shareholder of BOCLH.

11. PROFIT GUARANTEES

There were no profit guarantees received by the Company for the FYE 31 December 2015.

ADDITIONAL COMPLIANCE INFORMATION

cont'd

12. CORPORATE SOCIAL RESPONSIBILITIES ("CSR")

The Company recognises its role as a responsible corporate citizen and has therefore intensified its CSR initiatives throughout financial year 2015 as follows:-

(a) The Workplace

The Company continue recognise the importance of its human capital and the role of their staff played in the overall success of the Company and encourages a dynamic and diverse composition of workforce in terms of gender, ethnicity and age by nurturing and suitable staff equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company.

The Group organises and sponsors various welfare activities to promote camaraderie and teamwork amongst our employees. These include Departmental and Company outings.

The Company places strong emphasis on personal development and had been sending relevant staff to various training courses to equip them with the necessary knowledge and skills.

(b) The Community

The Company aims to contribute and provide real benefit to the community as a whole which can make them a better place to live.

(c) The Environment

KGB recognises that effective environmental management is one of the most important corporate priorities. The Company is committed in protecting and respecting the environment through efficiency in the conduct of its operations. As part of the on-going efforts to attain this objective, the Company has focused on the following initiatives:

- Adopting green practices and using natural resources responsibly.
- Encourage recycling for materials including steel scrap and paper.
- Use raw materials such as steel efficiently and reduce different types of waste.
- Provide renewable energy solutions.

(d) The Marketplace

KGB Group recognises the importance of building and maintaining positive relationships with its stakeholders.

KGB Group believed its business is holding high standard of behaviour and integrity. Management and staff will continuously uphold high standards of conduct in the performance of their duties and practise good business ethnics.

13. ESOS

The ESOS was approved by the shareholders at an Extraordinary General Meeting held on 26 October 2010 and governed by the By-Laws. The ESOS is to be in force for a period of five (5) years (i.e. from 2 November 2010 to 1 November 2015), subject however, to an extension at the discretion of the Board of Directors upon the recommendation of the Option Committee for a period up to five (5) years commencing from the date of expiration of the original five (5) years period.

On 1 October 2015, the Board has agreed to extend the ESOS for a further period of one (1) year until 1 November 2016 to enable the Grantees additional time to exercise their options.

ADDITIONAL COMPLIANCE INFORMATION
cont'd

13. ESOS *cont'd*

There is one (1) ESOS in existence during the FYE 31 December 2015 with information as follows:-

Total number of options/ shares outstanding as at 1 January 2015	Total number of options exercised during the FYE 31 December 2015	Total number of options/shares granted during the FYE 31 December 2015	Total options/ shares outstanding as at 31 December 2015
12,872,533	(3,113,597)	nil	9,758,936

Options granted to Directors and Chief Executive

Total number of options/ shares outstanding as at 1 January 2015	Aggregate options exercised or vested during the FYE 31 December 2015	Aggregate options/ shares granted during the FYE 31 December 2015	Aggregate options/ shares outstanding as at 31 December 2015
2,944,000	(1,226,664)	Nil	1,717,336

Options granted to Directors and Senior Management

	During the FYE 31 December 2015	Since commencement of the ESOS on 26 October 2010
Aggregate maximum allocation in percentage	50%	50%
Actual percentage granted	26%	26%

Breakdown of the options offered to and exercised by non-executive Directors pursuant to ESOS in respect of the financial year are as follows:

Name of Directors	Amount of Options Granted	Amount of Options Exercised
Chan Thian Kiat	-	66,666
Tan Chuan Yong	-	66,666
Soo Yuit Weng	-	60,000
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	-	60,000

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 2015.

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. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM'000	The Company RM'000
(Loss)/Profit after taxation for the financial year	(2,521)	5,737
Attributable to:-		
Owners of the Company	(2,546)	5,737
Non-controlling interests	25	-
	(2,521)	5,737

DIVIDENDS

A final tax-exempt dividend of 1 sen per ordinary share amounting to approximately RM2,189,000 for the financial year ended 31 December 2014 was approved by the shareholders at the Annual General Meeting held on 24 June 2015 and was paid on 10 August 2015.

The directors recommend the payment of a final tax-exempt dividend of 0.5 sen per ordinary share amounting to approximately RM1,100,000 in respect of the current financial year. The proposed dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) there were no changes in the authorised share capital of the Company;

(b) the Company increased its issued and paid-up share capital from RM21,696,623 to RM22,007,983 by the issuance of 3,113,597 new ordinary shares of RM0.10 each for cash pursuant to the exercise of share options under the Employees' Share Option Scheme ("ESOS"). The new ordinary shares issued rank pari passu in all respects with the existing shares of the Company; and

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

DIRECTORS' REPORT
cont'd

TREASURY SHARES

The shares purchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965 in Malaysia.

During the financial year, the Company purchased 2,000 of its issued ordinary shares from the open market at a weighted average price of approximately RM0.36 per share. The total consideration paid for the purchase including transactions costs amounted to approximately RM800.

As at 31 December 2015, the Company held a total of 1,217,900 treasury shares out of the total 220,079,828 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of approximately RM607,000.

Relevant details on the treasury shares are disclosed in Note 17(e) to the financial statements.

WARRANTS

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

	Number Of Warrants Over Ordinary Shares Of RM0.10 Each				
	Exercise Price	At 1.1.2015	Exercised	Lapsed	At 31.12.2015
Warrant 2014/2019	RM0.50	53,937,631	-	-	53,937,631

The salient terms of the Warrants 2014/2019 are disclosed in Note 17(g) to the financial statements.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The ESOS of the Company is governed by the ESOS By-Laws and was approved by shareholders at an Extraordinary General Meeting held on 26 October 2010. The ESOS is to be in force for a period of 5 years effective from 29 March 2011.

The Company granted 7,232,000 share options under the ESOS on 29 March 2011. These options expire on 1 November 2015 and are exercisable if the employee has been confirmed in service for regular full time employment of any company within the Group. On 1 October 2015, the Company extended the expiry period of the ESOS from 2 November 2015 to 1 November 2016.

The exercise price and the details in the movement of the options granted are as follows:-

		Number of Share Options Over Ordinary Shares of RM0.10 Each		
Date Of Offer	ExercisePrice*	1.1.2015	Exercised	At 31.12.2015
29 March 2011	RM0.26	12,872,533	(3,113,597)	9,758,936

The main features of the ESOS are disclosed in Note 17(d) to the financial statements.

DIRECTORS' REPORT
cont'd

EMPLOYEES' SHARE OPTION SCHEME ("ESOS") *cont'd*

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of holders to whom options have been granted to subscribe for less than 298,000 ordinary shares of RM0.10 each. The names of option holders granted options to subscribe for 298,000 or more ordinary shares of RM0.10 each during the financial year, other than directors whose details are disclosed in the section on Directors' Interests in this report, are as follows:-

				Number Of Share Options Over Ordinary Shares Of RM0.10 Each			
Name	**Grant Date**	**Expiry Date**	**Exercise Price***	**Granted**	**Exercised**	**Allotted**	**At 31.12.2015**
Lim Seng Chuan	29.3.2011	1.11.2016	RM0.26	1,404,000	-	-	1,404,000
Wan Siew Chuan	29.3.2011	1.11.2016	RM0.26	897,600	(145,000)	-	752,600
Jong Yu Huat	29.3.2011	1.11.2016	RM0.26	748,800	(312,000)	-	436,800
Soo Wei Keong	29.3.2011	1.11.2016	RM0.26	753,600	-	-	753,600
Ong Seng Heng	29.3.2011	1.11.2016	RM0.26	713,600	(297,333)	-	416,267
Tea Chee Hen	29.3.2011	1.11.2016	RM0.26	576,000	(240,000)	-	336,000
Chang Ming-Ta	29.3.2011	1.11.2016	RM0.26	484,800	-	-	484,000
Lee Chin Lin	29.3.2011	1.11.2016	RM0.26	288,000	-	10,000	298,000

Note

* - *The exercise price per share option was revised from RM0.68 to RM0.34 due to the issuance of bonus shares in the financial year ended 2012 and subsequently revised from RM0.34 to RM0.26 due to the issuance of bonus shares in the financial year ended 2014.*

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 additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, 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.

DIRECTORS' REPORT
cont'd

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

The contingent liability is disclosed in Note 38 to the financial statements. 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.

DIRECTORS

The directors who served since the date of the last 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

DIRECTORS' REPORT

cont'd

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM0.10 Each			
	At 1.1.2015	Exercise of Share Options	Bought	At 31.12.2015
Direct Interests				
Gan Hung Keng	778,666	486,666	-	1,265,332
Ong Weng Leong	778,666	486,666	-	1,265,332
Chan Thian Kiat	106,666	66,666	-	173,332
Tan Chuan Yong	106,666	66,666	-	173,332
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	96,000	60,000	-	156,000
Soo Yuit Weng	414,666	60,000	-	474,666
Indirect Interests				
Gan Hung Keng *	100,299,290	-	-	100,299,290
Ong Weng Leong *	100,299,290	-	-	100,299,290

* - *Deemed interested under Section 6A of the Companies Act 1965 by virtue of their shareholdings in Palace Star Sdn. Bhd.*

	Number of Share Options Over Ordinary Shares of RM0.10 Each		
	At 1.1.2015	Exercised	At 31.12.2015
Share Options of the Company			
Direct Interests			
Gan Hung Keng	1,168,000	(486,666)	681,334
Ong Weng Leong	1,168,000	(486,666)	681,334
Chan Thian Kiat	160,000	(66,666)	93,334
Tan Chuan Yong	160,000	(66,666)	93,334
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	144,000	(60,000)	84,000
Soo Yuit Weng	144,000	(60,000)	84,000

DIRECTORS' REPORT
cont'd

DIRECTORS' INTERESTS *cont'd*

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

	Number of Warrants Over Ordinary Shares of RM0.10 Each			
	At 1.1.2015	Issued	Sold	At 31.12.2015
Warrants of the Company				
Direct interests				
Gan Hung Keng	150,466	-	-	150,466
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	24,000	-	-	24,000
Indirect interests				
Gan Hung Keng *	25,052,572	-	-	25,052,572
Ong Weng Leong *	25,052,572	-	-	25,052,572

* - *Deemed interested under Section 6A of the Companies Act 1965 by virtue of their shareholdings in Palace Star Sdn. Bhd.*

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 35 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the share options granted (pursuant to the ESOS of the Company) and warrants issued to the directors.

SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

The significant events during and after the financial year are disclosed in Note 40 to the financial statements.

DIRECTORS' REPORT
cont'd

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors dated 20 April 2016.

Gan Hung Keng

Ong Weng Leong

STATAMENT BY DIRECTORS

Pursuant to the section 169(15) of the Companies Act 1965

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 54 to 128 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 41, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors dated 20 April 2016.

Gan Hung Keng **Ong Weng Leong**

STATUTORY DECLARATION

Pursuant to the section 169(16) of the Companies Act 1965

I, Jong Yu Huat, I/C No. 710504-13-5379, 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 54 to 128 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Jong Yu Huat, I/C No. 710504-13-5379,
at Kuala Lumpur in the Federal Territory
on this 20 April 2016.

Jong Yu Huat

Before me

Lai Din (No. W-668)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

To the members of Kelington Group Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Kelington Group Berhad, which comprise the statements of financial position as at 31 December 2015 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 a summary of significant accounting policies and other explanatory information, as set out on pages 54 to 128.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and 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 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT

To the members of Kelington Group Berhad
cont'd

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 41 on page 128 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Ngiam Mia Teck
Approval No: 3000/07/16 (J)
Chartered Accountant

20 April 2016

Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2015

	Note	The Group 2015 RM'000	The Group 2014 RM'000	The Company 2015 RM'000	The Company 2014 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	7,088	1,767
Investment in an associate	6	-	81	-	120
Property, plant and equipment	7	7,062	6,357	2,613	2,602
Development costs		35	53	-	-
Goodwill	8	6,356	5,535	-	-
Non-current tax assets		254	-	-	-
Deferred tax assets	9	391	-	391	-
Other receivables	10	1,226	1,726	-	-
		15,324	13,752	10,092	4,489
CURRENT ASSETS					
Amount owing by contract customers	11	66,793	35,814	7,361	1,498
Inventories	12	195	775	-	-
Trade receivables	13	50,168	66,249	1,384	749
Other receivables, deposits and prepayments	10	14,611	12,625	1,550	821
Amount owing by subsidiaries	14	-	-	12,343	18,454
Deferred tax assets	9	-	97	-	97
Current tax assets		428	15	-	-
Fixed deposits with licensed banks	15	7,162	6,058	6,028	4,958
Cash and bank balances		19,853	28,333	2,791	4,968
		159,210	149,966	31,457	31,545
TOTAL ASSETS		174,534	163,718	41,549	36,034

The annexed notes from an intergral part of these financial statement.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

cont'd

		The Group		The Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	16	22,008	21,697	22,008	21,697
Reserves	17	36,990	37,711	5,947	2,126
Equity attributable to the owners of the parents		58,998	59,408	27,955	23,823
Non-controlling interests		401	(74)	-	-
TOTAL EQUITY		59,399	59,334	27,955	23,823
NON-CURRENT LIABILITIES					
Deferred tax liabilities	9	92	92	-	-
Long-term borrowings	18	459	1,117	365	383
		551	1,209	365	383
CURRENT LIABILITIES					
Amount owing to contract customers	11	29,676	15,771	24	23
Amount owing to a subsidiary	14	-	-	1,849	-
Trade payables	21	48,483	29,644	3,422	759
Other payables and accruals	22	18,095	11,186	1,157	1,059
Short-term borrowings	23	18,153	45,557	6,706	9,089
Bank overdraft	24	-	872	-	872
Current tax liabilities		177	145	71	26
		114,584	103,175	13,229	11,828
TOTAL LIABILITIES		115,135	104,384	13,594	12,211
TOTAL EQUITY AND LIABILITIES		174,534	163,718	41,549	36,034

The annexed notes from an intergral part of these financial statement.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

		The Group		The Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
REVENUE	25	206,356	189,102	9,623	1,870
COST OF SALES		(186,150)	(170,081)	(9,088)	(3,569)
GROSS PROFIT/(LOSS)		20,206	19,021	535	(1,699)
OTHER INCOME	26	4,852	2,241	14,239	7,733
		25,058	21,262	14,774	6,034
SELLING AND DISTRIBUTION EXPENSES		(1,170)	(1,161)	(249)	(349)
ADMINISTRATIVE EXPENSES		(15,535)	(13,583)	(3,716)	(3,628)
OTHER EXPENSES		(9,339)	(668)	(4,404)	(696)
FINANCE COSTS		(1,026)	(631)	(836)	(142)
		(2,012)	5,219	5,569	1,219
SHARE OF RESULT IN AN ASSOCIATE, NET OF TAX		(43)	(39)	-	-
(LOSS)/PROFIT BEFORE TAXATION	27	(2,055)	5,180	5,569	1,219
INCOME TAX EXPENSE	28	(466)	(31)	168	299
(LOSS)/PROFIT AFTER TAXATION		(2,521)	5,149	5,737	1,518
OTHER COMPREHENSIVE INCOME/ (EXPENSE)					
Item that May Be Reclassified Subsequently to Profit or Loss					
Foreign currency translation		3,429	368	(310)	(86)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		908	5,517	5,427	1,432
(LOSS)/PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		(2,546)	5,200	5,737	1,518
Non-controlling interests		25	(51)	-	-
		(2,521)	5,149	5,737	1,518

The annexed notes from an intergral part of these financial statement.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

cont'd

		The Group		The Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
Owners of the Company		884	5,568	5,427	1,432
Non-controlling interests		24	(51)	-	-
		908	5,517	5,427	1,432
(LOSS)/EARNINGS PER SHARE (SEN)					
- Basic	30	(1.2)	2.4		
- Diluted	30	(1.2)	2.4		

The annexed notes from an intergral part of these financial statement.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

		Non-Distributable						Distributable			
	Note	Share Capital	Share Premium	Capital Reserve	Employees' Share Option Reserve	Treasury Shares	Exchange Fluctuation Reserve	Retained Profits	To Owners of the Company	Non-controlling Interests	Total Equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Group											
Balance at 1.1.2014		16,068	546	7,851	755	(482)	1,918	27,402	54,058	(23)	54,035
Profit after taxation for the financial year		-	-	-	-	-	-	5,200	5,200	(51)	5,149
Other comprehensive income for the financial year:											
- Foreign currency translation differences		-	-	-	-	-	368	-	368	*	368
		-	-	-	-	-	368	5,200	5,568	(51)	5,517
Contributions by and distribution to owners of the Company:											
- Dividend paid	32	-	-	-	-	-	-	(1,079)	(1,079)	-	(1,079)
- Bonus issue:											
- by Company		5,394	(1,320)	-	-	-	-	(4,074)	-	-	-
- by a subsidiary		-	-	1,115	-	-	-	(1,115)	-	-	-
- Employees' share option reserve		-	-	-	186	-	-	-	186	-	186
- Reclassification to capital reserve		-	-	18	-	-	-	(18)	-	-	-
- Employees' share options exercised		235	774	-	(210)	-	-	-	799	-	799
- Purchase of treasury shares		-	-	-	-	(124)	-	-	(124)	-	(124)
Total transactions with owners		5,629	(546)	1,133	(24)	(124)	-	(6,286)	(218)	-	(218)
Balance at 31.12.2014		21,697	-	8,984	731	(606)	2,286	26,316	59,408	(74)	59,334

The annexed notes from an intergral part of these financial statement.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

cont'd

	Note	Share Capital	Share Premium	Capital Reserve	Employees' Share Option Reserve	Treasury Shares	Exchange Fluctuation Reserve	Retained Profits	To Owners of the Company	Non-controlling Interests	Total Equity
		← Non-Distributable					→	Distributable			
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Group											
Balance at 31.12.2014/1.1.2015		21,697	-	8,984	731	(606)	2,286	26,316	59,408	(74)	59,334
Loss after taxation for the financial year		-	-	-	-	-	-	(2,546)	(2,546)	25	(2,521)
Other comprehensive income for the financial year:											
- Foreign currency translation differences		-	-	-	-	-	3,430	-	3,430	(1)	3,429
		-	-	-	-	-	3,430	(2,546)	884	24	908
Contributions by and distribution to owners of the Company:											
- Dividend paid	32	-	-	-	-	-	-	(2,189)	(2,189)	-	(2,189)
- Acquisitions of subsidiaries:											
- Kelington Analytical Services Sdn. Bhd.		-	-	-	-	-	-	-	-	87	87
- PT Mitracon Graha Solusindo		-	-	-	-	-	-	-	-	189	189
- Kelington Solomon Philippines, Inc		-	-	-	-	-	-	-	-	175	175
- Employees' share option reserve		-	-	-	102	-	-	-	102	-	102
- Employees' share options exercised		311	760	-	(278)	-	-	-	793	-	793
- Purchase of treasury shares		-	-	-	-	(1)	-	-	(1)	-	(1)
- Transfer of non-distributable reserve funds by a subsidiary		-	-	1	-	-	-	-	1	-	1
Total transactions with owners		311	760	1	(176)	(1)	-	(2,189)	(1,294)	451	(843)
Balance 31.12.2015		22,008	760	8,985	555	(607)	5,716	21,581	58,998	401	59,399

Note:-

* - *Less than RM1,000*

The annexed notes from an intergral part of these financial statement.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

cont'd

		Non-Distributable						Distributable	
	Note	Share Capital	Share Premium	Capital Reserve	Employees' Share Option Reserve	Treasury Shares	Exchange Fluctuation Reserve	Retained Profits	Total Equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Company									
Balance at 1.1.2014		16,068	546	1,044	755	(482)	130	4,548	22,609
Profit after taxation for the financial year		-	-	-	-	-	-	1,518	1,518
Other comprehensive income for the financial year:									
- Foreign currency translation differences		-	-	-	-	-	(86)	-	(86)
Total comprehensive income for the financial year		-	-	-	-	-	(86)	1,518	1,432
Contributions by and distribution to owners of the Company:									
- Dividend paid	32	-	-	-	-	-	-	(1,079)	(1,079)
- Bonus issue		5,394	(1,320)	-	-	-	-	(4,074)	-
- Employees' share option reserve		-	-	-	186	-	-	-	186
- Employees' share options exercised		235	774	-	(210)	-	-	-	799
- Purchase of treasury shares		-	-	-	-	(124)	-	-	(124)
		5,629	(546)	-	(24)	(124)	-	(5,153)	(218)
Balance at 31.12.2014		21,697	-	1,044	731	(606)	44	913	23,823

The annexed notes from an intergral part of these financial statement.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

cont'd

		Non-Distributable						Distributable	
	Note	Share Capital	Share Premium	Capital Reserve	Employees' Share Option Reserve	Treasury Shares	Exchange Fluctuation Reserve	Retained Profits	Total Equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Company									
Balance at 31.12.2014/1.1.2015		21,697	-	1,044	731	(606)	44	913	23,823
Profit after taxation for the financial year		-	-	-	-	-	-	5,737	5,737
Other comprehensive income for the financial year:									
- Foreign currency translation differences		-	-	-	-	-	(310)	-	(310)
Total comprehensive income for the financial year		-	-	-	-	-	(310)	5,737	5,427
Contributions by and distribution to owners of the Company:									
- Dividend paid	32	-	-	-	-	-	-	(2,189)	(2,189)
- Employees' share option reserve		-	-	-	102	-	-	-	102
- Employees' share options exercised		311	760	-	(278)	-	-	-	793
- Purchase of treasury shares		-	-	-	-	(1)	-	-	(1)
		311	760	-	(176)	(1)	-	(2,189)	(1,295)
Balance at 31.12.2015		22,008	760	1,044	555	(607)	(266)	4,461	27,955

The annexed notes from an intergral part of these financial statement.

STATEMENTS OF CASH FLOWS
For the financial year ended 31 December 2015

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
(Loss)/Profit before taxation	(2,055)	5,180	5,569	1,219
Adjustments for:-				
Amortisation of development costs	18	47	-	46
Amount owing by contract customers written off	3,739	-	307	-
Depreciation of property, plant and equipment	932	863	70	69
Equipment written off	19	39	-	-
Impairment loss on amount owing by a subsidiary	-	-	-	465
Impairment loss on trade receivables	629	-	13	-
Impairment loss on other receivables	4,015	-	4,015	-
Interest expense	1,026	631	836	142
Loss on disposal of equipment	-	40	-	-
Provision for warranty costs	59	154	-	18
Share-based payments	102	186	54	98
Share of net loss in a former associate	43	39	-	-
Unwind of discount on advances to employees	(196)	(413)	-	-
Unrealised gain on foreign exchange	(2,113)	(571)	(2,163)	(260)
Dividend income	-	-	(8,000)	(5,127)
Interest income	(453)	(395)	(183)	(197)
Writeback of impairment loss on trade receivables	(10)	(36)	(10)	(36)
Writeback of provision for warranty costs	(119)	(213)	-	(89)
Operating profit/(loss) before working capital changes	5,636	5,551	508	(3,652)
Decrease in inventories	580	1,055	-	-
(Increase)/Decrease in amounts owing by/to contract customers	(21,052)	8,478	(6,186)	2,464
Decrease/(Increase) in trade and other receivables	13,016	(31,730)	(5,640)	5,034
Increase/(Decrease) in trade and other payables	25,544	5,991	2,757	(3,941)
CASH FROM/(FOR) OPERATIONS	23,724	(10,655)	(8,561)	(95)
Income tax (paid)/refunded	(1,427)	(402)	(113)	46
Interest paid	(1,026)	(631)	(836)	(142)
Interest received	453	395	183	197
NET CASH FROM/(FOR) OPERATING ACTIVITIES	21,724	(11,293)	(9,327)	6

The annexed notes from an intergral part of these financial statement.

STATEMENTS OF CASH FLOWS
For the financial year ended 31 December 2015
cont'd

	Note	The Group 2015 RM'000	The Group 2014 RM'000	The Company 2015 RM'000	The Company 2014 RM'000
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES					
Additional investment in a former associate		-	-	(20)	-
Capital contribution from non-controlling interests		177	-	-	-
Development costs paid		-	(5)	-	-
Dividend received		-	-	8,000	5,127
Decrease in amount owing by subsidiaries		-	-	-	123
Investment in a former associate		-	(120)	-	(120)
Net cash outflow on acquisition of subsidiaries	31	(686)	-	(53)	-
Proceeds from disposal of equipment		-	82	-	-
Purchase of property, plant and equipment	33	(1,277)	(479)	(43)	(3)
Repayment from a subsidiary		-	-	3,620	-
Repayment from a subsidiary for employees' share options		-	-	44	147
(Placement)/Withdrawal of fixed deposits pledged with licensed banks		(1,104)	670	(1,070)	(1,293)
Withdrawal/(Placement) of cash pledged with licensed banks		8,022	(8,022)	-	-
Placement of cash in bank held in trust		(870)	-	-	-
NET CASH FROM/(FOR) INVESTING ACTIVITIES		4,262	(7,874)	10,478	3,981
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Advances from subsidiaries		-	-	1,406	-
Repayment of factoring		-	(8,590)	-	(1,087)
Net repayment of hire purchase obligations		(122)	(264)	-	(15)
Net (repayment)/drawdown of revolving credits		(6,647)	11,331	(4,000)	3,000
Net (repayment)/drawdown of term loans		(23,368)	28,505	1,599	(755)
Net drawdown/(repayment) of trust receipts		2,049	(800)	-	-
Proceeds from exercise of employees' share options		793	799	793	799
Purchase of treasury shares		(1)	(124)	(1)	(124)
Dividend paid	32	(2,189)	(1,079)	(2,189)	(1,079)
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(29,485)	29,778	(2,392)	739

The annexed notes from an intergral part of these financial statement.

STATEMENTS OF CASH FLOWS
For the financial year ended 31 December 2015
cont'd

		The Group		The Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(3,499)	10,611	(1,241)	4,726
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		3,043	246	(64)	(86)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		19,439	8,582	4,096	(544)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	34	18,983	19,439	2,791	4,096

The annexed notes from an intergral part of these financial statement.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 20 April 2016.

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. There have been no significant changes in the nature of these activities during the financial year.

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 1965 in Malaysia.

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

MFRSs and/or IC Interpretations (Including The Consequential Amendments)
Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions
Annual Improvements to MFRSs 2010 – 2012 Cycle
Annual Improvements to MFRSs 2011 – 2013 Cycle

The adoption of the above accounting standards and/or interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

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 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers & Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

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 except as follows:-

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Therefore, it is expected that the Group's investments in unquoted shares that are currently stated at cost will be measured at fair value through other comprehensive income upon the adoption of MFRS 9. The Group is currently assessing the financial impact of adopting MFRS 9.

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers. In addition, extensive disclosures are required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have an impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

cont'd

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(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.

(b) 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 year in which such determination is made.

(c) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(d) 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.

(e) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *cont'd*

(f) Impairment of Goodwill and Development Costs

Goodwill and development costs are tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill and development costs are allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill and development costs.

(g) Fair Value Estimates for Certain Financial Assets and Financial Liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

(h) Construction Contracts

The Group recognises contract revenue and expenses in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that the contract costs incurred for work performed to date bear to the estimated total contract cost.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the projects. In making the judgement, the Group evaluates based on past experience.

(i) Provisions

The Group recognises a provision for liabilities associated with completed contract based on past experience of the level of repairs and return. The Group's provision for warranty is affected by claims due to actual repairs and return, which may result in the actual costs differing from the Group's estimates.

(j) Share-based Payments

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

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.2 BASIS OF CONSOLIDATION

(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 on initial recognition for subsequent accounting under MFRS 139 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.

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

4.4 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

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

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

(b) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.4 FUNCTIONAL AND FOREIGN CURRENCIES *cont'd*

(c) Foreign Operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling 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 that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a 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 intercompany loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

4.5 FINANCIAL INSTRUMENTS

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a 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. 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.5 FINANCIAL INSTRUMENTS *cont'd*

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

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

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

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designed as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.5 FINANCIAL INSTRUMENTS *cont'd*

(a) Financial Assets *cont'd*

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(b) Financial Liabilities

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as 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. Derivatives are also classified as held for trading unless they are designed as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Equity Instruments

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

(i) Ordinary Shares

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from proceeds.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.5 FINANCIAL INSTRUMENTS *cont'd*

(c) Equity Instruments *cont'd*

(ii) Treasury Shares cont'd

When the consideration received is more than the carrying amount, the credit difference arising is taken to the share premium account. When the consideration received is less than the carrying amount, the debit difference is offset against reserves.

(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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

(e) Financial Guarantee Contracts

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

The Group designates corporate guarantees given to financial institutions for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 - Insurance Contracts. The Group recognises these corporate guarantees as liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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 INVESTMENTS IN AN ASSOCIATE

An associate is an entity in which the Group and the Company have a long-term equity interest and where they exercise significant influence over the financial and operating policies.

Investments in associates 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 investment includes transaction costs.

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.7 INVESTMENTS IN AN ASSOCIATE *cont'd*

The investment in an associate is accounted for in the consolidated statement of financial positions using the equity method, based on the financial statements of the associate made up to end of the reporting period. The Group's share of the post acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued.

4.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at cost less impairment losses, if any, and is not depreciated.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on the 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:-

Buildings	2%
Motor vehicles	10%
Office and computer equipment	10% - 20%
Tools and equipment	10%
Furniture, fittings and renovation	10%

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.8 PROPERTY, PLANT AND EQUIPMENT

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. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

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.

4.9 DEVELOPMENT COSTS AND RESEARCH EXPENDITURE

Research expenditure is recognised as an expense when it is incurred.

Development cost is recognised as an expense except that costs incurred on development projects are capitalised as non-current assets to the extent that such expenditure is expected to generate future economic benefits. Development cost is capitalised if, and only if an entity can demonstrate all of the following:-

(i) its ability to measure reliably the expenditure attributable to the asset under development;

(ii) the product or process is technically and commercially feasible;

(iii) its future economic benefits are probable;

(iv) its intention to complete and the ability to use or sell the developed asset; and

(v) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development cost is measured at cost less accumulated amortisation and impairment losses, if any. Development cost initially recognised as an expense is not recognised as assets in the subsequent period.

The development cost is amortised on a straight-line method over a period of 3 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development cost is written down to its recoverable amount.

The amortisation method, useful life and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

4.10 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.10 IMPAIRMENT *cont'd*

(a) Impairment of Financial Assets *cont'd*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their 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.

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.

4.11 ASSETS UNDER HIRE PURCHASE

Assets acquired under hire purchase are capitalised in the financial statements as property, plant and equipment and the correspondence obligations are treated as hire purchase payables. The assets capitalised are measured at the lower of the fair value of the leased assets and the present value of the minimum lease payments and are depreciated on the same basis as owned assets. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of charge on the hire purchase outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

4.12 AMOUNTS OWING BY/TO CONTRACT CUSTOMERS

The amounts owing by/to contract customers are stated at cost plus profits attributable to contracts in progress less progress billings and allowance for foreseeable losses, if any. Cost includes direct materials, labour and applicable overheads.

4.13 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.14 BORROWING COSTS

Borrowing costs, 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. 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.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

4.15 INCOME TAXES

Income taxes for the reporting period comprise current tax and deferred taxes.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs 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 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 sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

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 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 taxation entity and the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

4.16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.17 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 unwinding of the discount is recognised as interest expense in profit or loss.

4.18 EMPLOYEE BENEFITS

(a) Short-term Benefits

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

(b) Defined Contribution Plans

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

(c) Share-based Payment Transactions

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

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

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

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

When the share options are exercised, the employees' share option reserve is transferred to share premium if new ordinary shares are issued.

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.19 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:-

(i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) both entities are joint ventures of the same third party.
(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) the entity is controlled or jointly controlled by a person identified in (a) above.
(vii) a person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including any director (whether executive or otherwise) of that entity.

4.20 CONTINGENT LIABILITIES

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

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

4.21 EARNINGS PER ORDINARY SHARE

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.22 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. However, this basis does not apply to share-based payment transactions.

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

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

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

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

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

4.23 REVENUE AND OTHER INCOME

(a) Contracts

Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonable ascertained that the contract will result in a loss.

The stage of completion is determined based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

(b) Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(c) Sale of Goods

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of goods and service tax, returns, cash and trade discounts.

(d) Interest Income

Interest income is recognised on an accrual basis.

(e) Dividend Income

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.24 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.

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2015	**2014**
	RM'000	**RM'000**
Unquoted shares, at cost		
- in Malaysia	484	284
- outside Malaysia	6,604	1,483
	7,088	1,767
Unquoted shares, at cost:-		
At beginning of the year	1,767	1,826
Addition during the year		
- in Malaysia	182	-
- transfer from investment in associate (Note 6)	38	-
- outside Malaysia	5,097	-
Movement of ESOS during the year		
- addition of ESOS	48	88
- ESOS repayment	(44)	(147)
At end of the year	7,088	1,767

Included in the investments in subsidiaries is an amount of approximately RM285,000 (2014 - RM282,000) relating to the share options granted by the Company to the employees of the subsidiaries.

The details of the subsidiaries are as follows:-

Name of Company	**Principle Place of Business**	**Effective Equity Interest**		**Principal Activities**
		2015	**2014**	
		%	**%**	
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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

5. INVESTMENTS IN SUBSIDIARIES *cont'd*

The details of the subsidiaries are as follows:-

Name of Company	Principle Place of Business	Effective Equity Interest 2015 %	Effective Equity Interest 2014 %	Principal Activities
Kelington Trading (Shanghai) Co. Ltd. *#	PRC	100	100	Trading of machinery equipment and related parts and components.
Kelington Energy Sdn. Bhd. ("KESB")	Malaysia	100	100	Provision of engineering services and general trading.
Kelington Analytical Services Sdn. Bhd. ("KASSB")	Malaysia	55	40	Provision of scientific and technical researches, laboratory testing service and experiments.
Kelington Engineering (S) Pte. Ltd. ("KESG") *	Singapore	100	100	Provision of engineering services.
Puritec Technologies (S) Pte. Ltd. ("PTS") ^*	Singapore	100	100	Provision of engineering services in clean energy system.
Puritec Technologies (M) Sdn. Bhd. ("PTM") +	Malaysia	100	100	Provision of engineering services.
Kelington Healthcare Technologies (S) Pte. Ltd. ^@	Singapore	100	100	Dormant.
PT Mitracon Graha Solusindo (PNG) Limited ("PT Mitracon") ^*	Indonesia	80	-	Supply of fabricated steel structure and mechanical electrical works.
Kelington Solomon Philippines, Inc ("KSP") ^@	Phillipines	80	-	Dormant.
Kelington Nawik Sdn. Bhd. ("KNSB") $	Malaysia	85	85	Provision of engineering and consultancy services.
Kelington Nawik (PNG) Limited ("KNPNG") ~@	Papua New Guinea	85	85	Dormant.

Notes:-

- # - Interest held by KESH.
- ^ - Interest held by KESG.
- + - Interest held by PTS.
- ~ - Interest held by KNSB.
- * - These subsidiaries were audited by other firms of chartered accountants.
- @ - Not required to be audited under the laws of the country of incorporation.
- $ - The auditors' report on the financial statements of the subsidiary had an "Emphasis of Matter" regarding the ability of the subsidiary to continue as a going concern in view of its capital deficiency position as at the end of the current reporting period. The financial statements were prepared on a going concern basis as the Company has undertaken to provide continued financial support to the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

5. INVESTMENTS IN SUBSIDIARIES *cont'd*

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

	2015 RM'000	2014 RM'000
KNSB	(76)	(74)
KASSB	78	-
PT Mitracon	225	-
KSP	174	-
	401	(74)

(b) The summarised financial information for the subsidiaries are not presented as the non-controlling interests are not material to the Group.

(c) On 22 May 2015, KESG, a wholly-owned subsidiary of Kelington Group Berhad ("KGB"), acquired for 2,400 ordinary shares of Rp1,000,000 (equivalent to RM257,641) each representing 80% of the total share capital of PT Mitracon, a company incorporated in Indonesia for a total consideration of Rp2,400,000,000 (equivalent to RM661,538). Consequently, PT Mitracon became a subsidiary of KESG and an indirect subsidiary of KGB.

(d) On 30 September 2015, KGB acquired an additional 52,500 ordinary shares of RM1.00 each in KASSB representing 15% of the issued and paid-up share capital of KASSB for a total consideration of RM52,500. Consequently, from the additional acquisition, KASSB became a 55% owned subsidiary of KGB.

(e) On 11 November 2015, KESG, a wholly-owned subsidiary of KGB, subscribed for 75,995 ordinary shares of PHP100 each representing 80% of the total share capital of KSP, a company incorporated in Philippines for a total consideration of PHP7,599,500 (equivalent to RM706,627). Consequently, KSP became a subsidiary of KESG and an indirect subsidiary of KGB.

6. INVESTMENT IN AN ASSOCIATE

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Unquoted shares in Malaysia, at cost	81	120	120	120
Share of post-acquisition loss	(43)	(39)	-	-
Transfer to investment in subsidiaries (Note 5)	(38)	-	(120)	-
	-	81	-	120

(a) On 30 September 2015, KGB acquired an additional 52,500 ordinary shares of RM1.00 each in KASSB representing 15% of the issued and paid-up share capital of KASSB for a total consideration of RM52,500. Consequently, from the additional acquisition, KASSB became a 55% owned subsidiary of KGB.

(b) The statutory financial year end was 31 December. The share of results in the associate was based on the unaudited financial statements for the 9-month period ended 30 September 2015.

(c) In the previous financial year, the summarised financial information for KASSB was not presented as the interest in the associate was not material to the Group.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

7. PROPERTY, PLANT AND EQUIPMENT

	At 1.1.2015	Acquisition Of Subsidiaries	Additions	Written Off	Exchange Fluctuation Differences	Depreciation Charge	At 31.12.2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Group							
Net Book Value							
Freehold land	1,300	-	-	-	-	-	1,300
Buildings	1,064	-	-	-	-	(28)	1,036
Motor vehicles	829	-	308	-	16	(209)	944
Office and computer equipment	485	7	192	(19)	61	(148)	578
Tools and equipment	2,459	161	727	-	107	(461)	2,993
Furniture, fittings and renovation	220	19	50	-	8	(86)	211
	6,357	187	1,277	(19)	192	(932)	7,062

	At 1.1.2014	Additions	Disposals	Written Off	Exchange Fluctuation Differences	Depreciation Charge	At 31.12.2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Group							
Net Book Value							
Freehold land	1,300	-	-	-	-	-	1,300
Buildings	1,092	-	-	-	-	(28)	1,064
Motor vehicles	915	181	(97)	-	2	(172)	829
Office and computer equipment	504	132	(10)	(3)	5	(143)	485
Tools and equipment	2,616	331	(15)	(36)	8	(445)	2,459
Furniture, fittings and renovation	277	16	-	-	2	(75)	220
	6,704	660	(122)	(39)	17	(863)	6,357

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

7. PROPERTY, PLANT AND EQUIPMENT *cont'd*

	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
The Group			
2015			
Freehold land	1,300	-	1,300
Buildings	1,400	(364)	1,036
Motor vehicles	1,892	(948)	944
Office and computer equipment	1,600	(1,022)	578
Tools and equipment	6,514	(3,521)	2,993
Furniture, fittings and renovation	1,217	(1,006)	211
	13,923	(6,861)	7,062
2014			
Freehold land	1,300	-	1,300
Buildings	1,400	(336)	1,064
Motor vehicles	1,541	(712)	829
Office and computer equipment	1,284	(799)	485
Tools and equipment	5,317	(2,858)	2,459
Furniture, fittings and renovation	1,071	(851)	220
	11,913	(5,556)	6,357

	At 1.1.2015 RM'000	Additions RM'000	Exchange Fluctuation Differences RM'000	Depreciation Charge RM'000	At 31.12.2015 RM'000
The Company					
Net Book Value					
Freehold land	1,300	-	-	-	1,300
Buildings	1,064	-	-	(28)	1,036
Motor vehicles	40	19	6	(18)	47
Office and computer equipment	41	24	5	(8)	62
Tools and equipment	119	-	22	(9)	132
Furniture, fittings and renovation	38	-	5	(7)	36
	2,602	43	38	(70)	2,613

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
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7. PROPERTY, PLANT AND EQUIPMENT *cont'd*

	At 1.1.2014	Addition	Exchange Fluctuation Differences	Depreciation Charge	At 31.12.2014
	RM'000	RM'000	RM'000	RM'000	RM'000
The Company					
Net Book Value					
Freehold land	1,300	-	-	-	1,300
Buildings	1,092	-	-	(28)	1,064
Motor vehicles	55	-	-	(15)	40
Office and computer equipment	51	3	(1)	(12)	41
Tools and equipment	126	-	1	(8)	119
Furniture, fittings and renovation	44	-	-	(6)	38
	2,668	3	-	(69)	2,602

	At Cost	Accumulated Depreciation	Net Book Value
	RM'000	RM'000	RM'000
The Company			
2015			
Freehold land	1,300	-	1,300
Buildings	1,400	(364)	1,036
Motor vehicles	132	(85)	47
Office and computer equipment	308	(246)	62
Tools and equipment	632	(500)	132
Furniture, fittings and renovation	509	(473)	36
	4,281	(1,668)	2,613
2014			
Freehold land	1,300	-	1,300
Buildings	1,400	(336)	1,064
Motor vehicles	95	(55)	40
Office and computer equipment	266	(225)	41
Tools and equipment	534	(415)	119
Furniture, fittings and renovation	494	(456)	38
	4,089	(1,487)	2,602

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

Certain motor vehicles of the Group with a net book value of approximately RM146,000 (2014 - RM456,000) were acquired under hire purchase terms.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

8. GOODWILL

	The Group 2015 RM'000	The Group 2014 RM'000
At 1 January	5,535	5,419
Foreign exchange differences	790	116
Acquisition of subsidiaries (Note 31 (b))	31	-
At 31 December	6,356	5,535

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

	The Group 2015 RM'000	The Group 2014 RM'000
PTS		
- provision of engineering services in clean energy system	6,126	5,336
Others	230	199
	6,356	5,535

(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:-

	Gross Margin		Growth Rates		Discount Rate	
	2015	2014	2015	2014	2015	2014
	10.0%	16.0%	5.0%	5.0%	12.3%	12.4%

(i) Budgeted gross profit margin — Based on the gross profit margin achieved in the current financial year.

(ii) Growth rates — Based on the expected projection of the engineering services industry.

(iii) Discount rate (pre-tax) — The weighted average cost of capital of the Company obtained from Bloomberg as at 31 December 2015.

The management believes that no reasonable change in the above key assumptions would cause the carrying amount of the goodwill to exceed its recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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9. DEFERRED TAX (ASSETS)/LIABILITIES

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At 1 January	(5)	303	(97)	211
Recognised in profit or loss (Note 28)	(262)	(299)	(262)	(299)
Effect of foreign exchange	(32)	(9)	(32)	(9)
At 31 December	(299)	(5)	(391)	(97)
Represented by:-				
Non-current				
Deferred tax assets				
At 1 January	-	-	-	-
Recognised in profit or loss	(359)	-	(359)	-
Effect of foreign exchange	(32)	-	(32)	-
At 31 December	(391)	-	(391)	-
Deferred tax liabilities				
At 1 January/31 December	92	92	-	-
Current				
Deferred tax assets				
At 1 January	(97)	211	(97)	211
Recognised in profit or loss	97	(299)	97	(299)
Effect of foreign exchange	-	(9)	-	(9)
At 31 December	-	(97)	-	(97)

The components of the deferred tax assets and liabilities as at the end of the reporting period prior to offsetting are as follows:-

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities:-				
Accelerated capital allowances	92	92	-	-
Amount owing by contract customers	169	74	169	74
	261	166	169	74
Deferred tax assets:-				
Others	(115)	(23)	(115)	(23)
Unutilised tax losses	(445)	(148)	(445)	(148)
	(560)	(171)	(560)	(171)
	(299)	(5)	(391)	(97)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
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9. DEFERRED TAX (ASSETS)/LIABILITIES *cont'd*

The recognition of the deferred tax assets are dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The evidence used to support this recognition is based on management's budget approved by the directors, which shows that it is probable the deferred tax assets would be realised in future financial years.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

		The Group		The Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Non-current portion:-					
Other receivables:-					
Advances to employees	(a)	1,226	1,726	-	-
Current portion:-					
Other receivables:-					
Third parties		9,502	2,143	490	640
Advances to employees	(a)	1,245	655	9	-
		10,747	2,798	499	640
Deposits		1,935	938	801	144
Prepayments		1,929	183	250	37
Accrued income	(b)	-	8,706	-	-
		14,611	12,625	1,550	821
Other receivables:-					
Third parties		13,746	2,143	4,734	640
Allowance for impairment loss:-					
At 1 January		-	-	-	-
Addition during the financial year		(4,015)	-	(4,015)	-
Effect of foreign exchange translation		(229)	-	(229)	-
At 31 December		(4,244)	-	(4,244)	-
		9,502	2,143	490	640
Advances to employees		2,716	2,776	9	-
(Imputed interest)/unwind of discount, at amortised cost					
At 1 January		(395)	(800)	-	-
Unwind of discount, under other income		196	413	-	-
Effect of foreign exchange translation		(46)	(8)	-	-
At 31 December		(245)	(395)	-	-
		2,471	2,381	9	-

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *cont'd*

(a) The advances to employees are unsecured, interest-free and are repayable between 12 and 36 months (2014 - 12 and 48 months).

(b) In the previous financial year, accrued income of the Group represented the charter hire of vessels income receivable from the charterers computed at the contracted daily rate.

(c) Other receivables that are individually determined to be impaired relate to a downpayment made to Hui Neng Mechanical & Electrical Engineering Co. ("Hui Neng") as disclosed in Note 40 to the financial statements.

11. AMOUNTS OWING BY/(TO) CONTRACT CUSTOMERS

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Contract costs incurred	375,960	259,746	13,139	5,896
Attributable profits	51,785	40,688	981	432
Less: written off	(3,978)	-	(324)	-
	423,767	300,434	13,796	6,328
Progress billings	(386,650)	(280,391)	(6,459)	(4,853)
	37,117	20,043	7,337	1,475
Represented by:-				
Amount owing by contract customers	66,793	35,814	7,361	1,498
Amount owing to contract customers	(29,676)	(15,771)	(24)	(23)
	37,117	20,043	7,337	1,475

The amount of contract costs recognised as cost of sales in the financial year is as follows:-

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Contract costs	153,884	162,555	9,088	3,569

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

12. INVENTORIES

	The Group	
	2015	2014
	RM'000	RM'000
Materials for contracts	195	775
Recognised in profit or loss		
Inventories recognised as cost of sales	32,252	7,526

13. TRADE RECEIVABLES

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Trade receivables	50,825	66,258	1,398	758
Allowance for impairment loss:-				
At 1 January	(9)	(46)	(9)	(46)
Additions during the financial year	(629)	-	(13)	-
Writeback during the financial year	10	36	10	36
Effect of foreign exchange translation	(29)	1	(2)	1
At 31 December	(657)	(9)	(14)	(9)
	50,168	66,249	1,384	749

(a) The Group's normal trade credit terms range from 30 to 120 days (2014 - 30 to 120 days). Other credit terms are assessed and approved on a case-by-case basis.

(b) Included in the trade receivables of the Group at the end of the reporting period is an amount of approximately RM1,413,000 (2014 - RM2,541,000) being project retention sum receivable from customers between 12 and 24 months (2014 - between 12 and 24 months).

(c) Trade receivables that are individually determined to be impaired relate to customers that are in significant financial difficulties and have defaulted on payments.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

14. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	The Company	
	2015	2014
	RM'000	RM'000
Amount owing by:-		
Non-trade balance	12,808	18,919
Allowance for impairment loss	(465)	(465)
	12,343	18,454
Amount owing to:-		
Non-trade balance	(1,849)	-

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

The amount owing by a subsidiary that is individually impaired relates to a subsidiary that has been suffering financial loss.

15. FIXED DEPOSITS WITH LICENSED BANKS

	The Group		The Company	
	2015	2014	2015	2014
Weighted average effective interest rate (%)	3.22	3.13	3.24	3.14
Average maturity (days)	30 to 365	30 to 365	30 to 365	30 to 365

The fixed deposits with licensed banks of the Group and the Company at the end of the reporting period have been pledged with licensed banks as security for banking facilities granted to the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

16. SHARE CAPITAL

The movements in the authorised and paid-up share capital of the Company are as follows:-

	2015	2014	2015	2014
	Number of Shares		RM'000	RM'000
Authorised				
Ordinary shares of RM0.10 each:-				
At 1 January	500,000,000	250,000,000	50,000	25,000
Created during the financial year	-	250,000,000	-	25,000
At 31 December	500,000,000	500,000,000	50,000	50,000
Issued And Fully Paid-up				
Ordinary shares of RM0.10 each:-				
At 1 January	216,966,231	160,680,200	21,697	16,068
Employees' share options exercised	3,113,597	2,348,400	311	235
Bonus issues	-	53,937,631	-	5,394
At 31 December	220,079,828	216,966,231	22,008	21,697

During the financial year, the Company increased its issued and paid-up share capital from RM21,696,623 to RM22,007,983 by the issuance of 3,113,597 new ordinary shares of RM0.10 each for cash pursuant to the exercise of share options under the Employees' Share Option Scheme ("ESOS").

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

17. RESERVES

		The Group		The Company	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
Non-distributable reserves:-	Note				
Share premium	(a)	760	-	760	-
Capital reserve	(b)	8,985	8,984	1,044	1,044
Exchange fluctuation reserve	(c)	5,716	2,286	(266)	44
Employees' share option reserve	(d)	555	731	555	731
Treasury shares	(e)	(607)	(606)	(607)	(606)
		15,409	11,395	1,486	1,213
Distributable reserve:-					
Retained profits	(f)	21,581	26,316	4,461	913
		36,990	37,711	5,947	2,126

17. RESERVES *cont'd*

(a) Share Premium

The share premium reserve represents the premium paid on subscription of ordinary shares in the Company over and above the par value of the shares issued, net of transaction costs (if any). The share premium reserve is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

(b) Capital Reserve

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Capital reserve is represented by:-				
Transfer of non-distributable reserve funds by a subsidiary	739	738	-	-
Bonus shares issued by:				
- branch	1,044	1,044	1,044	1,044
- subsidiaries	7,202	7,202	-	-
	8,985	8,984	1,044	1,044

According to the prevailing PRC laws and regulations applicable to the foreign subsidiary in the PRC, discretionary dedicated capital, which includes a general reserve fund and an enterprise expansion fund, should be maintained by the subsidiary. The Board of Directors of the subsidiary determines the amount of the annual appropriations to the dedicated capital. Such appropriations are reflected in the subsidiary's statement of financial position under equity. The appropriations will not be available for distribution to shareholders once appropriated, but may be used to set off losses or be converted into paid-up capital.

(c) Exchange Fluctuation Reserve

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries and a foreign branch and is not distributable by way of dividends.

(d) Employees' Share Option Reserve

The Company granted 7,232,000 share options under the ESOS on 29 March 2011. These options will be expiring on 1 November 2016 and are exercisable in 5 window option periods. On 1 October 2015, the Company extended the expire date of the ESOS from 2 November 2015 to 1 November 2016. The fair value of the share options measured at grant and the respective exercise window periods are as below:-

	Exercise Window Period	Fair Value per Option (RM)
Lot 1	30 March - 30 May 2012	0.1725
Lot 2	30 March - 30 May 2014	0.1778
Lot 3	30 March - 30 May 2015	0.1793
Lot 4	30 March - 30 May 2015	0.1784
Lot 5	30 March - 1 November 2016	0.1732

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
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17. RESERVES *cont'd*

(d) Employees' Share Option 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. The assumptions used are as follows:-

	The Group/ The Company
Weighted average share price (RM)	0.26*
Exercise price (RM)	0.26*
Expected volatility (%)	41.37
Expected life (years)	5
Risk free rate (%)	3.656
Expected dividend yield (%)	4.406

The salient terms and conditions of the ESOS are as follows:-

1. The ESOS shall be in force for a duration of five (5) years from the implementation date;
2. The aggregate number of options exercised and offered and to be offered under the ESOS shall not exceed 10% of the issued and paid-up ordinary share capital of the Company at any one time during the duration of the ESOS, and further the following shall be complied with:-
   a) the aggregate allocation to the directors of the Group and senior management of the Company must not exceed 50% of the total number of the Company shares to be issued under the ESOS;
   b) the allocation to a director of the Company or eligible employee of the Group who, either singly or collectively through persons connected with the said director or eligible employee holds 20% or more of the issued and paid-up capital of the Company, must not exceed 10% of the total number of the Company shares to be issued under the ESOS;
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 ESOS;
4. The price at which the option holder is entitled to subscribe for each new ordinary share of the Company may be at a discount of not more than 10% from the 5 days weighted average market price of ordinary shares as at the offer date provided that the subscription price shall in no event be less than the par value of the ordinary shares;
5. The ESOS shall be administered by the Option Committee appointed by the board of directors to administer the ESOS; and
6. All the new ordinary shares issued arising from the ESOS shall rank pari passu in all respects with the existing ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

17. RESERVES *cont'd*

(d) Employees' Share Option Reserve *cont'd*

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

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Expenses arising from equity- settled share-based payment transaction	102	186	54	98

The exercise price and the details in the movement of the options granted are as follows:-

		Number Of Share Options Over Ordinary Shares Of RM0.10 Each		
Date Of Offer	Exercise Price*	1.1.2015	Exercised	At 31.12.2015
29 March 2011	RM0.26	12,872,533	(3,113,597)	9,758,936

Note:-
* - The exercise price per share option was revised from RM0.68 to RM0.34 due to the issuance of bonus shares in the financial year ended 2012 and subsequently revised from RM0.34 to RM0.26 due to the issuance of bonus shares in the financial year ended 2014.

(e) Treasury Shares

The shares purchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965 in Malaysia.

During the financial year, the Company purchased 2,000 of its issued ordinary shares from the open market at a weighted average price of approximately RM0.36 per share. The total consideration paid for the purchase including transactions costs amounted to approximately RM800.

As at 31 December 2015, the Company held a total of 1,217,900 treasury shares out of the total 220,079,828 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of approximately RM607,000.

(f) Retained Profits

Under the single tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

(g) Warrants

The Company had on 13 June 2014, issued 53,937,631 warrants to all entitled shareholders of the Company on the basis of one free warrant for every three existing ordinary shares of RM0.10 each held in the Company. The warrants were listed on Main Market of Bursa Malaysia Securities Berhad. The warrants are constituted under a Deed Poll executed on 30 May 2014 and each warrant entitles the registered holder the right at any time during the exercise period from 13 June 2014 to 12 June 2019 to subscribe for in cash for one new ordinary share of RM0.10 each of the Company at an exercise price of RM0.50 each.

At the end of the reporting period, 53,937,631 warrants remained unexercised.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

17. RESERVES *cont'd*

(g) Warrants *cont'd*

The holders of the warrants are not entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to shareholders, of which the entitlement date is prior to the date of allotment of the new shares arising from the exercise of the warrants. The holders of warrants are not entitled to any voting rights or participation in any form of distribution and/or offer of securities in the Company until and unless such holder of warrants becomes a shareholder of the Company by exercising the warrants into new shares.

The ordinary shares issued from the exercise of warrants shall rank pari passu in all respects with the existing issued ordinary shares of the Company.

The movements of the warrants during the financial year are as follows:-

	Number of Warrants	
	2015	**2014**
At 1 January	53,937,631	-
Issued during the financial year	-	53,937,631
At 31 December	53,937,631	53,937,631

The main features of the warrants are as follows:-

1. Each warrant will entitle the registered holder to subscribe for one (1) new ordinary share of par value of RM0.10 each in the Company at an exercise price of RM0.50 each subject to adjustment in accordance with the conditions stipulated in the Deed Poll;

2. The warrants may be exercised at any time on or before the maturity date falling five years (2014/2019) from the date of issue of the warrants on 13 June 2014. Warrants not exercised after the exercise period will thereafter lapse and cease to be valid;

3. The new shares to be issued pursuant to the exercise of the warrants shall, upon allotment issue, rank pari passu in all respects with the existing ordinary shares of the Company in issue except that they will not be entitled to any dividend, rights, allotments and/or any other forms of distributions that may be declared, made or paid to shareholders, the entitlement date of which is before the allotment and issuance of the new shares; and

4. The persons to whom the warrants have been granted have no rights to participate in any distribution and/or offer of further securities in the Company until/and unless warrants holders exercise their warrant for new shares.

18. LONG-TERM BORROWINGS

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Hire purchase payables (Note 19)	66	97	-	-
Term loans (Note 20)	393	1,020	365	383
	459	1,117	365	383

NOTES TO THE FINANCIAL STATEMENTS

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19. HIRE PURCHASE PAYABLES

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Minimum hire purchase payments:				
- not later than one year	34	139	-	-
- later than one year and not later than two years	73	106	-	-
	107	245	-	-
Less: Future finance charges	(11)	(27)	-	-
Present value of hire purchase payables	96	218	-	-
Current (Note 23):				
- not later than one year	30	121	-	-
Non-current (Note 18):				
- later than one year and not later than two years	66	97	-	-
	96	218	-	-

20. TERM LOANS (SECURED)

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Current (Note 23):				
- not later than one year	10,761	33,502	1,706	89
Non-current (Note 18):				
- later than one year and not later than two years	192	734	164	96
- later than two years and not later than five years	112	103	112	103
- later than five years	89	183	89	184
	393	1,020	365	383
	11,154	34,522	2,071	472

The term loans are secured by:-

(i) legal charges over the freehold land and building of the Company;

(ii) a lien over all fixed deposits of the Company;

(iii) a corporate guarantee of the Company and a customer of a subsidiary;

(iv) an assignment of contract proceeds;

(v) a letter of undertaking from a customer;

(vi) an assignment and charge over cash at bank; and

(vii) cash collateral agreement pertaining to cash at bank.

NOTES TO THE FINANCIAL STATEMENTS

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21. TRADE PAYABLES

The normal trade credit terms granted to the Group and the Company range from 30 to 60 days (2014 - 30 to 60 days).

22. OTHER PAYABLES AND ACCRUALS

		The Group		The Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Other payables		315	584	261	376
Accruals		17,663	3,771	873	664
Advance payments		-	938	-	-
Accrued costs	(a)	-	5,733	-	-
Provision for warranty costs:-	(b)				
At 1 January		160	213	19	89
Addition during the financial year		59	154	-	18
Writeback during the financial year		(119)	(213)	-	(89)
Effect of foreign exchange translation		17	6	4	1
		117	160	23	19
		18,095	11,186	1,157	1,059

(a) In the previous financial year, the accrued costs of the Group represented the charter hire costs of vessels payable to the subcontractor computed at the contracted daily rate.

(b) Provision for warranty costs is recognised for expected claims on the contract revenue during the year that is based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year. The assumptions used to calculate the provision for warranty are based on current revenue and current information available about returns based on one to two year warranty periods.

23. SHORT-TERM BORROWINGS

		The Group		The Company	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
Hire purchase payables (Note 19)		30	121	-	-
Term loans (Note 20)		10,761	33,502	1,706	89
Trust receipts	(a)	2,362	287	-	-
Revolving credits	(b)	5,000	11,647	5,000	9,000
		18,153	45,557	6,706	9,089

NOTES TO THE FINANCIAL STATEMENTS

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cont'd

23. SHORT-TERM BORROWINGS *cont'd*

(a) The trust receipts are secured by a corporate guarantee of the Company.

(b) The revolving credits are secured by:-

(i) a corporate guarantee of the Company; and

(ii) a standby letter of credit issued by a bank.

The revolving credits are rolled over automatically until demand for payment.

24. BANK OVERDRAFT

In the previous financial year, the bank overdraft was secured by:-

(i) a lien over all fixed deposits of the Company; and

(ii) a corporate guarantee of the Company.

25. REVENUE

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Contract revenue	203,077	185,751	9,623	1,870
Services	26	-	-	-
Sale of goods	3,253	3,351	-	-
	206,356	189,102	9,623	1,870

26. OTHER INCOME

The breakdown of the other income is as below:-

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Dividend income	-	-	8,000	5,127
Managements fees	-	-	3,833	2,008
Unrealised gain on foreign exchange	2,113	571	2,163	260
Realised gain on foreign exchange	1,559	-	-	-
Income from charter hire of vessels #	275	743	-	-
Interest income	453	395	183	197
Others	452	532	60	141
	4,852	2,241	14,239	7,733

The charter hire of vessels was recognised when the services are rendered and are computed at the contracted daily rate.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

27. (LOSS)/PROFIT BEFORE TAXATION

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before taxation is arrived after charging/ (crediting):-				
Amortisation of development costs	18	47	-	46
Amount owing by contract customers written off	3,739	-	307	-
Auditors' remuneration:				
- statutory audit for the financial year	269	246	104	94
- overprovison in the previous financial year	(1)	-	-	-
- other services	5	5	5	5
Depreciation of property, plant and equipment	932	863	70	69
Directors' remuneration*:				
- fee	140	140	140	140
- salaries, wages, bonus, allowances and others	1,132	1,244	1,132	1,244
- defined contribution plan	87	81	87	81
- share-based payments	26	47	26	47
Equipment written off	19	39	-	-
Impairment loss:				
- amount owing by a subsidiary	-	-	-	465
- trade receivables	629	-	13	-
- other receivables	4,015	-	4,015	-
Interest expense:				
- bank overdraft	12	57	1	1
- hire purchase	16	29	-	-
- revolving credits	654	203	654	101
- term loans	242	296	83	36
- trust receipts	-	5	-	-
- others	102	41	98	4
Loss on disposal of equipment	-	40	-	-
Provision for warranty costs	59	154	-	18

* *The estimated monetary value of other benefits not included in the above received by the directors of the Company amounted to RM15,000 (2014 - Nil)*

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

27. (LOSS)/PROFIT BEFORE TAXATION *cont'd*

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before taxation is arrived after charging/ (crediting) (Cont'd):-				
Rental expenses:				
- offices	659	704	-	-
- equipment	1,051	4,974	-	-
Staff costs:				
- salaries, wages, bonus, allowances and others	21,720	20,361	2,459	1,893
- defined contribution plans	2,110	1,924	149	104
- share-based payments	76	139	28	51
Dividend income	-	-	(8,000)	(5,127)
Interest income	(453)	(395)	(183)	(197)
(Gain)/Loss on foreign exchange:				
- realised	(1,559)	47	1	142
- unrealised	(2,113)	(571)	(2,163)	(260)
Unwind of discount on advances to employees	(196)	(413)	-	-
Writeback of impairment loss on trade receivables	(10)	(36)	(10)	(36)
Writeback of provision for warranty costs	(119)	(213)	-	(89)

28. INCOME TAX EXPENSE

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
- Malaysian tax	253	227	45	-
- Foreign tax	464	160	-	-
	717	387	45	-
Under/(Over)provision in the previous financial year:				
- Malaysian tax	64	(8)	49	-
- Foreign tax	(53)	(49)	-	-
	728	330	94	-
Deferred tax expense (Note 9):				
- relating to originating and recognition of temporary differences	(262)	(299)	(262)	(299)
	466	31	(168)	(299)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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28. INCOME TAX EXPENSE *cont'd*

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

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before taxation	(2,055)	5,180	5,569	1,219
Tax at Malaysian statutory tax rate of 25%	(514)	1,295	1,392	305
Tax effects of:-				
Differential in tax rates	645	170	411	269
Non-deductible expenses	1,827	659	951	550
Non-taxable gains	(142)	(100)	-	-
Tax-exempt income	(2,245)	(1,750)	(2,678)	(1,315)
Under/(over)provision of current tax in the previous financial year	11	(57)	49	-
Deferred tax assets not recognised in the current financial year	1,178	-	-	-
Utilisation of deferred tax assets not recognised in the previous financial year	(294)	(186)	(293)	(108)
Tax for the financial year	466	31	(168)	(299)

The statutory tax rate will be reduced to 24% from the current financial year's rate of 25%, effective year of assessment 2016.

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

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets:				
- unabsorbed capital allowances	404	331	320	328
- unutilised tax losses	5,413	1,878	398	1,487
- tax adjustment on attributable profit from contracts	39	38	-	-
- others	554	630	554	630
	6,410	2,877	1,272	2,445
Deferred tax liability:				
- accelerated capital allowances	-	(3)	-	-
	6,410	2,874	1,272	2,445

Certain subsidiaries of the Group were granted MSC Malaysia status, which qualifies the subsidiaries for the Pioneer Status incentive under the Promotion of Investments Act 1986, which provides for 70% and 100% exemption respectively from income tax on its statutory income from pioneer activities for a maximum period of 10 years.

The tax exempt income periods for the subsidiaries cover the period from 26 August 2011 to 25 August 2016 and from 28 May 2007 to 27 May 2017, respectively.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
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29. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors of the Company and certain members of senior management of the Group and of the Company.

(a) The key management personnel compensation during the financial year are as follows:-

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Executive directors:				
- salaries, wages, bonus, allowances and others	1,132	1,244	1,132	1,244
- defined contribution plan	87	81	87	81
- share-based payments	21	37	21	37
- benefits-in-kind	15	-	15	-
	1,255	1,362	1,255	1,362
Other key management personnel:				
- fee	205	-	-	-
- salaries, wages, bonus, allowances and others	1,611	1,425	524	603
- defined contribution plan	83	80	41	44
- share-based payments	29	68	13	38
	1,928	1,573	578	685

(b) Details of directors' emoluments of the Group and of the Company received/receivable for the financial year in bands of RM50,000 are as follows:-

	The Group		The Company	
	2015	2014	2015	2014
Executive directors:				
- RM550,001 - RM600,000	2	2	2	2
Non-executive directors:				
- < RM50,000	4	4	4	4

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
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30. EARNINGS PER SHARE

	The Group	
	2015	2014
Basic earnings per share		
(Loss)/Profit attributable to owners of the Company (RM'000)	(2,546)	5,200
Number of shares in issue as of 1 January	216,966,231	160,680,200
Effects through:		
- treasury shares acquired	(666)	(150,745)
- share options exercised	1,897,830	1,592,081
- bonus issue	-	53,937,631
Weighted average number of ordinary shares for basic earnings per share computation	218,863,395	216,059,167
Effects of dilution - employees' share options	1,823,195	3,897,739
Weighted average number of ordinary shares for diluted earnings per share computation	220,686,590	219,956,906
Basic (loss)/earnings per ordinary share attributable to owners of the Company (sen)	(1.2)	2.4
Diluted (loss)/earnings per ordinary share attributable to owners of the Company (sen)	(1.2)	2.4

The diluted earnings per share at the end of the reporting period was excluding the outstanding warrants as the average market value of the ordinary shares of the Company is lower than the exercise price for the outstanding warrants and any exercise of warrants would be anti dilutive.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
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31. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

(a) On 22 May 2015, KESG, a wholly-owned subsidiary of Kelington Group Berhad ("KGB"), acquired 80% equity interests in PT Mitracon, a company incorporated in Indonesia. The acquisition of this subsidiary is to enable the Group to expand its business to the region of Indonesia.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:-

	The Group 2015 RM'000
Other receivables	822
Bank balances	5
Net identifiable assets acquired	827
Less: Non-controlling interests, measured at the proportionate share of the fair value of the net identifiable assets	(165)
Total purchase consideration, to be settled by cash	662
Less: Cash and bank balances of subsidiary acquired	(5)
Net cash outflow from the acquisition of a subsidiary	657

(i) There is no goodwill arising from the acquisition of shares in PT Mitracon.

(ii) The subsidiary has contributed no revenue and loss after taxation of RM213,000 to the Group since the date of acquisition.

(iii) If the acquisition had taken place at the beginning of the current financial year, the Group's revenue and loss after taxation would have been RM206,356,000 and RM2,521,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
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31. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS *cont'd*

(b) On 30 September 2015, KGB acquired an additional 52,500 ordinary shares of RM1.00 each in KASSB representing 15% of the issued and paid-up share capital of KASSB from its non-controlling interests for a total consideration of RM52,500. Consequently, from the additional acquisition, KASSB became a 55% owned subsidiary of KGB.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:-

	The Group 2015 RM'000
Equipment	187
Trade receivables	7
Other receivables	1
Cash and bank balances	24
Trade payables	(2)
Other payables and accruals	(72)
Net identifiable assets acquired	145
Less: Non-controlling interests, measured at the proportionate share of the fair value of the net identifiable assets	(65)
Less: Fair value of interest held in associate	(58)
Add: Goodwill on acquisition (Note 8)	31
Total purchase consideration, to be settled by cash	53
Less: Cash and bank balances of subsidiary acquired	(24)
Net cash outflow from the acquisition of a subsidiary	29

(i) The subsidiary has contributed revenue of RM26,000 and loss after taxation of RM22,000 to the Group since the date of acquisition.

(ii) If the acquisition was effective at the beginning of the current financial year, the Group's revenue and loss after taxation for the current financial year would have been RM206,434,000 and RM2,455,000 respectively.

(c) On 11 November 2015, KESG, a wholly-owned subsidiary of KGB, subscribed for 75,995 ordinary shares of PHP100 each representing 80% of the total share capital of KSP, a company incorporated in Philippines for a total consideration of PHP7,599,500 (equivalent to RM706,627).

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
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32. DIVIDEND

	The Group/The Company	
	2015	2014
	RM'000	RM'000
Paid:-		
Final tax-exempt dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2014	2,189	-
Final tax-exempt dividend of 0.5 sen per ordinary share in respect of the financial year ended 31 December 2013	-	1,079

At the forthcoming Annual General Meeting, a final tax-exempt dividend of 0.5 sen per ordinary share amounting to approximately RM1,100,000 in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 31 December 2016.

33. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cost of property, plant and equipment purchased	1,277	660	43	3
Amount financed through hire purchase	-	(181)	-	-
Cash disbursed for purchase of property, plant and equipment	1,277	479	43	3

34. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks (Note 15)	7,162	6,058	6,028	4,958
Cash and bank balances	19,853	28,333	2,791	4,968
Bank overdraft (Note 24)	-	(872)	-	(872)
	27,015	33,519	8,819	9,054
Less: Fixed deposits pledged with licensed banks	(7,162)	(6,058)	(6,028)	(4,958)
Less: Cash at bank pledged with a licensed bank	-	(8,022)	-	-
Less: Cash at bank held in trust by a third party	(870)	-	-	-
	18,983	19,439	2,791	4,096

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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35. 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) Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following transactions with the related parties during the financial year:-

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Dividend from subsidiaries	-	-	8,000	5,127
Management fees from subsidiaries	-	-	3,833	2,008
Sales to a subsidiary	-	-	62	-
Entities in which certain key management personnel are directors:				
- purchases	-	248	-	-
Entities having the same substantial shareholders:				
- progress billings	3,283	3,005	665	1,077

(c) Outstanding balances

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Entities in which certain key management personnel are directors:				
- trade payables	-	64	-	-
Entities having the same substantial shareholders:				
- trade receivables	1,191	1,379	125	20

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
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36. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of foreign currency balances at the end of the reporting period are as follows:-

	The Group/The Company	
	2015	2014
	RM	RM
Chinese Renminbi	0.66	0.56
United States Dollar	4.29	3.50
New Taiwan Dollar	0.13	0.11
Singapore Dollar	3.04	2.65
100 Philippine Peso	9.15	-
100 Indonesian Rupiah	0.03	-

37. OPERATING SEGMENT

The operating segment reporting is not presented as the Group is principally involved in engineering services and construction.

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 (but including investments in associates) and deferred tax asset).

	Revenue		Non-current Assets	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Malaysia	63,873	94,993	5,566	5,441
Singapore	76,807	46,328	7,232	6,200
Taiwan	9,561	1,791	505	212
PRC	29,700	45,990	404	170
Philippines	6,043	-	-	-
Indonesia	17,577	-	-	-
Others	2,795	-	-	3
	206,356	189,102	13,707	12,026

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
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37. OPERATING SEGMENT *cont'd*

Major Customers

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

	Revenue	
	2015	**2014**
	RM'000	**RM'000**
Customer 1	-	36,360
Customer 2	-	37,726
Customer 3	27,627	-

38. CONTINGENT LIABILITY

	The Company	
	2015	**2014**
	RM'000	**RM'000**
Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries	11,326	36,984

39. 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.

39.1 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 foreign currencies. The currencies giving rise to this risk are primarily Chinese Renminbi ("RMB"), United States Dollar ("USD"), New Taiwan Dollar ("NTD"), Singapore Dollar ("SGD"), Philippine Peso ("PESO") and Indonesian Rupiah ("IDR"). 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
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39. FINANCIAL INSTRUMENTS *cont'd*

39.1 FINANCIAL RISK MANAGEMENT POLICIES *cont'd*

(a) Market Risk *cont'd*

(i) Foreign Currency Risk cont'd

Foreign currency exposure *cont'd*

The Group	RMB RM'000	USD RM'000	NTD RM'000	SGD RM'000	IDR RM'000	PESO RM'000	Others RM'000
2015							
Financial assets							
Trade receivables	14,787	3,097	1,384	4,851	-	-	-
Other receivables and deposits	1,082	-	1,271	3,114	7,812	-	-
Cash and bank balances	3,121	742	1,434	2,752	41	870	13
	18,990	3,839	4,089	10,717	7,853	870	13
Financial liabilities							
Term loans	(5,312)	-	(1,668)	(3,772)	-	-	-
Trust receipts	-	(2,362)	-	-	-	-	-
Trade payables	(6,174)	(18,512)	(3,422)	(11,318)	-	-	-
Other payables and accruals	(7,991)	-	(232)	(6,229)	(254)	-	-
	(19,477)	(20,874)	(5,322)	(21,319)	(254)	-	-
Net financial (liabilities)/ assets	(487)	(17,035)	(1,233)	(10,602)	7,599	870	13
Less: Net financial liabilities /(assets) denominated in the respective entities' functional currencies	479	(35)	1,233	10,577	-	(870)	(11)
Net currency exposure	(8)	(17,070)	-	(25)	7,599	-	2

NOTES TO THE FINANCIAL STATEMENTS

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39. FINANCIAL INSTRUMENTS *cont'd*

39.1 FINANCIAL RISK MANAGEMENT POLICIES *cont'd*

(a) Market Risk *cont'd*

(i) Foreign Currency Risk cont'd

Foreign currency exposure *cont'd*

The Group	RMB RM'000	USD RM'000	NTD RM'000	SGD RM'000	Others RM'000
2014					
Financial assets					
Trade receivables	8,467	27,169	749	5,558	-
Other receivables and deposits	547	-	463	2,466	-
Cash and bank balances	3,394	9,474	442	2,994	13
	12,408	36,643	1,654	11,018	13
Financial liabilities					
Term loans	-	32,752	-	1,298	-
Revolving credits	-	-	-	2,647	-
Trust receipts	-	-	-	287	-
Trade payables	3,502	506	759	12,978	-
Other payables and accruals	525	-	148	1,691	-
	4,027	33,258	907	18,901	-
Net financial assets/(liabilities)	8,381	3,385	747	(7,883)	13
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(8,381)	-	(747)	7,883	(11)
Net currency exposure	-	3,385	-	-	2

NOTES TO THE FINANCIAL STATEMENTS
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39. FINANCIAL INSTRUMENTS *cont'd*

39.1 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
2015			
Financial assets			
Trade receivables	-	1,384	-
Other receivables and deposits	-	1,271	-
Amount owing by subsidiaries	-	-	10,879
Cash and bank balances	63	1,434	54
	63	4,089	10,933
Financial liabilities			
Amount owing to a subsidiary	(1,849)	-	-
Term loan		(1,669)	-
Trade payables	-	(3,422)	-
Other payables and accruals	-	(232)	-
	(1,849)	(5,323)	-
Net financial liabilities	(1,786)	(1,234)	10,933
Less: Net financial liabilities denominated in the entity's functional currency	-	1,234	-
Net currency exposure	(1,786)	-	10,933

NOTES TO THE FINANCIAL STATEMENTS

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cont'd

39. FINANCIAL INSTRUMENTS *cont'd*

39.1 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
2014			
Financial assets			
Trade receivables	-	749	-
Other receivables and deposits	-	463	-
Amount owing by subsidiaries	-	-	12,936
Cash and bank balances	188	442	47
	188	1,654	12,983
Financial liabilities			
Trade payables	-	759	-
Other payables and accruals	-	148	-
	-	907	-
Net financial assets	188	747	12,983
Less: Net financial assets denominated in the entity's functional currency	-	(747)	-
Net currency exposure	188	-	12,983

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
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39. FINANCIAL INSTRUMENTS *cont'd*

39.1 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	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Effects on profit after taxation/ equity				
RMB				
- strengthened by 10%	*	-	-	-
- weakened by 10%	*	-	-	-
USD				
- strengthened by 10%	(1,707)	339	(179)	19
- weakened by 10%	1,707	(339)	179	(19)
SGD				
- strengthened by 10%	(3)	-	1,093	1,298
- weakened by 10%	3	-	(1,093)	(1,298)
IDR				
- strengthened by 10%	760	-	-	-
- weakened by 10%	(760)	-	-	-
Others				
- strengthened by 10%	*	*	-	-
- weakened by 10%	*	*	-	-

Note:-
** - Less than RM1,000*

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 39.1(c) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
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39. FINANCIAL INSTRUMENTS *cont'd*

39.1 FINANCIAL RISK MANAGEMENT POLICIES *cont'd*

(a) Market Risk *cont'd*

(ii) Interest Rate Risk cont'd

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Effects on profit after taxation/ equity				
Increase of 100 basis points	(185)	(473)	(71)	(103)
Decrease of 100 basis points	185	473	71	103

(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. The Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

(i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the trade receivables at the end of the reporting period is as follows:-

	2015	2014
Major concentration of credit risk	26%	57%
Number of customers	2	2

NOTES TO THE FINANCIAL STATEMENTS
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39. FINANCIAL INSTRUMENTS *cont'd*

39.1 FINANCIAL RISK MANAGEMENT POLICIES *cont'd*

(b) Credit Risk *cont'd*

(i) Credit risk concentration profile cont'd

In addition, the Group also determines concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables (including related parties) at the end of the reporting period is as follows:-

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Malaysia	22,820	21,913	-	-
PRC	14,810	35,462	-	-
Singapore	8,358	8,125	-	-
Taiwan	1,384	749	1,384	749
Middle East	2,796	-	-	-
	50,168	66,249	1,384	749

(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).

(iii) Ageing analysis

The ageing analysis of the Group's trade receivables at the end of the reporting period is as follows:-

The Group	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
2015			
Not past due	23,401	-	23,401
Past due:			
- less than 3 months	20,123	-	20,123
- 3 to 6 months	3,064	-	3,064
- over 6 months	4,237	(657)	3,580
	50,825	(657)	50,168

NOTES TO THE FINANCIAL STATEMENTS
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39. FINANCIAL INSTRUMENTS *cont'd*

39.1 FINANCIAL RISK MANAGEMENT POLICIES *cont'd*

(b) Credit Risk *cont'd*

(iii) Ageing analysis cont'd

The ageing analysis of the Group's trade receivables at the end of the reporting period is as follows:- *cont'd*

The Group	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
2014			
Not past due	16,218	-	16,218
Past due:			
- less than 3 months	13,979	-	13,979
- 3 to 6 months	2,778	-	2,778
- over 6 months	33,283*	(9)	33,274
	66,258	(9)	66,249

* *Included in the trade receivables that are past due over 6 months is an amount owing by a major customer amounting to approximately RM27 million which has subsequent collections of approximately RM17 million as at the date of the report in the previous financial year.*

The Company	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
2015			
Not past due	1,286	-	1,286
Past due:			
- less than 3 months	93	-	93
- 3 to 6 months	3	-	3
- over 6 months	16	(14)	2
	1,398	(14)	1,384
2014			
Not past due	653	-	653
Past due			
- less than 3 months	83	-	83
- over 6 months	22	(9)	13
	758	(9)	749

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

39. FINANCIAL INSTRUMENTS *cont'd*

39.1 FINANCIAL RISK MANAGEMENT POLICIES *cont'd*

(b) Credit Risk *cont'd*

(iii) Ageing analysis cont'd

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

(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):-

	Contractual Interest Rate	Carrying Amount	Contractual Undiscounted Cash Flows	Within 1 Year	2 - 5 Years
	%	RM'000	RM'000	RM'000	RM'000
The Group					
2015					
Hire purchase	4.58	96	107	34	73
Term loans	5.03	11,154	11,281	10,876	405
Revolving credits	5.20	5,000	5,260	5,260	-
Trust receipts	3.84	2,362	2,452	2,452	-
Trade payables	-	48,483	48,483	48,483	-
Other payables and accruals	-	18,095	18,095	18,095	-
		85,190	85,678	85,200	478

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

39. FINANCIAL INSTRUMENTS *cont'd*

39.1 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*

	Contractual Interest Rate	Carrying Amount	Contractual Undiscounted Cash Flows	Within 1 Year	2 - 5 Years
	%	RM'000	RM'000	RM'000	RM'000
The Group					
2014					
Hire purchase	4.76	218	245	139	106
Term loans	5.36	34,522	34,991	33,883	1,108
Revolving credits	4.92	11,647	11,812	11,812	-
Bank overdraft	7.85	872	940	940	-
Trust receipts	3.02	287	296	296	-
Trade payables	-	29,644	29,644	29,644	-
Other payables and accruals	-	10,248	10,248	10,248	-
		87,438	88,176	86,962	1,214

	Contractual Interest Rate	Carrying Amount	Contractual Undiscounted Cash Flows	Within 1 Year	2 - 5 Years
	%	RM'000	RM'000	RM'000	RM'000
The Company					
2015					
Term loans	3.90	2,071	2,155	1,780	375
Revolving credit	5.20	5,000	5,260	5,260	-
Amount owing to a subsidiary	-	1,849	1,849	1,849	-
Trade payables	-	3,422	3,422	3,422	-
Other payables and accruals	-	1,157	1,157	1,157	-
		13,499	13,843	13,468	375

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

39. FINANCIAL INSTRUMENTS *cont'd*

39.1 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*

	Contractual Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	2 - 5 Years RM'000
The Company					
2014					
Term loans	7.15	472	554	120	434
Revolving credit	5.48	9,000	9,035	9,035	-
Bank overdraft	7.85	872	941	941	-
Trade payables	-	759	759	759	-
Other payables and accruals	-	1,059	1,059	1,059	-
		12,162	12,348	11,914	434

39.2 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015
cont'd

39. FINANCIAL INSTRUMENTS *cont'd*

39.2 CAPITAL RISK MANAGEMENT *cont'd*

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 net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and bank balances and fixed deposits with licensed banks. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	The Group	
	2015	**2014**
	RM'000	**RM'000**
Hire purchase payables	96	218
Term loans	11,154	34,522
Revolving credits	5,000	11,647
Trust receipts	2,362	287
Bank overdraft	-	872
	18,612	47,546
Less: Fixed deposits with licensed banks	(7,162)	(6,058)
Less: Cash and bank balances	(19,853)	(28,333)
Net (surplus)/debt	(8,403)	13,155
Total equity attributable to the owners of the parents	58,998	59,408
Debt-to-equity ratio	N/A	0.22

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) more than 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

39.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial asset				
Loans and Receivables Financial Assets				
Trade receivables	50,168	66,249	1,384	749
Other receivables and deposits	13,908	14,168	1,300	784
Amount owing by subsidiaries	-	-	12,343	18,454
Fixed deposits with licensed banks	7,162	6,058	6,028	4,958
Cash and bank balances	19,853	28,333	2,791	4,968
	91,091	114,808	23,846	29,913

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

39. FINANCIAL INSTRUMENTS *cont'd*

39.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS *cont'd*

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Financial liability				
Other financial liabilities				
Hire purchase payables	96	218	-	-
Term loans	11,154	34,522	2,071	472
Revolving credits	5,000	11,647	5,000	9,000
Trust receipts	2,362	287	-	-
Bank overdraft	-	872	-	872
Amount owing to a subsidiary	-	-	1,849	-
Trade payables	48,483	29,644	3,422	759
Other payables and accruals	18,095	10,248	1,157	1,059
	85,190	87,438	13,499	12,162

39.4 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group and of the Company that maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial statements. These fair values are determined by discounting the relevant cash flows at rates equal to the current market interest rate plus appropriate credit rating, where necessary. These fair values are included in level 2 of the fair value hierarchy.

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
The Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015								
Financial Asset								
Advances to employees	-	-	-	-	-	2,471	2,471	2,471
Financial Liabilities								
Hire purchase payables	-	-	-	-	99	-	99	96
Term loans	-	-	-	-	11,154	-	11,154	11,154
Trust receipts	-	-	-	-	2,362	-	2,362	2,362
Revolving credits	-	-	-	-	5,000	-	5,000	5,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

39. FINANCIAL INSTRUMENTS *cont'd*

39.4 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	Level 2	Level 3	Level 1	Level 2	Level 3		
The Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2014								
Financial Asset								
Advances to employees	-	-	-	-	-	2,381	2,381	2,381
Financial Liabilities								
Hire purchase payable	-	-	-	-	229	-	229	218
Term loans	-	-	-	-	34,522	-	34,522	34,522
Revolving credits	-	-	-	-	11,647	-	11,647	11,647

	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	Level 2	Level 3	Level 1	Level 2	Level 3		
The Company	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2015								
Financial Asset								
Advances to employees	-	-	-	-	-	9	9	9
Financial Liability								
Term loans	-	-	-	-	2,071	-	2,071	2,071
Revolving credit	-	-	-	-	5,000	-	5,000	5,000
2014								
Financial Liabilities								
Term loans	-	-	-	-	472	-	472	472
Revolving credit	-	-	-	-	9,000	-	9,000	9,000

39. FINANCIAL INSTRUMENTS *cont'd*

39.4 FAIR VALUE INFORMATION *cont'd*

The fair values of the advances to employees determined by using the following basis:-

(a) The fair value of the advances to employees 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:-

	Gross Margin		Growth Rates		Discount Rate	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	10.0%	**16.0%**	**5.0%**	**5.0%**	**9.7%**	**6.6%**

(i) Budgeted gross profit margin — The basis used to determine the value assigned to the budgeted gross profit margin is the gross profit margin achieved in the current financial year.

(ii) Growth rates — The growth rates used are based on the expected projection of the engineering services industry.

(iii) Discount rate — The personal borrowing rate in Singapore as at 31 December 2015.

The management believes that no reasonable change in the above key assumptions would cause the carrying amount of the fair value of the advances to employees to exceed its recoverable amounts.

(b) The fair values of hire purchase payables are determined by discounting the relevant cash flows using 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	
	2015	**2014**	**2015**	**2014**
	%	**%**	**%**	**%**
Hire purchase payables	4.57	4.65	-	-
Term loans	5.03	5.36	3.90	7.15
Trust receipts	3.84	-	-	-
Revolving credits	5.20	4.92	5.20	5.48

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

40. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

(a) On 22 May 2015, KESG, a wholly-owned subsidiary of KGB, acquired for 2,400 ordinary shares of Rp1,000,000 (equivalent to RM275,641) each representing 80% of the total share capital of PT Mitracon, a company incorporated in Indonesia for a total consideration of Rp2,400,000,000 (equivalent to RM661,538). Consequently, PT Mitracon had become a subsidiary of KESG and an indirect subsidiary of KGB.

(b) On 26 February 2015, Hui Neng was appointed by Kelington 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). KETW had terminated the contract with Hui Neng and has filed a Counterclaim on 17 December 2015 to recover the NTD36,000,000 (equivalent to RM4,571,245), which was paid as a downpayment. The matter is now pending mediation in court scheduled to be held on 22 April 2016 after the first and second mediation hearing held on 31 December 2015 and 4 March 2016 respectively. The directors are of opinion that impairment loss of NTD32,458,372 (equivalent to RM4,237,600) is required in respect of the amount owing by Hui Neng as the amount is deemed not recoverable.

(c) On 30 September 2015, KGB acquired an additional 52,500 ordinary shares of RM1.00 each in KASSB representing 15% of the issued and paid-up share capital of KASSB for a total consideration of RM52,500. Consequently from the additional acquisition, KASSB became a 55% owned subsidiary of KGB.

(d) On 11 November 2015, KESG, a wholly-owned subsidiary of KGB, subscribed for 75,995 ordinary shares of PHP100 each representing 80% of the total share capital of KSP, a company incorporated in Philippines for a total consideration of PHP7,599,500 or equivalent to RM706,627. Consequently, KSP became a subsidiary of KESG and an indirect subsidiary of KGB.

41. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained profits of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Total retained profits, net of consolidation adjustments				
- realised	19,547	25,899	1,888	576
- unrealised	2,034	417	2,573	337
At 31 December	21,581	26,316	4,461	913

ANALYSIS OF SHAREHOLDINGS
As at 25 March 2016

Authorised Share Capital	:	RM50,000,000 comprising of 500,000,000 ordinary shares of RM0.10 each
Issued and Paid-Up Share Capital	:	RM22,007,982.80 comprising of 220,079,828 ordinary shares of RM0.10 each (Including 1,217,900 treasury shares)
Class of shares	:	Ordinary Shares of RM0.10 each
Voting Rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of Holders	Percentage (%)	No. of Shares	Percentage (%)
Less than 100	77	5.31	3,643	0.00
100 - 1,000	66	4.55	28,614	0.01
1,001 - 10,000	527	36.37	3,340,560	1.53
10,001 - 100,000	662	45.69	22,091,208	10.09
100,001 - less than 5%	113	7.80	46,614,214	21.30
5% and above	4	0.28	146,783,689	67.07
TOTAL	**1,449**	**100**	**218,861,928***	**100**

* *Excluding 1,217,900 treasury shares.*

LIST OF SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 25 MARCH 2016

	Direct Interest		Indirect Interest	
Names	**No. of Shares**	**%**	**No. of Shares**	**%**
Palace Star Sdn. Bhd.	100,299,290	45.83	-	-
Lembaga Tabung Angkatan Tentera	26,666,666	12.18	-	-
Sun Lead International Limited	19,817,733	9.05	-	-
Gan Hung Keng	1,265,332	0.58	100,299,290(1)	45.83(1)
Ong Weng Leong	1,265,332	0.58	100,299,290(1)	45.83(1)
Cham Teck Kuang	-	-	100,299,290(1)	45.83(1)
Fortune Dragon Holding Inc.	-	-	19,817,733(2)	9.05(2)
Lien Hwa Industrial Corp.	-	-	19,817,733(3)	9.05(3)

Notes:-

(1) Deemed interested under Section 6A of the Act by virtue of their direct interests in Palace Star Sdn. Bhd..
(2) Deemed interested under Section 6A of the Act by virtue of its direct interests in Sun Lead International Limited.
(3) Deemed interested under Section 6A of the Act by virtue of its direct interest in Fortune Dragon Holding Inc.

ANALYSIS OF SHAREHOLDINGS

As at 25 March 2016

cont'd

LIST OF DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 25 MARCH 2016

Names	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Gan Hung Keng[1]	1,265,332	0.58	100,299,290[1]	45.83[1]
Ong Weng Leong[1]	1,265,332	0.58	100,299,290[1]	45.83[1]
Chan Thian Kiat	173,332	0.08	-	-
Tan Chuan Yong	173,332	0.08	-	-
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	156,000	0.07	-	-
Soo Yuit Weng	514,666	0.24	-	-

Note:

(1) Deemed interested under Section 6A of the Act by virtue of their direct interests in Palace Star Sdn. Bhd..

DIRECTORS' INTEREST IN OPTIONS OVER ORDINARY SHARES

(Based on Register of Options of Employees' Share Option Scheme maintained pursuant to the Companies Act, 1965)

Directors	No. of Options
Gan Hung Keng	681,334
Ong Weng Leong	681,334
Chan Thian Kiat	93,334
Tan Chuan Yong	93,334
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	84,000
Soo Yuit Weng	84,000

ANALYSIS OF SHAREHOLDINGS

As at 25 March 2016

cont'd

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 25 MARCH 2016

(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.	53,950,066	24.65
2	PALACE STAR SDN. BHD.	46,349,224	21.18
3	LEMBAGA TABUNG ANGKATAN TENTERA	26,666,666	12.18
4	SUN LEAD INTERNATIONAL LIMITED	19,817,733	9.05
5	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *EMPLOYEES PROVIDENT FUND BOARD (PHEIM)*	5,671,100	2.59
6	HSBC NOMINEES (ASING) SDN. BHD. *[EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)]*	3,555,666	1.62
7	FEDERLITE HOLDINGS SDN BHD	1,910,766	0.87
8	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR CHAN CHEU LEONG]*	1,497,900	0.68
9	LEW YOU SEN	1,375,000	0.63
10	ONG WENG LEONG	1,265,332	0.58
11	WAN SIEW CHUAN	1,078,400	0.49
12	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR CHONG KHONG SHOONG]*	1,000,000	0.46
13	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR TEE KIM HEW (E-KLG/BTG)]*	995,533	0.45
14	ONG SENG HENG	931,866	0.43
15	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR CHONG KHONG SHOONG (E-IMO/JSI)]*	887,500	0.41
16	GAN HUNG KENG	875,999	0.40
17	LIEW WAI KIAT	800,000	0.37
18	GOH SEOW KHONG	705,300	0.32
19	JONG YU HUAT	684,533	0.31
20	SIN HUAT HING FARM SDN. BHD.	666,666	0.30
21	POH SEOW LING	563,000	0.26
22	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *[CIMB BANK FOR CHONG KHONG SHOONG (MY1707)]*	550,000	0.25
23	SOO YUIT WENG	514,666	0.24
24	CHUNG HIANG YONG @ CHAN HIANG YONG	500,000	0.23
25	TAN KOK PENG	500,000	0.23
26	WONG YIN KEE	476,000	0.22
27	LIM HAN YONG	450,000	0.21
28	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR LEONG AH KOW @ LEANG LEAN YOW]*	450,000	0.21
29	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *[TEA CHEE HEN]*	427,000	0.20
30	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR CHERYL LEONG PEI-LI]*	415,600	0.19

ANALYSIS OF WARRANT HOLDINGS

As at 25 March 2016

Type of Securities	:	Warrants 2014/2019
Date of Expiry	:	5 years (expiring on 30 May 2019)
Exercise Rights	:	Each warrant carries the entitlement to subscribe for one (1) new ordinary share of RM0.10 each in the Company at an exercise price of RM0.50
Voting Right	:	The holder of warrants is not entitled to any voting rights

DISTRIBUTION OF WARRANT HOLDINGS

Size of Holdings	No. of Holders	Percentage (%)	No. of Warrant	Percentage (%)
Less than 100	123	16.38	6,020	0.01
100 - 1,000	103	13.72	64,281	0.12
1,001 - 10,000	227	30.23	1,030,575	1.91
10,001 - 100,000	249	33.16	9,507,951	17.63
100,001 - less than 5%	46	6.13	13,321,799	24.70
5% and above	3	0.40	30,007,005	55.63
TOTAL	**751**	**100.00**	**53,937,631**	**100.00**

LIST OF DIRECTORS' WARRANT HOLDINGS AS PER THE REGISTER OF DIRECTORS' WARRANTS HOLDINGS AS AT 25 MARCH 2016

	Direct Interest		Indirect Interest	
Names	**No. of Warrant**	**%**	**No. of Warrant**	**%**
Gan Hung Keng[(1)]	150,466	0.28	25,052,572[(1)]	46.45[(1)]
Ong Weng Leong[(1)]	-	-	25,052,572[(1)]	46.45[(1)]
Chan Thian Kiat	-	-	-	-
Tan Chuan Yong	-	-	-	-
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	24,000	0.04	-	-
Soo Yuit Weng	-	-	-	-

Note:

(1) Deemed interested under Section 6A of the Act by virtue of their direct interests in Palace Star Sdn. Bhd.

ANALYSIS OF WARRANT HOLDINGS

As at 25 March 2016

cont'd

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 25 MARCH 2016

(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.	13,487,516	25.01
2	PALACE STAR SDN. BHD.	11,565,056	21.44
3	SUN LEAD INTERNATIONAL LIMITED	4,954,433	9.19
4	MAK NGIA NGIA @ MAK YOKE LUM	1,213,000	2.25
5	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *[CIMB BANK FOR MAK NGIA NGIA @ MAK YOKE LUM (MM0749)]*	1,151,000	2.13
6	LIM HAN YONG	667,600	1.24
7	SIOW YEE FONG	650,000	1.21
8	LEE KEE HUAT	600,000	1.11
9	TAY HOCK TIAM	600,000	1.11
10	ZULKIFLI BIN ISMAIL	563,700	1.05
11	HLIB NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR YAP SWEE HANG (CCTS)]*	481,000	0.89
12	POH SEOW LING	414,300	0.77
13	TA NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR TAN ANN GEE]*	351,700	0.65
14	TEO TZE SENG	300,000	0.56
15	HAM YEAN MING	279,133	0.52
16	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *[SOON EWE AIK (PCS)]*	260,000	0.48
17	NG YOKE HIN	255,600	0.47
18	LEE EE PIAN	254,000	0.47
19	HLIB NOMINEES (TEMPATAN) SDN. BHD. *[HONG LEONG BANK BHD FOR CHOW SAW BOON]*	250,000	0.46
20	YAP SWEE HANG	233,000	0.43
21	SII HAW NIAN	230,000	0.43
22	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR LOOI LEONG CHAI (33D-MARGIN)]*	210,000	0.39
23	YUEN BENG LON	210,000	0.39
24	LAW HIEN KIONG	204,900	0.38
25	CHOO YEONG LIN	200,000	0.37
26	LAU FUI SENG	200,000	0.37
27	LIEW WAI KIAT	200,000	0.37
28	TAN YIK SIN	200,000	0.37
29	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR NORDIN BIN LATIP]*	190,000	0.35
30	GOH SEOW KHONG	183,600	0.34

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting of **Kelington Group Berhad** (KGB" or "Company") will be held at Green 2 (Club House) Tropicana Golf & Country Resort, Jalan Kelab Tropicana, Persiaran Tropicana, Off Jalan Tropicana Utama, 47410 Petaling Jaya, Selangor Darul Ehsan on Friday, 24 June 2016 at 10.00 a.m., for the purpose of considering the following businesses:-

A G E N D A

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 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 Article 69 of the Company's Articles of Association, and being eligible, have offered themselves for re-election:

   (i) Mr Tan Chuan Yong **(Ordinary Resolution 1)**
   (ii) Mr Soo Yuit Weng **(Ordinary Resolution 2)**

3. To approve the payment of Directors' fees of RM156,400.00 for the financial year ended 31 December 2015. **(Ordinary Resolution 3)**

4. To approve the payment of a final tax-exempt dividend of 0.5 sen per ordinary share of RM0.10 each for the financial year ended 31 December 2015. **(Ordinary Resolution 4)**

5. To re-appoint Messrs. Crowe Horwath as Auditors of the Company until the conclusion of the next AGM 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:

6. **Authority to Issue Shares**

   "THAT subject always to the Companies Act, 1965, Articles of Association 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 132D of the Companies Act, 1965 to issue and allot not more than ten percent (10%) of the issued capital 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 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 6)**

7. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

   "THAT subject to Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries ("the Group") to enter into recurrent related party transactions of a revenue or trading nature ("RRPT") with the related party(ies) as set out in Section 3.1 of the Circular to Shareholders of the Company dated 29 April 2016 ("the Circular") provided such transactions are:-

NOTICE OF ANNUAL GENERAL MEETING
cont'd

(a) Necessary for the day-to-day operations;

(b) The transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public; and

(c) Not prejudicial to the minority shareholders of the Company.

("Shareholders' Mandate")

THAT such approval shall continue to be in force and effect until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless the authority is renewed by a resolution passed at the said AGM, such authority is renewed;

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby empowered and authorised to complete and to do all such acts, deeds and things as they may consider expedient or necessary or in the best interest of the Company to give effect to the Shareholders' Mandate, with full power to assent to any condition, modification, revaluation, variation and/or amendment (if any) as may be imposed or permitted by the relevant authorities." **(Ordinary Resolution 7)**

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

"THAT subject to the Companies Act, 1965 (the "Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association 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 of RM0.10 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

(i) the aggregate number of shares purchased does not exceed ten per centum (10%) of the total issued and paid-up share capital 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 share premium; 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.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

AND THAT the authority conferred by this resolution will commence after the passing of this ordinary resolution and will continue to be in force until:-

(i) the conclusion of the next Annual General Meeting ("AGM") at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase(s) of the shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto." **(Ordinary Resolution 8)**

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

Notice of Dividend Entitlement

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at Sixteenth Annual General Meeting, a final tax-exempt dividend of 0.5 sen per ordinary share of RM0.10 each for the financial year ended 31 December 2015, if approved, will be paid on 10 August 2016 to holders of ordinary shares registered in the Record of Depositors of the Company at the close of business on 13 July 2016.

A depositor shall qualify for entitlement to the dividend only in respect of:-

a) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 13 July 2016 in respect of transfers; and

b) Securities bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of the Bursa Securities.

BY ORDER OF THE BOARD

LIM LEE KUAN (MAICSA 7017753)
TEO MEE HUI (MAICSA 7050642)
Company Secretaries

Kuala Lumpur
Dated this 29th day of April, 2016

NOTICE OF ANNUAL GENERAL MEETING
cont'd

Notes:

1. *A member may appoint up to two (2) proxies to attend and vote at the meeting. If a member appoints more than one (1) proxy, the appointments shall be invalid unless he / she specifies the proportions of his / her holding to be represented by each proxy. A proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. There shall be no restriction as to the qualification of the proxy.*

2. *The instrument appointing a proxy shall be in writing, executed by or on behalf 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 at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

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 instrument appointing a proxy must be deposited at the Registered Office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*

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 Article 50(f) of the Articles of Association of the Company, a* ***Record of Depositors as at 17 June 2016*** *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 2015.

The Audited Financial Statements under this agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 ("the Act") does not require a formal approval of the shareholders and hence this item is not put forward for voting.

b) *Ordinary Resolution 6*
Authority to Issue Shares

The proposed resolution, if passed, will give flexibility to the Directors to issue shares to such persons at any time in their absolute discretion without convening a general meeting. This authorisation will expire at the conclusion of next Annual General Meeting of the Company.

This is the renewal of the mandate obtained from the members at the last Annual General Meeting ("the previous mandate"). The previous mandate was not utilised and accordingly no proceeds were raised.

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.

c) *Ordinary Resolution 7*
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature

The proposed Ordinary Resolution 7, if passed, will allow the Group enter into RRPT made on an arm's length basis on normal commercial terms and which are not prejudicial to the interest of the minority shareholders. For more information, please refer to the Circular to Shareholders dated 29 April 2016.

d) *Ordinary Resolution 8*
Proposed Renewal of Authority for Purchase of Own Shares by the Company

The proposed Ordinary Resolution 8, if approved, will empower the Company to purchase and/or hold up to ten per centum (10%) of the issued and paid-up share of the Company through Bursa Malaysia Securities Berhad. For more information, please refer to the Share Buy-Back Statement dated 29 April 2016.

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PROXY FORM

CDS Account No.	Number of Shares Held

KELINGTON GROUP BERHAD
(501386-P)
(Incorporated in Malaysia)

*I/We ______________________________ NRIC No./Passport No./Company No. ______________ of ______________________________

being a Member(s) of KELINGTON GROUP BERHAD (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 Sixteenth Annual General Meeting of the Company to be held at Green 2 (Club House) Tropicana Golf & Country Resort, Jalan Kelab Tropicana, Persiaran Tropicana, Off Jalan Tropicana Utama, 47410 Petaling Jaya, Selangor Darul Ehsan on Friday, 24 June 2016 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:

	Ordinary Resolutions	For	Against
1	To re-elect Mr Tan Chuan Yong as Director		
2	To re-elect Mr Soo Yuit Weng as Director		
3	To approve the payment of Directors' fees for the financial year ended 31 December 2015		
4	To approve Final Tax-Exempt Dividend		
5	To re-appoint Messrs Crowe Horwath as Auditors of the Company		
	Special Business		
6	Authority to Issue Shares		
7	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party of Revenue or Trading Nature		
8	Proposed Renewal of Authority for purchase of own shares by the Company		

Mark either box if you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two proxies and wish them to vote differently this should be specified.

If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "The Chairman of the Meeting" and insert the name(s) of the person(s) desired.

* *Delete if not applicable.*

Signed this __________________ day of ________________ 2016

____
Signature/Common Seal of Shareholder

Notes:

1. *A member may appoint up to two (2) proxies to attend and vote at the meeting. If a member appoints more than one (1) proxy, the appointments shall be invalid unless he / she specifies the proportions of his / her holding to be represented by each proxy. A proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. There shall be no restriction as to the qualification of the proxy.*
2. *The instrument appointing a proxy shall be in writing, executed by or on behalf 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 at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
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 instrument appointing a proxy must be deposited at the Registered Office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*
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Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP

The Company Secretary
KELINGTON GROUP BERHAD (501386-P)
10 Floor, Menara Hap Seng
No. 1& 3, Jalan P. Ramlee
50250 Kuala Lumpur

1st Fold Here

WWW.KELINGTON-GROUP.COM

KELINGTON GROUP BERHAD
(Company No.: 501386-P)

3 Jalan Astaka U8/83, Section U8, Bukit Jelutong Industrial Park,
40150 Shah Alam, Selangor D.E., Malaysia

T | 603 7845 5696
F | 603 7845 7097