KELINGTON GROUP BERHAD

(501386-P)




UHP DELIVERY SYSTEMS

PROCESS ENGINEERING

INDUSTRIAL GASES

GENERAL CONTRACTING

2016 ANNUAL REPORT

TURNKEY ENGINEERING SERVICES • SYSTEM DESIGN • CONSTRUCTION • MAINTENANCE • SERVICING

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 organisation 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

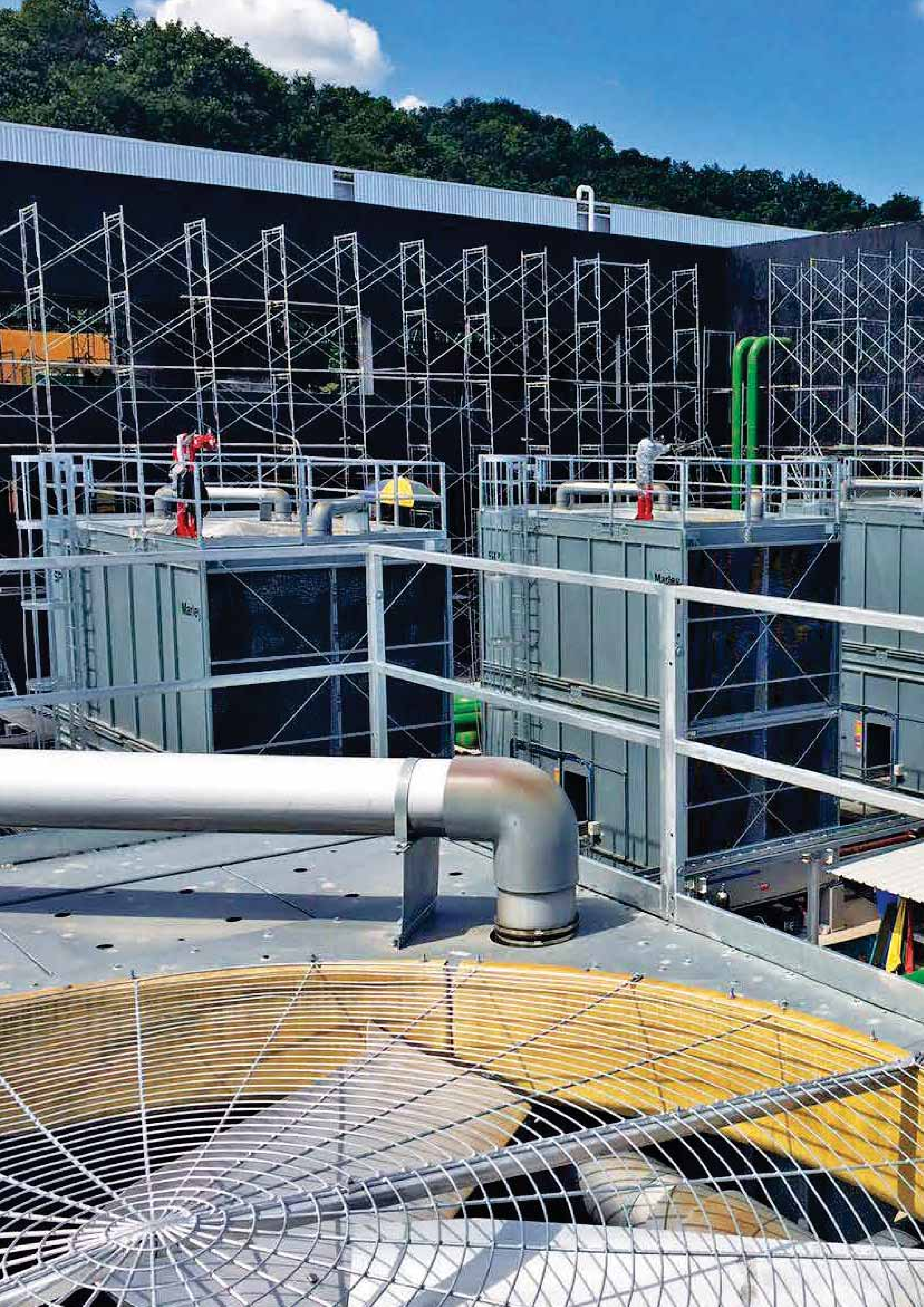
Set up subsidiary in Indonesia

Set up subsidiary in Philippines

Secured large value project for a wafer fabrication facility in Singapore

2016

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



GENERAL
CONTRACTING

We support clients across several industries with our full-service range of general contracting and construction management services. We have vast experience in completing commercial, industrial, and institutional projects.

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

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 ENERGY SDN. BHD.
(Incorporated in Malaysia)

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

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

100%
KELINGTON ENGINEERING (SHANGHAI) CO., LTD.
(Incorporated in the People's Republic of China)

- **100%** KELINGTON TRADING (SHANGHAI) CO., LTD *(Incorporated in the People's Republic of China)*

90%
ACE GASES SDN BHD
(Incorporated in Malaysia)

- **99%** ACE GASES MARKETING SDN BHD *(Incorporated in Malaysia)*

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

49%
HITI ENGINEERING (M) SDN. BHD.
(Incorporated in Malaysia)

90%
KELINGTON NAWIK SDN. BHD.
(Incorporated in Malaysia)

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

INDUSTRIAL
GASES

We supply a wide range of industrial gases and specialty gases used by the electronics, semiconductor, food processing, and oil and gas industries. These may be supplied in various forms; from portable high-pressure gas cylinders or from on site gas generators

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

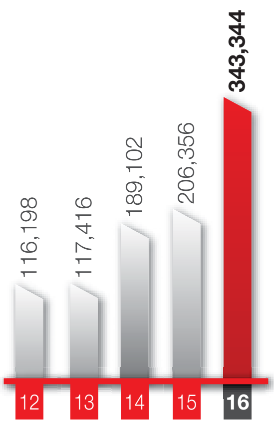
Encourage Innovation

Work Safety

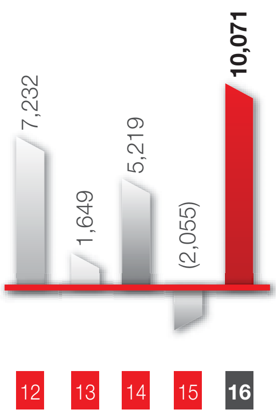
FINANCIAL HIGHLIGHTS

	2012	2013	2014	2015	2016
Revenue (RM'000)	116,198	117,416	189,102	206,356	**343,344**
Profit before taxation (RM'000)	7,232	1,649	5,219	(2,055)	**10,071**
Profit after taxation (RM'000)	6,081	1,611	5,149	(2,521)	**8,827**
Shareholders' Funds (RM'000)	53,824	54,035	59,334	59,399	**66,993**
Total Assets (RM'000)	109,181	116,583	163,718	174,534	**199,945**
Number of Ordinary shares ('000)	159,595	160,680	216,966	220,080	**222,375**
Net Assets Per Share (RM)	0.34	0.34	0.27	0.27	**0.30**
Basic Earning Per Share (Cent)	3.8	0.8	2.4	-1.2	**4.00**

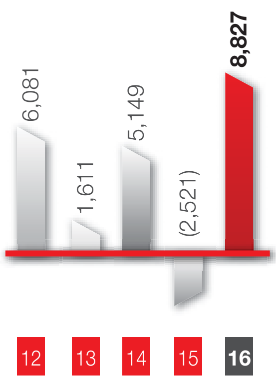
Revenue
(RM'000)



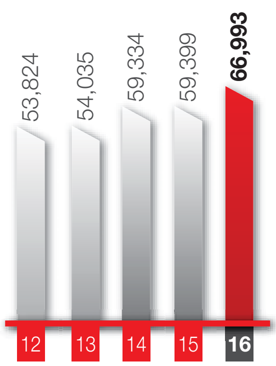
Profit Before Taxation
(RM'000)



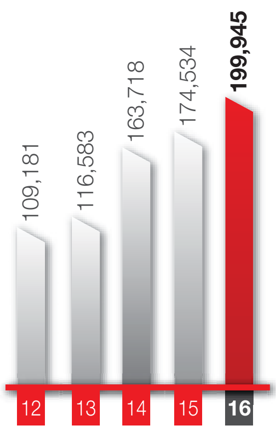
Profit After Taxation
(RM'000)



Shareholders' Funds
(RM'000)



Total Assets
(RM'000)




TRANS

PROCESS
ENGINEERING

We engineer and construct mechanical and electrical systems that support industrial processes across many sectors. From customized skid fabrications to large scale plant constructions, we provide end-to-end process engineering services encompassing design, fabrication and maintenance

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 2016 ("FY2016").

I am pleased to announce that 2016 was a record year for KGB, as we hit new milestones in the Group's revenue, net profits and new orders secured.

We have come a long way from being known as a specialist in ultra high purity ("UHP") delivery systems. The Group has made a significant mark in the industry and now boasts a diversified clientele from the oil and gas, plantation and oleochemical sectors, to name a few. We continue to remain true to our core expertise in engineering and have accumulated a strong portfolio of civil, mechanical and electrical projects.

Over the years, we have built a reputation of being a reliable and valuable partner to our clients; while prioritising high safety standards, timely implementation of projects and value for money solutions. Our repeat customers are a testament to this achievement.

Moving forward, we will be implementing productivity programmes to improve our bottom lines. Having offices around the region, we aim to have centralised procurement activities and a sharing of resources to maximise efficiency and cost savings.

Another exciting development is our entry into a new business – the supply of industrial gases. We are positive about the long-term growth prospects of this business and believe that it is the step in the right direction for the Group.

This business is long-term in nature and will give us a sustainable recurring stream of income, giving us a good balance of project income and recurring income.

We are committed to deliver a good return to our shareholders via consistent dividend payments and have been consistently doing so since we were listed on Bursa Malaysia Securities Berhad in 2009.

For FY2016, the Board has proposed a final dividend of one sen per share, amounting to a payout of RM2.26 million. This represents 25% of the Group's net profit, in line with our dividend policy to distribute 25% of our annual net profit.

I would like to extend my sincere appreciation to my Board members and management team for their commitment in leading the Group forward. A special thanks as well to all our employees and suppliers across all our regional offices for their hard work and contributions to our success.

Last but not least, to our clients and shareholders for your continued confidence in the Group.

Let's make it happen!

IR. GAN HUNG KENG
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP'S BUSINESS AND OPERATIONS

KGB or the Group provides integrated engineering services for a wide range of sectors.

In carrying out our services, we provide end-to-end turnkey services from the initial design works, to fabrication, and maintenance works after the solutions have been handed over to the client.

The Group has a total workforce of around 300 and has regional offices in China, Taiwan, Singapore and Malaysia.

Our business activities are categorised into 3 main areas which are:-

i) **Ultra High Purity (UHP) delivery systems**

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

ii) **Process engineering**

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

iii) **General contracting works**

We provide general contracting works encompassing civil and mechanical and engineering services to construct specialised facilities such as clean rooms and R&D centres.

REVIEW OF FINANCIAL PERFORMANCE

Having an established track record in providing UHP delivery systems since the Group's inception in the year 2000, the Group had recently expanded its core business to include general contracting and process engineering works.

Contributions from the new business divisions have increased over the years, leading the Group to hit a new record in terms of new orders secured in 2016 worth RM323.4 million.

As such, the Group recorded its highest ever revenue of RM343.3 million for FY2016, an increase of 66% from FY2015.

KE ANALYSIS OF REVENUE BREAKDOWN BY BUSINESS SEGMENTS

The Group succeeded in growing revenue from all three of its business segments.

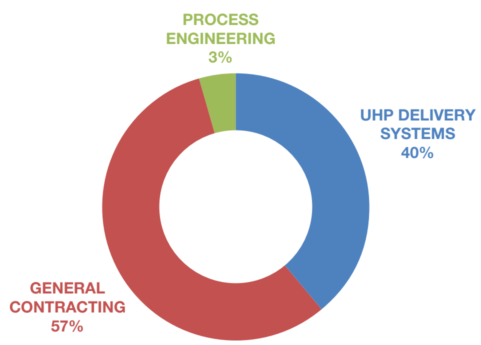
The UHP Delivery Systems segment was the largest revenue contributor, largely driven by a project undertaken in Singapore for one of the world's largest manufacturers of memory and semiconductor technology companies. Revenue was also boosted from contracts clinched from a few wafer fabrication plants from MNCs in China.

The second largest revenue contributor was the General Contracting division, contributing 39.5% of the total revenue. The division was largely boosted by a project involving civil engineering works using integrated building systems in Perak.

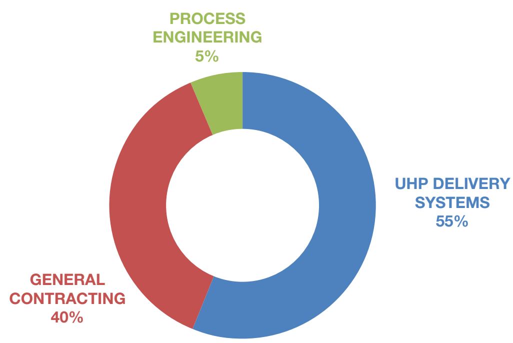
Revenue from the process engineering division increased by more than three-fold, attributed to an oleo chemical related project in Malaysia.

Revenue	2015 (RM m)	2016 (RM m)	% change
UHP Delivery Systems	81.6	188.0	130%
General Contracting	118.8	135.7	14%
Process Engineering	5.9	19.6	233%
Total	206.3	343.3	

REVENUE BREAKDOWN IN 2015



REVENUE BREAKDOWN IN 2016



MANAGEMENT DISCUSSION AND ANALYSIS

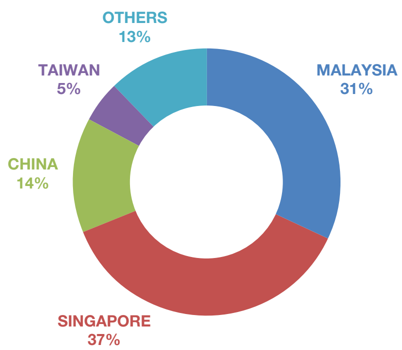
cont'd

ANALYSIS OF REVENUE BREAKDOWN BY GEOGRAPHICAL LOCATION

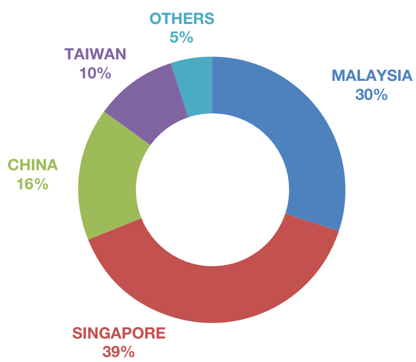
All of the Group's four key operating markets recorded growth in revenue. Projects in Malaysia and Singapore were the two largest contributors, representing approximately 70% of the Group's total revenue.

Revenue	2015 (RM m)	2016 (RM m)	% change
Malaysia	63.8	102.9	54%
Singapore	76.8	134.7	75%
China	29.7	55.2	86%
Taiwan	9.6	35.1	266%
Others	26.4	15.4	-35%
Total	206.3	343.3	

REVENUE BREAKDOWN IN 2015



REVENUE BREAKDOWN IN 2016



PROFIT MARGINS

During the year, the Group embarked on a productivity improvement programme to closely monitor our costs and boost our efficiencies. As a result, gross profit margins improved year-on-year from 9.8% to 11.4%. We have an internal aim to continually maintain gross profit margins at double-digit levels.

The Group's performance in FY2016 was impacted by written off and impairment losses amounting to RM10.9 million. Despite this, the Group recorded a profit before tax (PBT) of RM10.1 million, a turnaround from last year's loss making position. FY2016 PBT and net profit margins stood at 2.9% and 2.6% respectively.

In mitigating our collection risks, we have tightened our internal controls at the respective subsidiaries to closely assess the risks involved in each project that we undertake. We have also started to closely monitor the payment terms and schedules of our projects across all of the regional offices.

LIQUIDITY AND CAPITAL RESOURCES

The Group's balance sheet continued to remain healthy as we generated a net cash flow from operations of RM13.4 million. Our cash and bank balances strengthened to RM42.6 million, from RM27.0 million in the previous year.

We continue to remain in a net cash position as our cash balance exceeds our total borrowings, which stood at RM24.6 million. Most of our borrowings are short-term in nature and are utilised for project financing purposes.

DIVIDEND POLICY

To reward our shareholders for their loyalty and support, the Group had adopted a dividend policy to distribute 25% of net profit.

For FY2016, the Group had proposed a final dividend of 1 sen, which represents a dividend payout of 25%. This is double the dividend paid in FY2015 of 0.5 sen per share.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

OUTLOOK AND PROSPECTS

One of the identified areas for future growth is to expand into the supply of industrial gases.

The supply can be carried out via two methods; via the establishment of on-site generators at the site of a manufacturing plant and the supply of portable high pressure gas cylinders.

This business has good potential as industrial gases are widely used amongst manufacturers in the plantation, oil and gas, food and beverage and electronic sectors.

We are confident of establishing a significant presence in this business as we would be able to leverage on our strong client network of electronic companies.

In addition, this new business would add a recurring income stream to the Group. It would enhance our earnings visibility, providing sustainable returns to our shareholders.

As we expand this business division, we expect to see an increase in our capital expenditure (capex) spending. However, this would depend on the contract wins. Our capex commitment will be supported by the long-term contracts we enter into with our clients, ensuring that we are able to recover our investments.

In China, leading manufacturers of memory chips and integrated circuits are ramping up their production capacity to reach China's aim of being one of the world's leading manufacturers by the year 2025.

The China government, together with international companies operating there, have announced plans to significantly expand their manufacturing capacities by establishing new manufacturing plants. This should augur well for the Group as we have a strong track record in undertaking UHP projects in China.

As at the time of this report, the Group had clinched new contracts since the beginning of 2017 worth RM76.1 million, bringing the outstanding orderbook to RM239.3 million.

UHP DELIVERY
SYSTEMS

We serve industries that require ultra high purity (UHP) gases and chemicals in specialized applications. Having a strong understanding of the unique characteristics of these specialty gases and chemicals, we engineer solutions that ensure safe handling of the delivery and distribution of these substances all the way from source to equipment to waste disposal

BOARD OF DIRECTORS' PROFILE

IR. GAN HUNG KENG
age 53, Malaysian, Male
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 directorship in public companies and listed issuers.

ONG WENG LEONG
age 49, Malaysian, Male
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 2004 as the General Manager.

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

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

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

BOARD OF DIRECTORS' PROFILE
cont'd

CHAN THIAN KIAT
age 61, Malaysian, Male
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 and listed issuers.

TAN CHUAN YONG
age 61, Malaysian, Male
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
Age 59, Malaysian, Male
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 is Domestic Operations General Manager of Weststar Aviation Services Sdn. Bhd. and he does not hold any other directorships of public companies and listed issuers.

SOO YUIT WENG

Age 49, Malaysian, Male
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 in-depth experience in the field of audit and taxation.

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

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

Notes to the Board of Directors' Profile:

Family Relationship

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

Conviction of Offences

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

Conflict of Interest

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

Attendance at Board Meetings

The details of attendance of the Directors at the Board Meetings are set out on page 35 of this Annual Report

Shareholdings

The details of Directors' shareholdings are set out in the Analysis of Shareholding(s) and Warrant Holdings on pages 146 and 148 of this Annual Report.

KEY SENIOR MANAGEMENT'S PROFILE

JONG YU HUAT
Age 46, Malaysian, Male

Mr Jong was appointed as the Chief Financial Officer of the Company since 2010. He obtained his professional qualification from the Chartered Institute of Management Accountants since 1999 and has been a Chartered Accountant with Malaysia Institute of Accountants since 2008. He began his career as an Audit assistant with Tan Jin Kok & Co. in Kuching, Sarawak until 1997 before moving on to Yeng & Co. where he was involved in external audit, accounting and taxation until 1999. He then joined Tiara Daya Maju Sdn. Bhd, a construction company, at its accounting, finance and administration department where he left as finance manager in 2000. From 2000 to 2003, he was the finance manager at Pemborong Bumihijau Dutyfree Sdn Bhd, a duty free retail company. Since he joined our Company on 23 June 2003, he has been responsible for the accounts, financial and administrative matters of our Group.

He is also a member of the Chartered Institute of Management Accountants since 1999.

WAN SIEW CHUAN
Age 44, Malaysian, Male

Mr. Wan is the Senior Vice President, China for KGB since 10 September 2009. He joined our Company on 1 February 2005 as Engineering Manager. He graduated with a First Class Bachelor of Mechanical Engineering degree from Universiti Malaya, Malaysia in 1998. Prior to joining us, he held various positions at MOX from 1998 to 2004. These positions include Production Engineer, Ultra Clean Technology ("**UCT**") Project Engineer and UCT Manager where he managed UHP gas systems related projects such as installation and fabrication, etc. In his current position, he is responsible for the daily management of our Group's operations in the PRC besides carrying out engineering, costing of UHP gas systems and project management where he utilises his expertise in detailed engineering of UHP specialty gas delivery systems for the Semiconductor industry, detailed engineering of UHP bulk gas distribution systems, including project execution and management.

SOO WEI KEONG
Age 41, Malaysian, Male

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

LIM SENG CHUAN
Age 49, Singaporean, Male

Since 1 September 2009, Mr. Lim is the Senior Vice President, Singapore for our Company. He graduated with a Master of Science from Tokyo Institute of Technology (TIT) in Japan in 1999. Prior to joining KGB, he was attached to Singapore Oxygen Air Liquide Pte Ltd ("**SOXAL**"). Throughout his ten (10) years in SOXAL, he has held various positions such as QA/QC Manager, Project Manager, Business Development Manager in UHP related technologies for Semiconductor, photovoltaic, pharmaceutical and LCD industries. He is currently responsible for the daily management of our Group's Singapore operations as well as neighbouring regions such as Philippines and Indonesia. In the course of carrying out engineering and costing for UHP gas systems, where he utilises his expertise in detailed engineering of all UHP specialty gas delivery and bulk gas distribution systems for the Semiconductor industry, he is also responsible in project management which includes project execution and management.

ONG SENG HENG
Age 38, Malaysian, Male

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

Notes to the Key Senior Management's Profile:

Directorships

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

Family Relationship

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

Conviction of Offences

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

Conflict of Interest

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

CORPORATE HIGHLIGHTS

KE MALAYSIA CORPORATE INCENTIVE TRIP

We recognize our employees are the keystone of successful in our business. KE providing travel incentives to motivate and inspire our employee and we believe it will encourage healthy competition between countries in operations.

KE SINGAPORE CORPORATE INCENTIVE TRIP

We believe shared experiences of a fantastic trip will hone and develop team dynamics. It allow management and colleagues to build stronger relationships, and offers an informal forum for honest discussion about the company.

CORPORATE HIGHLIGHTS
cont'd

SAFETY AWARENESS

Enhancing Safety Awareness of our employees via fire drills, safety talk / fire prevention talk and provide first aid training.

KE SINGAPORE AWARD

During the year 2016, Puritec Singapore was awarded the Best Safe Working Contractor presented by the Customer & KE Singapore awarded the Best Quality Contractor Award.

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 2016:-

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 and 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 Circulars 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 2016 of the CFO was reviewed by the NC in February 2017.

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 in the Company's website seek to foster an environment where integrity and ethical behaviour are maintained and any illegal or improper action and/or wrong doing in the Company may be exposed.

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.

CORPORATE GOVERNANCE STATEMENT
cont'd

1.0 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd*

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 matters reserved for Board's decision and that the Board papers for meetings will be circulated to the Board about a week before the meeting.

The Company's green initiative has encouraged a paperless environment for all Board and Board Committees meetings, which enables digital access to meeting documents instead of requiring distribution of hard copies. The customised solution also provides various functionalities which enable Directors and Committee members to access various Company documents, including Board policies, procedures, rules and guidelines, which are uploaded onto personal iPads for convenient reference. As a result, the Directors and Committee members are able to access meeting documents and Company information in a timely and more efficient manner, thus improving Board performance and overall effectiveness of decision-making.

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.

In delivery the above duties and responsibilities, the Board is supported by suitably qualified and competent Company Secretaries who are members of Malaysian Institute of Chartered Secretaries and Administrators.

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 on how the Board conducts business in accordance with sound corporate governance principles.

CORPORATE GOVERNANCE STATEMENT
cont'd

1.0 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd*

1.7 Board Charter *cont'd*

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.

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 Assessmen;
- Conflict of Interest and Related Party Transactions;
- Code of Ethics and Conduct for Company Director;
- Whistleblowing Policy;
- Corporate Disclosure Policy; and
- 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 18 April 2017.

2.0 STRENGTHEN COMPOSITION

2.1 NC

The NC comprises exclusively Non-Executive Directors, the majority of whom are Independent Directors.

The duties 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;

2.0 STRENGTHEN COMPOSITION *cont'd*

2.1 NC *cont'd*

The duties of the NC are as follows:- *cont'd*

- 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;
- To identify suitable orientation, educational and training programmes for continuous developments of Directors; and
- To review the term of office and performance of Audit Committee and each of its members annually to determine whether the Audit Committee have carried out their duties in accordance with their terms of reference.

The NC conducted one meeting during financial year 2016, to review the following:-

- Assessed the contribution of each individual Director;
- Reviewed 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;
- Reviewed the independence of Independent Directors;
- Discussed the annual retirement by rotation and re-election of Directors at the forthcoming Annual General Meeting ("AGM") and recommended the same for re-election by the shareholders; and
- Reviewed the performance of the CFO.

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.

CORPORATE GOVERNANCE STATEMENT
cont'd

2.0 STRENGTHEN COMPOSITION *cont'd*

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

a. Board appointment process *cont'd*

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 Constitution of the Company, all Directors are required to submit themselves for re-election at intervals of not more than three (3) years. The Constitution 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.

b. Annual Assessment

The NC reviews and evaluates the Board's performance and the performance of its Committees on an annual basis. The 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.

CORPORATE GOVERNANCE STATEMENT
cont'd

2.0 STRENGTHEN COMPOSITION *cont'd*

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

c. Diversity in Gender, Ethnicity and Age *cont'd*

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.

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 2016 are as follows:

2016	Company					Subsidiary Companies				
	Salary (RM)	Fees (RM)	Bonus (RM)	Benefits-in-kind (RM)	Company Total (RM)	Salary (RM)	Fees (RM)	Bonus (RM)	Benefits-in-kind (RM)	Group Total (RM)
Executive Directors										
Ir. Gan Hung Keng	381,600	-	243,880	13,750	639,230	-	-	-	-	-
Ong Weng Leong	381,600	-	243,880	13,750	639,230	-	-	-	-	-
Total	763,200	-	487,760	27,500	1,278,460	-	-	-	-	-
Non-Executive Directors										
Chan Thian Kiat	-	40,000	-	-	40,000	-	-	-	-	-
Tan Chuan Yong	-	40,000	-	-	40,000	-	-	-	-	-
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	-	36,400	-	-	36,400	-	-	-	-	-
Soo Yuit Weng	-	40,000	-	-	40,000	-	-	-	-	-
Total	-	156,400	-	-	156,400	-	-	-	-	-
Total Directors' Remuneration	763,200	156,400	487,760	27,500	1,434,860					

CORPORATE GOVERNANCE STATEMENT
cont'd

2.0 STRENGTHEN COMPOSITION *cont'd*

2.4 Remuneration Policies and Procedures *cont'd*

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

	Group		Company	
Range of Remuneration (RM)	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
50,000 and below	-	4	-	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	-	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 2016, 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.

With respect to the Independent Non-Executive Director who is seeking re-election at the forthcoming Seventeenth AGM, the NC is satisfied that Mr Chan Thian Kiat has demonstrated that he is 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 his 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.

CORPORATE GOVERNANCE STATEMENT
cont'd

3.0 REINFORCE INDEPENDENCE *cont'd*

3.4 Separation of the Positions of the Chairman and the CEO *cont'd*

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.

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 20 to 22 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 31/12/2016)
Ir. Gan Hung Keng (Chairman)	5/5
Ong Weng Leong	4/5
Chan Thian Kiat	4/5
Tan Chuan Yong	5/5
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	4/5
Soo Yuit Weng	4/5

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.

CORPORATE GOVERNANCE STATEMENT
cont'd

4.0 FOSTER COMMITMENT *cont'd*

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.

During the FYE 31 December 2016, 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	Adjudication – Procedure & Problems	28 & 29 July 2016
		Advocacy Sessions on Management Discussion and Analysis Statement (MD&A)	26 September 2016
2.	Ong Weng Leong	Adjudication – Procedure & Problems	28 & 29 July 2016
		Advocacy Sessions on Management Discussion and Analysis Statement (MD&A)	8 August 2016
3.	Chan Thian Kiat	I'm ready to manage risk	5 September 2016
4.	Tan Chuan Yong	Launch of the AGM Guide & CG Breakfast Series: "How to Leverage on AGMs for Better Engagement with Shareholders"	21 November 2016
5.	Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	Aviation Accident & Incident Investigation Course	20 to 22 December 2016
		Aviation Safety Management System & Positive Safety Culture Course	5 to 8 April 2016
		SLDP – Senior Leadership Development Program	Module 1: 2 August 2016 Module 2: 16 August 2016 Module 3: 30 August 2016 Module 4: 19 September 2016 Module 5: 27 September 2016 Module 6: 11 October 2016 Module 7: 7 November 2016
6.	Soo Yuit Weng	GST - Practical Issues & Recent Developments	21 April 2016
		GST Audit File for review and Reconciliation	13 June 2016
		Half day talk: Update on GST	15 Dec 2016

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 CFO 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.

The Company has formally adopted an External Auditors Performance and Independent checklist in year 2016 to evaluate the performance of the External 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.

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.

Based on the AC's assessment, the Board satisfied with the independence, quality of service and adequacy of resources provided by the External Auditors in carrying out the annual audit for year 2016. In view thereof, the Board has recommended the re-appointment of the External Auditors for the approval of shareholders at the forthcoming AGM.

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 year 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 41 to 43 of this Annual Report provides the overview of the internal control framework adopted by the Company during the FYE 31 December 2016.

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, financial information as well as the reports and presentations of the Company.

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 Circulars 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 Constitution to include explicitly the right of proxies to speak at general meetings.

8.2 Encourage poll voting

At the Sixteenth AGM of the Company held on 24 June 2016, 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.

In compliance with the MMLR, all resolutions put forth for shareholders' approval at the Seventeenth AGM to be held on 13 June 2017 are to be voted by way of poll voting.

8.3 Effective communication and proactive engagement

At the Sixteenth 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.

CORPORATE GOVERNANCE STATEMENT
cont'd

COMPLIANCE STATEMENT

The Board is satisfied that the Company has in 2016 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 18 April 2017.

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 2016 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 2016, 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.

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.

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.

During the financial year under review, the risk registers of the Group were updated by Executive Management, with the assistance of a professional services firm. Through these updates, which takes into consideration the economic and business outlook, new risks are identified, assessed and rated, and existing risks are also re-evaluated. The updated risk registers including additional mitigating action plans to be implemented were then, presented to Audit Committee and Board on 24 February 2016 for their further review.

INTERNAL AUDIT FUNCTION

During the financial year ended 31 December 2016, the outsourced internal audit function carried out internal audit reviews in accordance with the risk based internal audit plan approved by the AC. The business processes reviewed are as follows:

Entity	Business Processes Reviewed
Kelington Engineering (Shanghai) Co. Ltd	Project Management Billing and Collection
Kelington Group Berhad (Taiwan Branch)	Procurement of Contractors and Materials Billing and Collection

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

INTERNAL AUDIT FUNCTION *cont'd*

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 RM75,302 for the FYE 31 December 2016.

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.

(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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

OTHER KEY ELEMENTS OF INTERNAL CONTROL *cont'd*

(g) External Audit

In accordance with Paragraph 15.23 of Bursa Securities' MMLR, the External Auditors have performed a review on the statement on risk management and internal control for its inclusion into the Annual Report of the Company for FYE 31 December 2016, 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.

CONCLUSION

The Board is of the view that the risk management and internal control system under review is satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in the Group's Annual Report.

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.

The Group's risk management and internal controls systems do not apply to the associate companies. The Group's interest in the associate companies is served through Board representation and periodic review of the associate companies' management accounts by Executive Management and the Board.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors dated on 18 April 2017.

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 2016.

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 2016 are as follows:

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

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 Terms of Reference of the AC which are available on KGB's website, thereby supporting the Board in ensuring appropriate Corporate Governance standards within the Group.

MEETINGS AND SUMMARY OF WORKS OF THE AUDIT COMMITTEE

The AC held five (5) meetings in the year 2016 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 three (3) 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 2016 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. In the year 2016, the AC Chairman presented the recommendations of the Committee to the Board for approval of the annual and quarterly financial statements as well as the circulars to shareholders. 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

MEETINGS AND SUMMARY OF WORKS OF THE AUDIT COMMITTEE *cont'd*

The works carried out by the AC during the financial year 2016 are summarised as follows:-

Ensuring Financial Statements Comply with Applicable Financial Reporting Standards:

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

(b) Reviewed the audited financial statements and the External Auditors' findings and recommendations for the financial year ended 31 December 2015. In the review of the annual audited financial statements, the AC had discussed with Management and the External Auditors the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements as well as issues and reservations arising from the statutory audit; and

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

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

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

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

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

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

Overseeing the Governance Practices in the Group

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

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

(c) Reviewed the adequacy and effectiveness of the Group's internal control system and reported to the Board; and

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

AUDIT COMMITTEE REPORT
cont'd

MEETINGS AND SUMMARY OF WORKS OF THE AUDIT COMMITTEE *cont'd*

The works carried out by the AC during the financial year 2016 are summarised as follows:- *cont'd*

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

(a) Reviewed and approved the internal audit plan;

(b) Reviewed and discussed the internal audit reports which outlined the recommendations towards correcting areas of weaknesses and ensured that were management action plans established for the implementation of the Internal Auditors' recommendations. Summary of internal audit reports presented to the AC provided status updates for management action plans to address the findings reported in the previous audit cycles; and

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

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 IA functions is independent and not related to the Group's External Auditors. The IA includes evaluation on the processes by which significant risks are identified, assessed and managed and ensures 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 2016, the areas audited included audits of the various departments covering all the subsidiaries within the Group. 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 IA also conducted follow up audits 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 2016 was amounted to RM75,302.

The AC Report is made in accordance with the resolution of the Board of Directors' Meeting held on 18 April 2017.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

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

2. AUDIT AND NON-AUDIT FEES

The auditors' remuneration including non-audit fees for the Company and the Group FYE 31 December 2016 is as follows:-

Details of Audit Fees	Group (RM)	Company (RM)
- Statutory Audit Fees	314,278	114,958
- Non-Audit Fees being payment for Statement of Risk Management and Internal Control	5,000	5,000
Total	319,278	119,958

3. LIST OF PROPERTIES

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

4. MATERIAL CONTRACTS

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 the interest of the Directors, chief executive who is not a Director or Major Shareholders either still subsisting as at 31 December 2016 or entered into since the end of the previous financial year.

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

At the last AGM held on 24 June 2016, 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 2016 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)]	KGB Group is supplying services in relation to UHP delivery systems solution to BOCLH Group	RM1,233,860
Provider: BOCLH Group **Recipient:** KGB Group	1) Sun Lead [(1)] 2) Fortune Dragon [(2)] 3) LHIC [(2)]	KGB Group is purchasing equipment and consumables (welding and testing gases) for UHP delivery system from BOCLH Group	nil

ADDITIONAL COMPLIANCE INFORMATION
cont'd

5. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF REVENUE OR TRADING NATURE *cont'd*

Notes:-

(a) BOCLH Group refers to BOC Lien Hwa Industrial Gases Co. Ltd and its subsidiary(ies).
(b) Kelington 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.

6. CORPORATE SOCIAL RESPONSIBILITIES ("CSR")

The Company recognises its role as a responsible corporate citizen and has therefore intensified its CSR initiatives throughout financial year 2016 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.

ADDITIONAL COMPLIANCE INFORMATION
cont'd

7. 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 2016, the Board has agreed to extend the ESOS for a further period of one (1) year until 1 November 2017 to enable the Grantees additional time to exercise their options.

There is one (1) ESOS in existence during the FYE 31 December 2016 with information as follows:-

Total number of options/ shares outstanding as at 1 January 2016	Total number of options exercised during the FYE 31 December 2016	Total number of options/shares granted during the FYE 31 December 2016	Total options/shares outstanding as at 31 December 2016
9,758,936	(2,295,503)	Nil	7,463,433

Options granted to Directors and Chief Executive

Total number of options/ shares outstanding as at 1 January 2016	Aggregate options exercised or vested during the FYE 31 December 2016	Aggregate options/ shares granted during the FYE 31 December 2016	Aggregate options/ shares outstanding as at 31 December 2016
1,717,336	(1,362,002)	Nil	355,334

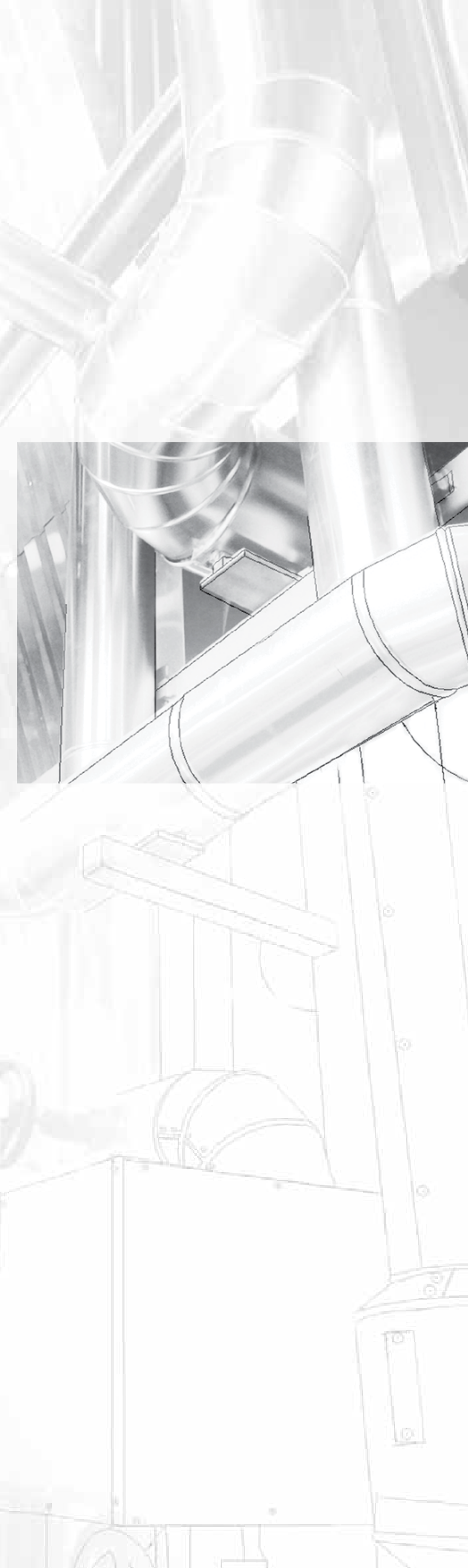
Options granted to Directors and Senior Management

	During the FYE 31 December 2016	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	-	-
Tan Chuan Yong	-	-
Soo Yuit Weng	-	-
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	-	-

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 2016.

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
Profit after taxation for the financial year	8,827	208
Attributable to:-		
Owners of the Company	8,866	208
Non-controlling interests	(39)	-
	8,827	208

DIVIDENDS

A final tax-exempt dividend of 0.5 sen per ordinary share amounting to approximately RM1,105,783 for the financial year ended 31 December 2015 was approved by the shareholders at the Sixteenth Annual General Meeting held on 24 June 2016 and was paid on 10 August 2016.

The directors recommend the payment of a final tax-exempt dividend of 1 sen per ordinary share amounting to approximately RM2,255,100 in respect of the current financial year. The proposed dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting. 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 2017.

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 RM22,007,983 to RM22,237,533 by the issuance of 2,295,503 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 RM0.27 per share. The total consideration paid for the purchase including transactions costs amounted to approximately RM600.

As at 31 December 2016, the Company held a total of 1,219,900 treasury shares out of the total 222,375,331 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of approximately RM608,000.

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 1.1.2016**	**Exercised**	**Lapsed**	**At 31.12.2016**
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. Subsequently, on 1 October 2016, the Company further extended the expiry period of the ESOS from 2 November 2016 to 1 November 2017.

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***	**1.1.2016**	**Exercised**	**At 31.12.2016**
29 March 2011	RM0.26	9,758,936	(2,295,503)	7,463,433

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 221,000 ordinary shares of RM0.10 each. The names of option holders granted options to subscribe for 221,000 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 31.12.2016**
Lim Seng Chuan	29.3.2011	1.11.2017	RM0.26	1,404,000	-	-	1,404,000
Wan Siew Chuan	29.3.2011	1.11.2017	RM0.26	752,600	-	-	752,600
Jong Yu Huat	29.3.2011	1.11.2017	RM0.26	436,800	(115,467)	-	321,333
Soo Wei Keong	29.3.2011	1.11.2017	RM0.26	753,600	-	-	753,600
Ong Seng Heng	29.3.2011	1.11.2017	RM0.26	416,267	(416,234)	-	33
Tea Chee Hen	29.3.2011	1.11.2017	RM0.26	336,000	(115,000)	-	221,000
Chang Ming-Ta	29.3.2011	1.11.2017	RM0.26	484,000	-	-	484,000
Lee Chin Lin	29.3.2011	1.11.2017	RM0.26	298,000	-	-	298,000
Mook Shao Tong	29.3.2011	1.11.2017	RM0.26	280,000	-	-	280,000
Norman Wahid	29.3.2011	1.11.2017	RM0.26	259,000	-	-	259,000
Gaw Chin Hian	29.3.2011	1.11.2017	RM0.26	249,600	-	-	249,600

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

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

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 in which this report is made.

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 1.1.2016	Exercise of Share Options	Bought	At 31.12.2016
Direct Interests				
Gan Hung Keng	1,265,332	681,334	-	1,946,666
Ong Weng Leong	1,265,332	680,668	-	1,946,000
Chan Thian Kiat	173,332	-	-	173,332
Tan Chuan Yong	173,332	-	-	173,332
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	156,000	-		156,000
Soo Yuit Weng	514,666	-	-	514,666
Indirect Interests				
Gan Hung Keng *	100,299,290	-	-	100,299,290
Ong Weng Leong *	100,299,290	-	-	100,299,290

	Number of Share Options Over Ordinary Shares of RM0.10 each		
	At 1.1.2016	Exercised	At 31.12.2016
Share Options of the Company			
Direct Interests			
Gan Hung Keng	681,334	(681,334)	-
Ong Weng Leong	681,334	(680,668)	666
Chan Thian Kiat	93,334	-	93,334
Tan Chuan Yong	93,334	-	93,334
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	84,000	-	84,000
Soo Yuit Weng	84,000	-	84,000

	Number Of Warrants Over Ordinary Shares Of RM0.10 Each			
	At 1.1.2016	Issued	Sold	At 31.12.2016
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' REPORT
cont'd

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 34 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.

AUDITORS

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

Signed in accordance with a resolution of the directors dated 18 April 2017.

Gan Hung Keng

Ong Weng Leong

STATEMENT 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 63 to 143 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 2016 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 42, 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 18 April 2017.

Gan Hung Keng **Ong Weng Leong**

STATUTORY DECLARATION

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

I, Jong Yu Huat, 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 63 to 143 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,
at Kuala Lumpur in the Federal Territory
on this 18 April 2017.

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 AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Kelington Group Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 63 to 143.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

<table>
<tr><td colspan="2">Revenue recognition and amount owing by/(to) contract customers
Refer to Notes 11 and 24 in the financial statements</td></tr>
<tr><td>Key Audit Matter</td><td>How our audit addressed the Key Audit Matter</td></tr>
<tr><td>The recognition of revenue on contracts is based on the percentage of completion method. The determination of the percentage of completion requires the management to exercise significant judgement in estimating the total costs to complete the contracts.</td><td>Our procedures included, amongst others:-
• Reviewed the contract value secured and projected budgeted costs.
• Assessed the estimated total costs to complete through inquiries with the operational and financial personnel of the Group.
• Inspected documentation to support cost estimates made including contract variations and cost contingencies.
• Compared contract budgets to actual outcomes to assess the reliability of management.
• Performed verification on the actual progress billings issued and actual costs incurred for the financial year.
• Checked on the subsequent billings of amount owing by contract customers.
• Performed recomputation on the profit recognised and checked calculation of the percentage of completion.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT

To the members of Kelington Group Berhad
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

Key Audit Matters *cont'd*

Goodwill impairment Refer to Note 8 in the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
We focused on this area because the Group carries significant goodwill. The impairment assessment for goodwill is significant to our audit as it involves significant management judgement and is based on assumptions that are affected by expected future market and economic conditions.	Our procedures included, amongst others:- • Tested the value-in-use model for goodwill including challenging management forecast and other assumptions including discount rate and long-term growth rates. • Compared the cash flow projections to the approved budget. • Compared previous cash flow projections to actual results to assess the reasonableness of assumptions used in the cash flow projections. • Performed a sensitivity analysis over terminal growth rate and discount rate used in deriving the value-in-use to assess the potential impact of a reasonable possible change to any of these assumptions on the recoverable amount of goodwill.

Recoverability of trade receivables Refer to Note 13 in the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
The trade receivables balance amounting to approximately RM59 million constituted 32% of the Group's total current assets. Management recognised the allowance of impairment losses on trade receivables based on specific known facts or customers' ability to pay. The determination of whether trade receivables are recoverable involves significant management judgement.	Our procedures included, amongst others:- • Reviewed the ageing analysis of receivables and tested its reliability. • Reviewed subsequent cash collections for major receivables and overdue amounts. • Examined other evidence including customers' correspondences, proposed or existing settlement plans and repayment schedules. • Evaluated the reasonableness and adequacy of the allowance for impairment loss recognised for identified exposures. • Tested the adequacy of the Group's impairment of trade receivables by assessing the relevant assumptions and historical data from the Group's previous collection experience.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

INDEPENDENT AUDITORS' REPORT

To the members of Kelington Group Berhad
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

Information Other than the Financial Statements and Auditors' Report Thereon *cont'd*

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

Responsibilities of Directors for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

INDEPENDENT AUDITORS’ REPORT

To the members of Kelington Group Berhad

cont’d

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont’d*

Auditors’ Responsibilities for the Audit of the Financial Statements *cont’d*

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia (“Act”), 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 all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements, being financial statements that have been included in the consolidated 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.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 42 on page 144 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.

INDEPENDENT AUDITORS' REPORT

To the members of Kelington Group Berhad
cont'd

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: 03000/07/2018 J
Chartered Accountant

18 April 2017

Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2016

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	7,261	7,088
Investment in an associate	6	-	-	-	-
Property, plant and equipment	7	8,329	7,062	2,644	2,613
Development costs		17	35	-	-
Goodwill	8	6,479	6,356	-	-
Non-current tax assets		349	254	-	-
Deferred tax assets	9	-	391	-	391
Other receivables	10	184	1,226	-	-
		15,358	15,324	9,905	10,092
CURRENT ASSETS					
Amount owing by contract customers	11	68,906	64,193	19,602	7,361
Inventories	12	167	195	-	-
Trade receivables	13	59,301	52,768	8,266	1,384
Other receivables, deposits and prepayments	10	12,765	14,611	2,995	1,550
Amount owing by subsidiaries	14	-	-	12,869	12,343
Current tax assets		851	428	-	-
Fixed deposits with licensed banks	15	8,236	7,162	7,070	6,028
Cash and bank balances		34,361	19,853	2,730	2,791
		184,587	159,210	53,532	31,457
TOTAL ASSETS		199,945	174,534	63,437	41,549

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

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2016
cont'd

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	16	22,238	22,008	22,238	22,008
Reserves	17	44,337	36,990	4,781	5,947
Equity attributable to the owners of the parents		66,575	58,998	27,019	27,955
Non-controlling interests		418	401	-	-
TOTAL EQUITY		66,993	59,399	27,019	27,955
NON-CURRENT LIABILITIES					
Deferred tax liabilities	9	158	92	66	-
Long-term borrowings	18	897	459	361	365
		1,055	551	427	365
CURRENT LIABILITIES					
Amount owing to contract customers	11	40,550	29,676	121	24
Amount owing to subsidiaries	14	-	-	9,468	1,849
Trade payables	21	45,921	48,483	11,348	3,422
Other payables and accruals	22	21,219	18,095	1,928	1,157
Short-term borrowings	23	23,664	18,153	12,970	6,706
Current tax liabilities		543	177	156	71
		131,897	114,584	35,991	13,229
TOTAL LIABILITIES		132,952	115,135	36,418	13,594
TOTAL EQUITY AND LIABILITIES		199,945	174,534	63,437	41,549

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 2016

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
REVENUE	24	343,344	206,356	35,324	9,623
COST OF SALES		(304,120)	(186,150)	(36,099)	(9,088)
GROSS PROFIT/(LOSS)		39,224	20,206	(775)	535
OTHER INCOME	25	4,831	4,852	7,124	14,239
		44,055	25,058	6,349	14,774
SELLING AND DISTRIBUTION EXPENSES		(1,142)	(1,170)	(263)	(249)
ADMINISTRATIVE EXPENSES		(19,851)	(15,535)	(4,055)	(3,716)
OTHER EXPENSES		(12,175)	(9,339)	(582)	(4,404)
FINANCE COSTS		(816)	(1,026)	(613)	(836)
		10,071	(2,012)	836	5,569
SHARE OF RESULT IN AN ASSOCIATE, NET OF TAX		-	(43)	-	-
PROFIT/(LOSS) BEFORE TAXATION	26	10,071	(2,055)	836	5,569
INCOME TAX EXPENSE	27	(1,244)	(466)	(628)	168
PROFIT/(LOSS) AFTER TAXATION		8,827	(2,521)	208	5,737
OTHER COMPREHENSIVE (EXPENSE)/ INCOME					
Item that May Be Reclassified Subsequently to Profit or Loss					
Foreign currency translation		(767)	3,429	(638)	(310)
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE FINANCIAL YEAR		8,060	908	(430)	5,427
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		8,866	(2,546)	208	5,737
Non-controlling interests		(39)	25	-	-
		8,827	(2,521)	208	5,737

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 2016
cont'd

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) ATTRIBUTABLE TO:-					
Owners of the Company		8,083	884	(430)	5,427
Non-controlling interests		(23)	24	-	-
		8,060	908	(430)	5,427
EARNINGS/(LOSS) PER SHARE (SEN)					
- Basic	29	4.0	(1.2)		
- Diluted	29	4.0	(1.2)		

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

				← Non-Distributable →				Distributable			
		Share Capital	Treasury Shares	Share Premium	Capital Reserve	Employees' Share Option Reserve	Exchange Fluctuation Reserve	Retained Profits	To Owners of the Company	Non-controlling Interests	Total Equity
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Group											
Balance at 1.1.2015		21,697	(606)	-	8,984	731	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
Total comprehensive income/(expenses) for the financial year		-	-	-	-	-	3,430	(2,546)	884	24	908
Contributions by and distribution to owners of the Company:											
- Dividend paid	31	-	-	-	-	-	-	(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	(1)	760	1	(176)	-	(2,189)	(1,294)	451	(843)
Balance 31.12.2015		22,008	(607)	760	8,985	555	5,716	21,581	58,998	401	59,399

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

cont'd

		← Non-Distributable					→	Distributable			
	Note	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Capital Reserve RM'000	Employees' Share Option Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Profits RM'000	To Owners of the Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
The Group											
Balance at 31.12.2015/1.1.2016		22,008	(607)	760	8,985	555	5,716	21,581	58,998	401	59,399
Profit after taxation for the financial year		-	-	-	-	-	-	8,866	8,866	(39)	8,827
Other comprehensive income for the financial year:		-	-	-	-	-	(783)	-	(783)	16	(767)
- Foreign currency translation differences											
Total comprehensive (expenses)/income for the financial year		-	-	-	-	-	(783)	8,866	8,083	(23)	8,060
Contributions by and distribution to owners of the Company:											
- Dividend paid	31	-	-	-	-	-	-	(1,106)	(1,106)	-	(1,106)
- Incorporation of a subsidiary:											
- Ace Gases Sdn. Bhd.		-	-	-	-	-	-	-	-	40	40
- Employees' share option reserve		-	-	-	-	15	-	-	15	-	15
- Employees' share options exercised		230	-	555	-	(199)	-	-	586	-	586
- Purchase of treasury shares		-	(1)	-	-	-	-	-	(1)	-	(1)
Total transactions with owners		230	(1)	555	-	(184)	-	(1,106)	(506)	40	(466)
Balance 31.12.2016		22,238	(608)	1,315	8,985	371	4,933	29,341	66,575	418	66,993

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

cont'd

	Note	Share Capital	Treasury Shares	Share Premium	Capital Reserve	Employees' Share Option Reserve	Exchange Fluctuation Reserve	Retained Profits	Total Equity
				← Non-Distributable			→	Distributable	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Company									
Balance at 1.1.2015		21,697	(606)	-	1,044	731	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 (expenses)/income for the financial year		-	-	-	-	-	(310)	5,737	5,427
Contributions by and distribution to owners of the Company:									
- Dividend paid	31	-	-	-	-	-	-	(2,189)	(2,189)
- Employees' share option reserve		-	-	-	-	102	-	-	102
- Employees' share options exercised		311	-	760	-	(278)	-	-	793
- Purchase of treasury shares		-	(1)	-	-	-	-	-	(1)
Total transactions with owners		311	(1)	760	-	(176)	-	(2,189)	(1,295)
Balance at 31.12.2015		22,008	(607)	760	1,044	555	(266)	4,461	27,955

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

cont'd

	Note	Share Capital	Treasury Shares	Share Premium	Capital Reserve	Employees' Share Option Reserve	Exchange Fluctuation Reserve	Retained Profits	Total Equity
				← Non-Distributable			→	Distributable	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Company									
Balance at 31.12.2015/1.1.2016		22,008	(607)	760	1,044	555	(266)	4,461	27,955
Profit after taxation for the financial year		-	-	-	-	-	-	208	208
Other comprehensive income for the financial year:									
- Foreign currency translation differences		-	-	-	-	-	(638)	-	(638)
Total comprehensive (expenses)/income for the financial year		-	-	-	-	-	(638)	208	(430)
Contributions by and distribution to owners of the Company:									
- Dividend paid	31	-	-	-	-	-	-	(1,106)	(1,106)
- Employees' share option reserve		-	-	-	-	15	-	-	15
- Employees' share options exercised		230	-	555	-	(199)	-	-	586
- Purchase of treasury shares		-	(1)	-	-	-	-	-	(1)
Total transactions with owners		230	(1)	555	-	(184)	-	(1,106)	(506)
Balance at 31.12.2016		22,238	(608)	1,315	1,044	371	(904)	3,563	27,019

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

STATEMENTS OF CASH FLOWS
For the financial year ended 31 December 2016

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit/(Loss) before taxation	10,071	(2,055)	836	5,569
Adjustments for:-				
Amortisation of development costs	18	18	-	-
Depreciation of property, plant and equipment	1,158	932	84	70
Equipment written off	6	19	-	-
Impairment loss on investment in subsidiaries	-	-	170	-
Amount owing by contract customers written off	832	3,739	233	307
Impairment loss on trade receivables	5,380	629	95	13
Impairment loss on other receivables	224	4,015	-	4,015
Interest expense	816	1,026	613	836
Inventories written off	59	-	-	-
Loss on disposal of equipment	62	-	-	-
Provision for foreseeable loss	495	-	495	
Provision for warranty costs	-	59	-	-
Share-based payments	15	102	8	54
Share of net loss in a former associate	-	43	-	-
Trade receivables written off	4,496	-	-	-
Unwind of discount on advances to employees	-	(196)	-	-
Unrealised gain on foreign exchange	(2,410)	(2,113)	(646)	(2,163)
Dividend income	-	-	(3,397)	(8,000)
Interest income	(265)	(453)	(195)	(183)
Writeback of impairment loss on trade receivables	-	(10)	-	(10)
Writeback of provision for warranty costs	(63)	(119)	(12)	-
Operating profit/(loss) before working capital changes	20,894	5,636	(1,716)	508
(Increase)/Decrease in inventories	(31)	580	-	-
Decrease/(Increase) in amounts owing by/to contract customers	7,888	(18,452)	(12,396)	(6,186)
(Increase)/Decrease in trade and other receivables	(13,962)	10,416	(8,501)	(5,640)
Increase in trade and other payables	131	25,544	8,213	2,757
CASH FROM/(FOR) OPERATIONS	14,920	23,724	(14,400)	(8,561)
Income tax paid	(929)	(1,427)	(76)	(113)
Interest paid	(816)	(1,026)	(613)	(836)
Interest received	265	453	195	183
NET CASH FROM/(FOR) OPERATING ACTIVITIES	13,440	21,724	(14,894)	(9,327)

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

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2016

cont'd

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Additional investment in a former associate		-	-	-	(20)
Additional investment in a subsidiary		-	-	(360)	-
Capital contribution from non-controlling interests		40	177	-	-
Dividend received		-	-	3,397	8,000
Net cash outflow on acquisition of subsidiaries	30	-	(686)	-	(53)
Proceeds from disposal of equipment		281	-	-	-
Purchase of property, plant and equipment	32	(2,025)	(1,277)	(103)	(43)
Repayment from a subsidiary		-	-	242	3,620
Repayment from a subsidiary for employees' share options		-	-	24	44
Placement of fixed deposits pledged with licensed banks		(1,074)	(1,104)	(1,042)	(1,070)
Withdrawal of cash pledged with licensed banks		-	8,022	-	-
Withdrawal/(Placement) of cash in bank held in rust		870	(870)	-	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(1,908)	4,262	2,158	10,478
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Advances from subsidiaries		-	-	7,619	1,406
Net repayment of hire purchase obligations		(131)	(122)	-	-
Net drawdown of bankers' acceptances		963	-	-	-
Net drawdown of invoice financing		176	-	-	-
Net drawdown/(repayment) of revolving credits		1,500	(6,647)	1,500	(4,000)
Net (repayment)/drawdown of term loans		(1,837)	(23,368)	(292)	1,599
Net drawdown of trust receipts		4,226	2,049	4,740	-
Proceeds from exercise of employees' share options		586	793	586	793
Purchase of treasury shares		(1)	(1)	(1)	(1)
Dividend paid	31	(1,106)	(2,189)	(1,106)	(2,189)
NET CASH FROM/(FOR) FINANCING ACTIVITIES		4,376	(29,485)	13,046	(2,392)

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

STATEMENTS OF CASH FLOWS
For the financial year ended 31 December 2016
cont'd

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		15,908	(3,499)	310	(1,241)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(530)	3,043	(371)	(64)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		18,983	19,439	2,791	4,096
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	33	34,361	18,983	2,730	2,791

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

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 18 April 2017.

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)

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities – Applying the Consolidation Exception

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 101: Disclosure Initiative

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012 – 2014 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 2016
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	1 January 2018
MFRS 16 Leases	1 January 2019
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles: • Amendments to MFRS 12: Clarification of the Scope of Standard	1 January 2017
Annual Improvements to MFRS Standards 2014 – 2016 Cycles: • Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters • Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

3.3 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 less accumulated impairment losses 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 distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also 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 2016
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(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.

(f) Impairment of Goodwill

Goodwill is 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 is 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *cont'd*

(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) Amortisation of Development Costs

The estimates for the residual values, useful lives and related amortisation charges for the development costs 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 development costs will be insignificant. As a result, residual values are not being taken into consideration for the computation of the amortisation 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 amortisation charges could be revised.

(i) 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.

(j) 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.

(k) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016
cont'd

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.

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.2 BASIS OF CONSOLIDATION *cont'd*

(d) Loss of Control

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

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

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

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value 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 2016
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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.5 FINANCIAL INSTRUMENTS *cont'd*

(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.

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

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 2016
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

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

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

(ii) Other Financial Liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.5 FINANCIAL INSTRUMENTS *cont'd*

(c) Equity Instruments cont'd

(ii) Treasury Shares

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

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) Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the reporting period, other than those accounted for under hedge accounting, are recognised directly in profit or loss.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is categorised as at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the host contract.

(e) 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.

(f) 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.6 INVESTMENTS IN SUBSIDIARIES

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

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

4.7 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.

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%

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.8 PROPERTY, PLANT AND EQUIPMENT *cont'd*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

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.

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 LEASED ASSETS

(a) Finance Lease

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.11 LEASED ASSETS *cont'd*

(b) Operating Lease

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

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

4.12 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.

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

(a) Current tax

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

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.15 INCOME TAXES *cont'd*

(b) Deferred Tax

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.

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST. However, when the GST incurred are related to purchases of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

Receivables and payables are stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

4.16 CASH AND CASH EQUIVALENTS

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

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.19 RELATED PARTIES *cont'd*

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

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.22 FAIR VALUE MEASUREMENTS *cont'd*

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

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

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

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

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

4.23 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 returns, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
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5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2016	2015
	RM'000	RM'000
Unquoted shares, at cost		
- in Malaysia	823	484
- outside Malaysia	6,608	6,604
	7,431	7,088
Less: Impairment loss	(170)	-
	7,261	7,088
Unquoted shares, at cost:-		
At beginning of the year	7,088	1,767
Addition during the year		
- in Malaysia	360	182
- transfer from investment in associate (Note 6)	-	38
- outside Malaysia	-	5,097
Movement of ESOS during the year		
- addition of ESOS	7	48
- ESOS repayment	(24)	(44)
At end of the year	7,431	7,088

Included in the investments in subsidiaries is an amount of approximately RM268,000 (2015 - RM285,000) relating to the share options granted by the Company to the employees of the subsidiaries.

During the financial year, the Company has carried out a review of the recoverable amounts of its investments in certain subsidiaries that had been persistently making losses. A total impairment loss of RM170,000 (2015 - Nil), representing the write-down of the investments to their recoverable amounts, was recognised on "Other Expenses" line item of the statement of profit or loss and other comprehensive income.

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2016	2015	
		%	%	
Subsidiaries of the Company				
Kelington Technologies Sdn. Bhd. ("KTSB")	Malaysia	100	100	Provision of engineering services.
Kelington Engineering (Shanghai) Co. Ltd. ("KESH") *	The People's Republic Of China ("PRC")	100	100	Provision of engineering services.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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5. INVESTMENTS IN SUBSIDIARIES *cont'd*

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2016	2015	
		%	%	
Kelington Engineering (S) Pte. Ltd. ("KESG") *	Singapore	100	100	Provision of engineering services.
Kelington Energy Sdn. Bhd. ("KESB")	Malaysia	100	100	Provision of engineering services and general trading.
Kelington Nawik Sdn. Bhd. ("KNSB") $	Malaysia	85	85	Provision of engineering and consultancy services, construction, engineering process and installation.
Kelington Analytical Services Sdn. Bhd. ("KASSB")	Malaysia	55	55	Provision of scientific and technical researches, laboratory testing service and experiments.
Ace Gases Sdn. Bhd. ("AGSB")	Malaysia	90	-	Dormant.
Subsidiaries of KESH				
Kelington Trading (Shanghai) Co. Ltd. *	PRC	100	100	Trading of machinery equipment and related parts and components.
Subsidiaries of KESG				
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. ("KEHT")+	Singapore	-	100	Dormant.
PT Mitracon Graha Solusindo ("PT Mitracon") *	Indonesia	80	80	Supply of fabricated steel structure and mechanical electrical works.
Kelington Solomon Philippines, Inc ("KSP") *	Philippines	80	80	Dormant.
Subsidiaries of KNSB				
Kelington Nawik (PNG) Limited ("KNPNG") @	Papua New Guinea	100	100	Dormant.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
cont'd

5. INVESTMENTS IN SUBSIDIARIES *cont'd*

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2016	2015	
		%	%	
Subsidiaries of AGSB				
Ace Gases Marketing Sdn. Bhd. ("AGMSB")	Malaysia	99	-	Dormant.

Notes:-
* - *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.*
\+ - *KEHT has been struck off during the current financial year.*

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

	2016 RM'000	2015 RM'000
KNSB	(78)	(76)
KASSB	69	78
PT Mitracon	257	225
KSP	150	174
AGSB	20	-
	418	401

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

(c) On 20 July 2016, the Company had subscribed 90 ordinary shares of RM1 each representing 90% of the total issued and paid-up capital of AGSB. AGSB has an issued and paid-up share capital of RM100 comprising 100 ordinary shares of RM1 each. AGSB is set up mainly for the purpose of restructuring and streamlining the Group's current operations in construction of gas plants, engineering and installation of gas delivery systems and manufacturing of gases. On 23 September 2016, the issued and paid-up capital of AGSB was increased to RM400,000 comprising 400,000 ordinary shares of RM1 each.

(d) On 7 September 2016, AGSB had incorporated a subsidiary known as AGMSB with an issued and paid-up capital of RM100 comprising 100 ordinary shares of RM1 each. AGSB had subscribed for 99 ordinary shares of RM1 each representing 99% of the total issued and paid-up capital of AGMSB. AGMSB is set up mainly for the purpose of restructuring and streamlining the Group's current operations in construction of gas plants, engineering and installation of gas delivery systems.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
cont'd

5. INVESTMENTS IN SUBSIDIARIES *cont'd*

(e) In the previous financial year:

(i) KESG, a wholly-owned subsidiary of Kelington Group Berhad ("KGB"), acquired 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.

(ii) KGB acquired an additional 52,500 ordinary shares of RM1 each issued by KASSB representing 15% of the issued and paid-up share capital of KASSB for a total consideration of RM52,500. As a result of the additional acquisition, KASSB became a 55% owned subsidiary of KGB.

(iii) 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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Unquoted shares in Malaysia, at cost	-	81	-	120
Share of post-acquisition loss	-	(43)	-	-
Transfer to investment in subsidiaries (Note 5)	-	(38)	-	(120)
	-	-	-	-

In the previous financial year:

(a) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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7. PROPERTY, PLANT AND EQUIPMENT

	At 1.1.2016 RM'000	Additions RM'000	Disposals RM'000	Written Off RM'000	Exchange Fluctuation Differences RM'000	Depreciation Charge RM'000	At 31.12.2016 RM'000
The Group							
Net Book Value							
Freehold land	1,300	-	-	-	-	-	1,300
Buildings	1,036	-	-	-	-	(28)	1,008
Motor vehicles	944	920	(311)	-	(9)	(241)	1,303
Office and computer equipment	578	294	(32)	(6)	3	(186)	651
Tools and equipment	2,993	1,518	-	-	14	(654)	3,871
Furniture, fittings and renovation	211	33	-	-	1	(49)	196
	7,062	2,765	(343)	(6)	9	(1,158)	8,329

	At 1.1.2015 RM'000	Acquisition Of Subsidiaries RM'000	Additions RM'000	Written Off RM'000	Exchange Fluctuation Differences RM'000	Depreciation Charge RM'000	At 31.12.2015 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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
The Group			
2016			
Freehold land	1,300	-	1,300
Buildings	1,400	(392)	1,008
Motor vehicles	2,022	(719)	1,303
Office and computer equipment	1,871	(1,220)	651
Tools and equipment	8,077	(4,206)	3,871
Furniture, fittings and renovation	1,263	(1,067)	196
	15,933	(7,604)	8,329
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

	At 1.1.2016 RM'000	Additions RM'000	Exchange Fluctuation Differences RM'000	Depreciation Charge RM'000	At 31.12.2016 RM'000
The Company					
Net Book Value					
Freehold land	1,300	-	-	-	1,300
Buildings	1,036	-	-	(28)	1,008
Motor vehicles	47	34	1	(22)	60
Office and computer equipment	62	54	3	(16)	103
Tools and equipment	132	-	7	(9)	130
Furniture, fittings and renovation	36	15	1	(9)	43
	2,613	103	12	(84)	2,644

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016
cont'd

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

	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

	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
The Company			
2016			
Freehold land	1,300	-	1,300
Buildings	1,400	(392)	1,008
Motor vehicles	173	(113)	60
Office and computer equipment	371	(268)	103
Tools and equipment	671	(541)	130
Furniture, fittings and renovation	530	(487)	43
	4,445	(1,801)	2,644
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

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 RM952,000 (2015 - RM146,000) were acquired under hire purchase terms.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
cont'd

8. GOODWILL

	The Group	
	2016	**2015**
	RM'000	**RM'000**
At 1 January	6,356	5,535
Foreign exchange differences	123	790
Acquisition of subsidiaries (Note 30)	-	31
At 31 December	6,479	6,356

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

	The Group	
	2016	**2015**
	RM'000	**RM'000**
PTS		
- provision of engineering services in clean energy system	6,249	6,126
Others	230	230
	6,479	6,356

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	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	12.0%	10.0%	-28% to 5.0%	5.0%	11.6%	12.3%

(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. There is no growth rate in perpetuity to arrive at terminal value.
(iii)	Discount rate (pre-tax)	The weighted average cost of capital of the Company obtained from Bloomberg as at 31 December 2016.

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 2016
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9. DEFERRED TAX (ASSETS)/LIABILITIES

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	(299)	(5)	(391)	(97)
Recognised in profit or loss (Note 27)	447	(262)	447	(262)
Effect of foreign exchange	10	(32)	10	(32)
At 31 December	158	(299)	66	(391)
Represented by:-				
Non-current				
Deferred tax assets				
At 1 January	(391)	-	(391)	-
Recognised in profit or loss	385	(359)	385	(359)
Effect of foreign exchange	6	(32)	6	(32)
At 31 December	-	(391)	-	(391)
Deferred tax liabilities				
At 1 January	92	92	-	-
Recognised in profit or loss	62	-	62	-
Effect of foreign exchange	4	-	4	-
At 31 December	158	92	66	-
Current				
Deferred tax assets				
At 1 January	-	(97)	-	(97)
Recognised in profit or loss	-	97	-	97
At 31 December	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

cont'd

9. DEFERRED TAX (ASSETS)/LIABILITIES *cont'd*

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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities:-				
Accelerated capital allowances	92	92	-	-
Amount owing by contract customers	66	169	66	169
	158	261	66	169
Deferred tax assets:-				
Others	-	(115)	-	(115)
Unutilised tax losses	-	(445)	-	(445)
	-	(560)	-	(560)
	158	(299)	66	(391)

In the previous financial year, the recognition of the deferred tax assets was 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	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Non-current portion:-					
Other receivables:-					
Advances to employees	(a)	184	1,226	-	-
Current portion:-					
Other receivables:-					
Third parties		6,105	9,502	1,397	490
Advances to employees	(a)	1,001	1,245	4	9
		7,106	10,747	1,401	499
Deposits		1,569	1,935	522	801
Prepayments		4,090	1,929	1,072	250
		12,765	14,611	2,995	1,550

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
cont'd

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

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Other receivables:-					
Third parties		10,610	13,746	5,902	4,734
Allowance for impairment loss:-					
At 1 January		(4,244)	-	(4,244)	-
Addition during the financial year		-	(4,015)	-	(4,015)
Effect of foreign exchange translation		(261)	(229)	(261)	(229)
At 31 December		(4,505)	(4,244)	(4,505)	(4,244)
		6,105	9,502	1,397	490

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Advances to employees	1,667	2,716	4	9
(Imputed interest)/unwind of discount, at amortised cost				
At 1 January	(245)	(395)	-	-
Unwind of discount, under other income	-	196	-	-
Effect of foreign exchange translation	(5)	(46)	-	-
	(250)	(245)	-	-
Allowance for impairment loss:-				
At 1 January	-	-	-	-
Addition during the financial year	(224)	-	-	-
Effect of foreign exchange translation	(8)	-	-	-
At 31 December	(232)	-	-	-
	1,185	2,471	4	9

(a) The advances to employees are unsecured, interest-free and are repayable between 12 and 24 months (2015 - 12 and 36 months).

(b) In the previous financial year, other receivables that were individually determined to be impaired were related to a downpayment made to Hui Neng Mechanical & Electrical Engineering Co. ("Hui Neng") as disclosed in Note 40 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
cont'd

11. AMOUNTS OWING BY/(TO) CONTRACT CUSTOMERS

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Contract costs incurred	566,182	367,281	47,778	13,139
Attributable profits	82,814	53,332	637	981
Less: written off				
Addition during the financial year	(832)	(3,739)	(233)	(307)
Effect of foreign exchange translation	(41)	(239)	(19)	(17)
	(873)	(3,978)	(252)	(324)
	648,123	416,635	48,163	13,796
Progress billings	(619,767)	(382,118)	(28,682)	(6,459)
	28,356	34,517	19,481	7,337
Represented by:-				
Amount owing by contract customers	68,906	64,193	19,602	7,361
Amount owing to contract customers	(40,550)	(29,676)	(121)	(24)
	28,356	34,517	19,481	7,337

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

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Contract costs	303,099	153,884	36,099	9,088

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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12. INVENTORIES

	The Group	
	2016	2015
	RM'000	RM'000
Materials for contracts	167	195
Recognised in profit or loss		
Inventories recognised as cost of sales	878	32,252

13. TRADE RECEIVABLES

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Trade receivables	65,403	53,425	8,383	1,398
Allowance for impairment loss:-				
At 1 January	(657)	(9)	(14)	(9)
Additions during the financial year	(5,380)	(629)	(95)	(13)
Writeback during the financial year	-	10	-	10
Effect of foreign exchange translation	(65)	(29)	(8)	(2)
At 31 December	(6,102)	(657)	(117)	(14)
	59,301	52,768	8,266	1,384

(a) The Group's normal trade credit terms range from 30 to 120 days (2015 - 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 RM452,000 (2015 - RM1,413,000) being project retention sum receivable from customers between 12 and 24 months (2015 - 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 2016
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14. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	The Company	
	2016	2015
	RM'000	RM'000
Amount owing by:-		
Non-trade balance	13,334	12,808
Allowance for impairment loss	(465)	(465)
	12,869	12,343
Amount owing to:-		
Non-trade balance	(9,468)	(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	
	2016	2015	2016	2015
Weighted average effective interest rate (%)	3.14	3.22	3.18	3.24
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.

16. SHARE CAPITAL

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

	2016	2015	2016	2015
	Number Of Shares		RM'000	RM'000
Authorised				
Ordinary shares of RM0.10 each:-				
At 1 January/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	220,079,828	216,966,231	22,008	21,697
Employees' share options exercised	2,295,503	3,113,597	230	311
At 31 December	222,375,331	220,079,828	22,238	22,008

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
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16. SHARE CAPITAL *cont'd*

During the financial year, the Company increased its issued and paid-up share capital from RM22,007,983 to RM22,237,533 by the issuance of 2,295,503 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	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Non-distributable reserves:-					
Share premium	(a)	1,315	760	1,315	760
Capital reserve	(b)	8,985	8,985	1,044	1,044
Exchange fluctuation reserve	(c)	4,933	5,716	(904)	(266)
Employees' share option reserve	(d)	371	555	371	555
Treasury shares	(e)	(608)	(607)	(608)	(607)
		14,996	15,409	1,218	1,486
Distributable reserve:-					
Retained profits	(f)	29,341	21,581	3,563	4,461
		44,337	36,990	4,781	5,947

(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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Capital reserve is represented by:-				
Transfer of non-distributable reserve funds by a subsidiary	739	739	-	-
Bonus shares issued by:				
- branch	1,044	1,044	1,044	1,044
- subsidiaries	7,202	7,202	-	-
	8,985	8,985	1,044	1,044

17. RESERVES *cont'd*

(b) Capital Reserve *cont'd*

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 2017 and are exercisable in 5 window option periods. On 1 October 2015, the Company extended the expiry period of the ESOS from 2 November 2015 to 1 November 2016. Subsequently, on 1 October 2016, the Company further extended the expiry period of the ESOS from 2 November 2016 to 1 November 2017. The fair value of the share options measured at grant dates 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 2013	0.1778
Lot 3	30 March - 30 May 2014	0.1793
Lot 4	30 March - 30 May 2015	0.1784
Lot 5	30 March - 1 November 2017	0.1732

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
cont'd

17. RESERVES *cont'd*

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

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. The scheme maybe extended for a further period of up to five (5) years at the discretion of the Board upon the recommendation of the Option Committee;

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.

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

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Expenses arising from equity-settled share-based payment transaction	15	102	8	54

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
cont'd

17. RESERVES *cont'd*

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

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

		Number Of Share Options Over Ordinary Shares Of RM0.10 Each		
Date Of Offer	**Exercise Price***	**1.1.2016**	**Exercised**	**At 31.12.2016**
29 March 2011	RM0.26	9,758,936	(2,295,503)	7,463,433

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 RM0.27 per share. The total consideration paid for the purchase including transactions costs amounted to approximately RM600.

As at 31 December 2016, the Company held a total of 1,219,900 treasury shares out of the total 222,375,331 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of approximately RM608,000.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
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17. RESERVES *cont'd*

(g) Warrants *cont'd*

The main features of the warrants are as follows:-

1. Each warrant will entitle the registered holder to subscribe for one (1) new ordinary share 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	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Hire purchase payables (Note 19)	536	66	-	-
Term loans (Note 20)	361	393	361	365
	897	459	361	365

19. HIRE PURCHASE PAYABLES

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Minimum hire purchase payments:				
- not later than one year	200	34	-	-
- later than one year and not later than two years	593	73	-	-
	793	107	-	-
Less: Future finance charges	(88)	(11)	-	-
Present value of hire purchase payables	705	96	-	-

NOTES TO THE FINANCIAL STATEMENTS

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19. HIRE PURCHASE PAYABLES *cont'd*

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current (Note 23):				
- not later than one year	169	30	-	-
Non-current (Note 18):				
- later than one year and not later than two years	536	66	-	-
	705	96	-	-

20. TERM LOANS (SECURED)

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current (Note 23):				
- not later than one year	8,956	10,761	1,418	1,706
Non-current (Note 18):				
- later than one year and not later than two years	291	192	291	164
- later than two years and not later than five years	70	112	70	112
- later than five years	-	89	-	89
	361	393	361	365
	9,317	11,154	1,779	2,071

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
For the financial year ended 31 December 2016
cont'd

21. TRADE PAYABLES

The normal trade credit terms granted to the Group and the Company range from 30 to 60 days (2015 - 30 to 60 days).

22. OTHER PAYABLES AND ACCRUALS

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Other payables		1,619	315	196	261
Accruals		19,052	17,663	1,225	873
Provision for foreseeable loss		495	-	495	-
Provision for warranty costs:-	(a)				
At 1 January		117	160	23	19
Addition during the financial year		-	59	-	-
Writeback during the financial year		(63)	(119)	(12)	-
Effect of foreign exchange translation		(1)	17	1	4
		53	117	12	23
		21,219	18,095	1,928	1,157

(a) Provision for warranty costs is recognised for expected claims on the contract revenue during the year that is based on past experience of the level of repairs 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	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Hire purchase payables (Note 19)		169	30	-	-
Term loans (Note 20)		8,956	10,761	1,418	1,706
Trust receipts	(a)	6,900	2,362	5,052	-
Revolving credits	(b)	6,500	5,000	6,500	5,000
Bankers' acceptances	(c)	176	-	-	-
Invoice financing	(c)	963	-	-	-
		23,664	18,153	12,970	6,706

NOTES TO THE FINANCIAL STATEMENTS

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23. SHORT-TERM BORROWINGS *cont'd*

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

(b) The revolving credits are secured by:-

(i) cash deposit agreement;

(ii) negative pledge;

(iii) letter of earmark;

(iv) first and third party master security agreement;

(v) fixed return investment account of the Company; and

(vi) sinking fund to be collected up to RM4,000,000.

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

(c) The bankers' acceptances and invoice financing are secured by :-

(i) a corporate guarantee of the Company; and

(ii) fixed deposits of a subsidiary.

24. REVENUE

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Contract revenue	342,123	203,077	35,324	9,623
Services	247	26	-	-
Sale of goods	974	3,253	-	-
	343,344	206,356	35,324	9,623

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
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25. OTHER INCOME

The breakdown of the other income is as below:-

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Dividend income	-	-	3,397	8,000
Management fees	-	-	2,294	3,833
Unrealised gain on foreign exchange	2,410	2,113	646	2,163
Realised gain on foreign exchange	1,481	1,559	566	-
Income from charter hire of vessels #	-	275	-	-
Income from transportation on floating dock	247	-	-	-
Interest income	265	453	195	183
Others	428	452	26	60
	4,831	4,852	7,124	14,239

\# *In the previous financial year, the charter hire of vessels was recognised when the services are rendered and are computed at the contracted daily rate.*

26. PROFIT/(LOSS) BEFORE TAXATION

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before taxation is arrived after charging/ (crediting):-				
Amortisation of development costs	18	18	-	-
Amount owing by contract customers written off	832	3,739	233	307
Auditors' remuneration:				
- audit fees:				
- Crowe Horwath Malaysia:				
- statutory audit for the financial year	161	151	91	84
- (over)/underprovision in the previous financial year	(1)	-	1	-
- overseas affiliates of Crowe Horwath Malaysia	39	35	23	20
- other auditors:				
- statutory audit for the financial year	116	83	-	-
- overprovision in the previous financial year	-	(1)	-	-
- non-audit fees:				
- Crowe Horwath Malaysia	5	5	5	5
Depreciation of property, plant and equipment	1,158	932	84	70
Directors' remuneration:				
- Directors' fee:				
- current year	156	140	156	140
- underprovision in the previous financial year	16	-	16	-

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
cont'd

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

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(Loss) before taxation is arrived after charging/ (crediting):- *cont'd*				
- Directors' non-fee emoluments*:				
- salaries, wages, bonus, allowances and others	1,252	1,132	1,252	1,132
- defined contribution plan	91	87	91	87
- share-based payments	4	26	4	26
Equipment written off	6	19	-	-
Impairment loss:				
- investment in subsidiaries	-	-	170	-
- trade receivables	5,380	629	95	13
- other receivables	224	4,015	-	4,015
Interest expense:				
- bank overdraft	19	12	4	1
- hire purchase	17	16	-	-
- revolving credits	393	654	393	654
- term loans	231	242	85	83
- others	156	102	131	98
Inventories written off	59	-	-	-
Loss on disposal of equipment	62	-	-	-
Provision for foreseeable loss	495	-	495	-
Provision for warranty costs	-	59	-	-
Rental expenses:				
- offices	690	659	-	-
- equipment	5,410	1,051	-	-
Staff costs:				
- salaries, wages, bonus, allowances and others	26,942	21,720	3,383	2,459
- defined contribution plans	2,910	2,110	198	149
- share-based payments	11	76	4	28
Trade receivables written off	4,496	-	-	-
Dividend income	-	-	(3,397)	(8,000)
Interest income	(265)	(453)	(195)	(183)
Gain on foreign exchange:				
- realised	(1,481)	(1,559)	(566)	-
- unrealised	(2,410)	(2,113)	(646)	(2,163)
Unwind of discount on advances to employees	-	(196)	-	-
Writeback of impairment loss on trade receivables	-	(10)	-	(10)
Writeback of provision for warranty costs	(63)	(119)	(12)	-

* *The estimated monetary value of other benefits not included in the above received by the directors of the Company amounted to RM27,500 (2015 - RM15,000).*

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
cont'd

27. INCOME TAX EXPENSE

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
- Malaysian tax	682	253	131	45
- Foreign tax	288	464	-	-
	970	717	131	45
(Over)/underprovision in the previous financial year:				
- Malaysian tax	(174)	64	50	49
- Foreign tax	1	(53)	-	-
	(173)	11	50	49
	797	728	181	94
Deferred tax asset/(expense) (Note 9):				
- relating to originating and recognition of temporary differences	447	(262)	447	(262)
	1,244	466	628	(168)

A reconciliation of income tax expense applicable to the profit/(loss) 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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before taxation	10,071	(2,055)	836	5,569
Tax at Malaysian statutory tax rate of 24% (2015 - 25%)	2,417	(514)	201	1,392
Tax effects of:-				
Differential in tax rates	(164)	645	212	411
Non-deductible expenses	2,216	1,827	1,133	951
Non-taxable gains	(213)	(142)	-	-
Tax-exempt income	(2,048)	(2,245)	(967)	(2,678)
(Over)/underprovision of current tax in the previous financial year	(173)	11	50	49
Deferred tax assets not recognised in the current financial year	40	1,178	-	-
Utilisation of deferred tax assets not recognised in the previous financial year	(831)	(294)	(1)	(293)
Tax for the financial year	1,244	466	628	(168)

NOTES TO THE FINANCIAL STATEMENTS

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27. INCOME TAX EXPENSE *cont'd*

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015 - 25%) of the estimated assessable profit for the financial year.

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	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets:				
- unabsorbed capital allowances	430	373	312	317
- unutilised tax losses	602	3,951	-	-
- tax adjustment on attributable profit from contracts	34	39	-	-
	1,066	4,363	312	317
Deferred tax liability:				
- accelerated capital allowances	(33)	(33)	-	-
	1,033	4,330	312	317

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.

28. 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	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors				
Directors of the Company				
Executive directors				
Short-term employee benefits:				
- salaries, bonuses and others benefits	1,252	1,132	1,252	1,132
Defined contribution plan	91	87	91	87
Share-based payments	3	21	3	21
Benefits-in-kind	28	15	28	15
Total directors' remuneration	1,374	1,255	1,374	1,255

NOTES TO THE FINANCIAL STATEMENTS

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28. KEY MANAGEMENT PERSONNEL COMPENSATION *cont'd*

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

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other key management personnel:				
- fee	216	205	-	-
- salaries, wages, bonus, allowances and others	2,470	1,611	537	524
- defined contribution plan	100	83	48	41
- share-based payments	4	29	2	13
- benefit-in-kind	7	-	7	-
Total compensation for other key management personnel	2,797	1,928	594	578

(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	
	2016	**2015**	**2016**	**2015**
Executive directors:				
- RM550,001 - RM600,000	2	2	2	2
Non-executive directors:				
- < RM50,000	4	4	4	4

29. EARNINGS/(LOSS) PER SHARE

	The Group	
	2016	**2015**
Basic earnings/(loss) per share		
Profit/(Loss) attributable to owners of the Company (RM'000)	8,866	(2,546)
Number of shares in issue as of 1 January	220,079,828	216,966,231
Effects through:		
- treasury shares acquired	(690)	(666)
- share options exercised	1,333,278	1,897,830

NOTES TO THE FINANCIAL STATEMENTS

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29. EARNINGS/(LOSS) PER SHARE *cont'd*

	The Group	
	2016	**2015**
Weighted average number of ordinary shares for basic earnings per share computation	221,412,416	218,863,395
Effects of dilution - employees' share options	261,569	1,823,195
Weighted average number of ordinary shares for diluted earnings per share computation	221,673,985	220,686,590
Basic earnings/(loss) per ordinary share attributable to owners of the Company (sen)	4.0	(1.2)
Diluted earnings/(loss) per ordinary share attributable to owners of the Company (sen)	4.0	(1.2)

The diluted earnings per share at the end of the reporting period excluded 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.

30. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

(a) In the previous financial year:

(i) KESG, a wholly-owned subsidiary of 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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
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30. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS *cont'd*

(a) In the previous financial year: *cont'd*

(i) KESG, a wholly-owned subsidiary of 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. *cont'd*

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 previous financial year, the Group's revenue and loss after taxation would have been RM206,356,000 and RM2,521,000 respectively.

(ii) KGB acquired an additional 52,500 ordinary shares of RM1 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 previous financial year, the Group's revenue and loss after taxation for the previous financial year would have been RM206,434,000 and RM2,455,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
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30. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS *cont'd*

(a) In the previous financial year: *cont'd*

(iii) 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).

31. DIVIDEND

	The Group/The Company	
	2016	2015
	RM'000	RM'000
Paid:-		
Final tax-exempt dividend of 0.5 sen per ordinary share in respect of the financial year ended 31 December 2015	1,106	-
Final tax-exempt dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2014	-	2,189

At the forthcoming Annual General Meeting, a final tax-exempt dividend of 1 sen per ordinary share amounting to approximately RM2,255,100 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 2017.

32. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cost of property, plant and equipment purchased	2,765	1,277	103	43
Amount financed through hire purchase	(740)	-	-	-
Cash disbursed for purchase of property, plant and equipment	2,025	1,277	103	43

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
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33. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks (Note 15)	8,236	7,162	7,070	6,028
Cash and bank balances	34,361	19,853	2,730	2,791
	42,597	27,015	9,800	8,819
Less: Fixed deposits pledged with licensed banks	(8,236)	(7,162)	(7,070)	(6,028)
Less: Cash at bank held in trust by a third party	-	(870)	-	-
	34,361	18,983	2,730	2,791

34. 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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Dividend from subsidiaries	-	-	3,397	8,000
Management fees from subsidiaries	-	-	2,294	3,833
Sales to subsidiaries	-	-	194	62
Backcharged of staff costs	-	-	95	53

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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34. RELATED PARTY DISCLOSURES *cont'd*

(b) Related Party Transactions and Balances *cont'd*

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 (Cont'd):-

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Entities having the same substantial shareholders:				
- progress billings	1,421	3,283	316	665

(c) Outstanding balances

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Entities having the same substantial shareholders:				
- trade receivables	348	1,191	196	125

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.

35. 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	
	2016	2015
	RM	RM
Chinese Renminbi	0.65	0.66
United States Dollar	4.49	4.29
New Taiwan Dollar	0.14	0.13
Singapore Dollar	3.10	3.04
100 Philippine Peso	9.03	9.15
100 Indonesian Rupiah	0.03	0.03

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
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36. 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 and deferred tax asset (but including investments in associates).

	Revenue		Non-current Assets	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Malaysia	102,945	63,873	6,023	5,566
Singapore	134,650	76,807	7,286	7,232
Taiwan	35,131	9,561	285	505
PRC	55,165	29,700	1,231	404
Philippines	7,028	6,043	-	-
Indonesia	8,424	17,577	349	-
Others	1	2,795	-	-
	343,344	206,356	15,174	13,707

Major Customers

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

	Revenue	
	2016	2015
	RM'000	RM'000
Customer 1	-	27,627
Customer 2	115,768	-

37. OPERATING LEASE COMMITMENTS

(a) Leases as Lessee

The Group leases a number of office premises and an residential premises under non-cancellable operating leases. The lease periods range from 1 to 2 years with an option to renew upon expiry of the lease. Lease payments are usually revised at each renewal date to reflect market rentals and none of the leases includes contingent rentals. The Group is restricted from sub-leasing the leased assets to third parties.

37. OPERATING LEASE COMMITMENTS *cont'd*

(a) Leases as Lessee *cont'd*

The future minimum lease payments under the non-cancellable operating leases are as follows:-

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Not more than 1 year	226	119
Later than 1 year and not later than 5 years	15	45
	241	164

38. CONTINGENT LIABILITY

	The Company	
	2016	**2015**
	RM'000	**RM'000**
Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries	9,386	11,326

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

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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
2016							
Financial assets							
Trade receivables	19,732	3,249	8,261	9,277	-	-	-
Other receivables and deposits	1,222	3,551	1,891	812	203	90	-
Cash and bank balances	2,770	7,224	1,694	10,374	134	629	13
	23,724	14,024	11,846	20,463	337	719	13
Financial liabilities							
Term loans	(7,538)	-	(1,494)	-	-	-	-
Trust receipts	-	(5,051)	-	(1,849)	-	-	-
Trade payables	(8,093)	(7,805)	(10,176)	(4,079)	-	-	-
Other payables and accruals	(6,284)	(420)	(805)	(9,484)	(104)	(16)	-
	(21,915)	(13,276)	(12,475)	(15,412)	(104)	(16)	-
Net financial assets/ (liabilities)	1,809	748	(629)	5,051	233	703	13
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(1,809)	-	629	(5,043)	(233)	(703)	(11)
Net currency exposure	-	748	-	8	-	-	2

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
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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	7,451	-	-	-
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	13,317	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)	(8,002)	7,599	870	13
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	479	(35)	1,233	7,977	-	(870)	(11)
Net currency exposure	(8)	(17,070)	-	(25)	7,599	-	2

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
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
2016			
Financial assets			
Trade receivables	4	8,262	-
Other receivables and deposits	-	1,891	-
Amount owing by subsidiaries	86	-	10,390
Cash and bank balances	17	1,694	19
	107	11,847	10,409
Financial liabilities			
Amount owing to subsidiaries	(8,224)	-	-
Term loans	-	(1,494)	-
Trade payables	(1,172)	(10,176)	-
Trust receipts	(5,052)	-	-
Other payables and accruals	-	(805)	-
	(14,448)	(12,475)	-
Net financial (liabilities)/assets	(14,341)	(628)	10,409
Less: Net financial liabilities denominated in the entity's functional currency	-	628	-
Net currency exposure	(14,341)	-	10,409

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
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
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 loans	-	(1,669)	-
Trade payables	-	(3,422)	-
Other payables and accruals	-	(232)	-
	(1,849)	(5,323)	-
Net financial (liabilities)/assets	(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
For the financial year ended 31 December 2016
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 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	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Effects on profit after taxation/ other comprehensive income				
RMB				
- strengthened by 10%	-	(1)	-	-
- weakened by 10%	-	1	-	-
USD				
- strengthened by 10%	75	(1,707)	(1,434)	(179)
- weakened by 10%	(75)	1,707	1,434	179
SGD				
- strengthened by 10%	1	(3)	1,041	1,093
- weakened by 10%	(1)	3	(1,041)	(1,093)
IDR				
- strengthened by 10%	-	760	-	-
- weakened by 10%	-	(760)	-	-
Others				
- strengthened by 10%	*	*	-	-
- weakened by 10%	*	*	-	-

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

39. FINANCIAL INSTRUMENTS *cont'd*

39.1 FINANCIAL RISK MANAGEMENT POLICIES *cont'd*

(a) Market Risk *cont'd*

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from 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.

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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Effects on profit after taxation/ other comprehensive income				
Increase of 100 basis points	(239)	(185)	(133)	(71)
Decrease of 100 basis points	239	185	133	71

(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.

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

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

	2016	2015
Major concentration of credit risk	20%	26%
Number of customers	2	2

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysia	16,483	22,820	-	-
PRC	22,020	14,810	-	-
Singapore	11,580	10,958	-	-
Taiwan	8,262	1,384	8,262	1,384
Middle East	952	2,796	-	-
North America	4	-	4	-
	59,301	52,768	8,266	1,384

(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).

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

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
2016			
Not past due	37,582	-	37,582
Past due:			
- less than 3 months	9,009	-	9,009
- 3 to 6 months	1,697	(86)	1,611
- over 6 months	6,675	(15)	6,660
- over 1 year	10,440	(6,001)	4,439
	65,403	(6,102)	59,301
2015			
Not past due	26,001	-	26,001
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
	53,425	(657)	52,768

NOTES TO THE FINANCIAL STATEMENTS

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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

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

The Company	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
2016			
Not past due	6,740	-	6,740
Past due:			
- less than 3 months	1,147	-	1,147
- 3 to 6 months	464	(85)	379
- over 6 months	15	(15)	-
- over 1 year	17	(17)	-
	8,383	(117)	8,266
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

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.

NOTES TO THE FINANCIAL STATEMENTS
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cont'd

39. FINANCIAL INSTRUMENTS *cont'd*

39.1 FINANCIAL RISK MANAGEMENT POLICIES *cont'd*

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	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					
2016					
Non-derivative Financial Liabilities					
Hire purchase payables	4.82	705	793	200	593
Term loans	5.69	9,317	9,820	9,444	376
Revolving credits	4.86	6,500	6,816	6,816	-
Trust receipts	1.81	6,900	7,025	7,025	-
Bankers' acceptances	4.27	176	184	184	-
Invoice financing	5.73	963	1,017	1,017	-
Trade payables	-	45,921	45,921	45,921	-
Other payables and accruals	-	21,219	21,219	21,219	-
		91,701	92,795	91,826	969

NOTES TO THE FINANCIAL STATEMENTS
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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					
2015					
Non-derivative Financial Liabilities					
Hire purchase payables	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 2016
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 Company					
2016					
Non-derivative Financial Liabilities					
Term loans	5.01	1,779	1,841	1,465	376
Revolving credit	5.49	6,500	6,857	6,857	-
Trust receipts	1.56	5,052	5,131	5,131	-
Amount owing to a subsidiary	-	9,468	9,468	9,468	-
Trade payables	-	11,348	11,348	11,348	-
Other payables and accruals	-	1,928	1,928	1,928	-
		36,075	36,573	36,197	376
2015					
Non-derivative Financial Liabilities					
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 2016
cont'd

39. FINANCIAL INSTRUMENTS *cont'd*

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.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and 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 is not presented as its cash and cash equivalents exceeded the total borrowings.

39.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Financial asset				
Loans and Receivables Financial Assets				
Trade receivables	59,301	52,768	8,266	1,384
Other receivables and deposits	8,859	13,908	1,923	1,300
Amount owing by subsidiaries	-	-	12,869	12,343
Fixed deposits with licensed banks	8,236	7,162	7,070	6,028
Cash and bank balances	34,361	19,853	2,730	2,791
	110,757	93,691	32,858	23,846
Financial liability				
Other Financial Liabilities				
Hire purchase payables	705	96	-	-
Term loans	9,317	11,154	1,779	2,071
Revolving credits	6,500	5,000	6,500	5,000
Trust receipts	6,900	2,362	5,052	-
Bankers' acceptances	176	-	-	-
Invoice financing	963	-	-	-
Amount owing to subsidiaries	-	-	9,468	1,849
Trade payables	45,921	48,483	11,348	3,422
Other payables and accruals	21,219	18,095	1,928	1,157
	91,701	85,190	36,075	13,499

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

cont'd

39. FINANCIAL INSTRUMENTS *cont'd*

39.4 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial statements. 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**
2016								
Financial Asset								
Advances to employees	-	-	-	-	-	1,185	1,185	1,185
Financial Liabilities								
Hire purchase payables	-	-	-	-	722	-	722	705
Term loans	-	-	-	-	9,317	-	9,317	9,317
Trust receipts	-	-	-	-	6,900	-	6,900	6,900
Invoice financing	-	-	-	-	963	-	963	963
Bankers' acceptances	-	-	-	-	176	-	176	176
Revolving credits	-	-	-	-	6,500	-	6,500	6,500

	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 2016
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 Company	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2016								
Financial Asset								
Advances to employees	-	-	-	-	-	4	4	4
Financial Liability								
Term loans	-	-	-	-	1,779	-	1,779	1,779
Trust receipts	-	-	-	-	5,052	-	5,052	5,052
Revolving credits	-	-	-	-	6,500	-	6,500	6,500
2015								
Financial Asset								
Advances to employees	-	-	-	-	-	9	9	9
Financial Liability								
Term loans	-	-	-	-	2,071	-	2,071	2,071
Revolving credits	-	-	-	-	5,000	-	5,000	5,000

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	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	12.0%	10.0%	-28% to 5.0%	5.0%	9.0%	9.7%

(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 2016.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
cont'd

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:-

(b) The fair values of hire purchase payables, term loans, trust receipts, revolving credits, bankers' acceptances and invoice financing 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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Hire purchase payables	4.60	4.57	-	-
Term loans	5.69	5.03	5.01	3.90
Trust receipts	1.81	3.84	1.56	-
Revolving credits	4.86	5.20	5.49	5.20
Bankers' acceptances	4.27	-	-	-
Invoice financing	5.73	-	-	-

40. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

(a) On 20 July 2016, KGB subscribed for 90 ordinary shares of RM1 each representing 90% of the total share capital of AGSB, a company newly incorporated on 20 July 2016. Consequently, AGSB became a subsidiary of KGB.

(b) On 7 September 2016, AGSB, a wholly-owned subsidiary of KGB, incorporated a subsidiary known as AGMSB. AGSB subscribed for 99 ordinary shares of RM1 each representing 99% of the total share capital of AGMSB. Consequently, AGMSB became an indirect subsidiary of KGB.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
cont'd

40. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR *cont'd*

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

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

On 9 December 2016, KTW had answered to the plea submitted by Hui Neng to the High Court, Taiwan and the next hearing has been fixed on 19 January 2017.

On 19 January 2017, the High Court Taiwan had decided to call the witnesses to Court to give evidence on the next hearing on 24 February 2017.

On 24 February 2017, the High Court Taiwan had heard the evidences given by the witnesses and fixed the next hearing on 7 April 2017.

On 7 April 2017, the High Court Taiwan had heard the evidences given by the witnesses and fixed the next hearing on 18 May 2017.

(d) On 4 October 2016, KEHT, a dormant indirect subsidiary of KGB, has been struck off from the register of Business Registry and Facilitation Department of Singapore Accounting and Corporate Regulatory Authority.

(e) On 5 October 2016, KTSB, a wholly-owned subsidiary of KGB, filed a Writ and Statement of Claim at the High Court of Kuala Lumpur against Australian Marine Technology ("AMT"), and Eric Robert Bowra, one of the guarantors in the project undertaken by KTSB for the claim sum of USD702,206 (equivalent to RM2,893,089) together with interest and foreign exchange loss thereon ("Claimed Sum").

KTSB has made the necessary impairment for the Claimed Sum.

On 24 October 2016, the Court has granted KTSB leave to serve a Notice of Writ Out of Jurisdiction on the Defendants. The Court has requested KTSB to file the Notice of Writ upon extraction of the Court Order for leave and fixed the matter for case management on 25 November 2016.

On 25 November 2016, the Court has fixed the action for further case management on 5 December 2016 pending service of the court papers on the Defendants.

On 5 December 2016, the Court has fixed the action for further case management on 27 February 2017 for completing the service of the court papers on the Defendants. Further, the Court has set down the action for trial on 29 May 2017.

On 27 February 2017, the Court has fixed the action for further case management on 21 March 2017 to update the Court on service of the Writ and Statement of Claim on the Defendants.

On 21 March 2017, the Court allowed the KTSB's application to extend the validity of the Writ until 4 October 2017 pending service of the same by Ministry of Foreign Affairs of Malaysia. The trial date originally fixed on 29 May 2017 was vacated and re-fixed on 8 November 2017.

(f) On 22 December 2016, KTSB, a wholly-owned subsidiary of KGB served a Payment Claim to Biocon Sdn. Bhd. ("Biocon") in accordance with Section 5 of Construction Industry Payment & Adjudication Act 2012 ("CIPAA") for the sum of RM6,183,648 (inclusive of interest) as Biocon had failed to make payment to KTSB.

On 28 February 2017, KTSB served a Notice of Adjudication to Biocon in accordance with Section 7 and 8 of CIPAA to seek following reliefs or remedies from Biocon:-

(i) Payment amounting to RM5,027,062 (inclusive of interest and Goods and Service Tax ("GST")) being the outstanding payment due to KTSB;

(ii) Interest on the unpaid amounts from the date of payment was due to the date full payment is received; and

(iii) All costs incurred by KTSB in referring the dispute to adjudication, including but not limited to KTSB's claim consultant's cost, the registration and administrative fee of Kuala Lumpur Regional Centre of Arbitration, and the adjudicator's fee.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
cont'd

40. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR *cont'd*

(g) The Companies Act 2016 came into effect on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaces the existing Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that will affect the financial statements of the Company upon its initial adoption are:-

(i) Removal of the authorised share capital;
(ii) Ordinary shares will cease to have par value; and
(iii) Share premium will become part of share capital.

The adoption of the Companies Act 2016 is to be applied prospectively. Therefore, the changes in the accounting policies and the possible impacts on the financial statements upon its initial adoption will be disclosed in the financial statements of the Group and of the Company for the financial year ending 31 December 2017.

(h) On 6 February 2017, the Company entered into a Sale and Purchase Agreement of Shares for the acquisition of 3,528,000 ordinary shares of RM0.01 each, representing 49% of the total issued and paid-up capital of Hiti Engineering (M) Sdn. Bhd.

(i) On 31 March 2017, the Company proposed to undertake the following:-

(i) to terminate the existing ESOS; and

(ii) to establish and implement an employee share scheme ("ESS") of up to 7% of the issued share capital of the Company (excluding treasury shares, if any) at any point in time during the proposed ESS for employees and Directors of the Company (including non-executive directors) and its subsidiaries (excluding dormant subssidiaries) who fulfill the eligibility criteria.

41. COMPARATIVE FIGURES

The following figures have been reclassified to conform with the presentation of the current financial year:

	As Restated RM'000	**As Previously Reported RM'000**
Consolidated Statement of Financial Position (Extract):-		
Amount owing by contract customers	64,193	66,793
Trade receivables	52,768	50,168

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016
cont'd

42. 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**	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained profits, net of consolidation adjustments				
- realised	27,126	19,547	2,992	1,888
- unrealised	2,215	2,034	571	2,573
At 31 December	29,341	21,581	3,563	4,461

ANALYSIS OF SHAREHOLDINGS

As at 24 March 2017

Issued share capital	:	RM22,551,004.90 comprising of 225,510,049 ordinary shares. (Including 1,219,900 treasury shares)
Class of shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share

Size of shareholdings	No. of Holders	Percentage (%)	No. of Shares	Percentage (%)
Less than 100	98	6.29	4,320	0.00
100-1,000	83	5.33	38,129	0.02
1,001-10,000	514	32.99	3,313,685	1.47
10,001-100,000	695	44.61	24,606,055	10.91
100,001- less than 5%	165	10.59	77,430,837	34.34
5% and above	3	0.19	120,117,023	53.26
TOTAL	**1,558**	**100**	**225,510,049***	**100**

* Including 1,219,900 treasury shares.

LIST OF SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 24 MARCH 2017

	Direct Interest		Indirect Interest	
Names	No. of Shares	%	No. of Shares	%
Palace Star Sdn. Bhd.	100,299,290	44.47	-	-
Sun Lead International Limited	19,817,733	8.79	-	-
Gan Hung Keng	1,946,666	0.86	100,299,290 (1)	44.47 (1)
Ong Weng Leong	1,946,000	0.86	100,299,290 (1)	44.47 (1)
Cham Teck Kuang	-	-	100,299,290 (1)	44.47 (1)
Hu Ke Qin	-	-	100,299,290 (1)	44.47 (1)
Fortune Dragon Holding Inc.	-	-	19,817,733 (2)	8.79 (2)
Lien Hwa Industrial Corp.	-	-	19,817,733 (3)	8.79 (3)

Notes:-

(1) Deemed interested under Section 8 of the Companies Act 2016 by virtue of their direct interests in Palace Star Sdn. Bhd.

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

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

ANALYSIS OF SHAREHOLDINGS

As at 24 March 2017

cont'd

LIST OF DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 24 MARCH 2017

	Direct Interest		Indirect Interest	
Names	No. of Shares	%	No. of Shares	%
Gan Hung Keng[1]	1,946,666	0.86	100,299,290[1]	44.47[1]
Ong Weng Leong[1]	1,946,000	0.86	100,299,290[1]	44.47[1]
Chan Thian Kiat	173,332	0.08	-	-
Tan Chuan Yong	266,666	0.12	-	-
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	156,000	0.07	-	-
Soo Yuit Weng	598,666	0.27	-	-

Note:

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

Directors	No. of Options
Gan Hung Keng	-
Ong Weng Leong	666
Chan Thian Kiat	93,334
Tan Chuan Yong	-
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	84,000
Soo Yuit Weng	-

ANALYSIS OF SHAREHOLDINGS

As at 24 March 2017

cont'd

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 24 MARCH 2017

(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	23.92
2	PALACE STAR SDN. BHD.	46,349,224	20.55
3	SUN LEAD INTERNATIONAL LIMITED	19,817,733	8.79
4	HSBC NOMINEES (ASING) SDN. BHD. *[EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)]*	4,254,066	1.89
5	FEDERLITE HOLDINGS SDN. BHD.	3,368,266	1.49
6	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB BANK *FOR RONIE TAN CHOO SENG (MY0690)*	2,500,000	1.11
7	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)]*	2,000,000	0.89
8	ONG WENG LEONG	1,946,000	0.86
9	LEE BEE SENG	1,796,000	0.80
10	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY (8092812)]*	1,760,000	0.78
11	CHIA KENG KUANG	1,760,000	0.78
12	RHB NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR NG CHEE WAI]*	1,702,000	0.75
13	GAN HUNG KENG	1,557,333	0.69
14	CIMSEC NOMINEES (ASING) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR NOBLE PLAN SDN. BHD.]*	1,500,000	0.67
15	LEW YOU SEN	1,500,000	0.67
16	ONG SENG HENG	1,491,400	0.66
17	MALACCA EQUITY NOMINEES (TEMPATAN) SDN. BHD. *[EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN. BHD. (EPF)]*	1,323,533	0.59
18	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR NG BOON HOCK (001)]*	1,300,000	0.58
19	CHIA ZHEN CONG	1,233,200	0.55
20	KELINGTON GROUP BERHAD SHARE BUY-BACK ACCOUNT	1,219,900	0.54
21	LIM SENG CHUAN	1,215,451	0.54
22	GOH SEOW KHONG	1,200,000	0.53
23	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. CIMB COMMERCE TRUSTEE BERHAD – KENANGA GROWTH FUND	1,174,700	0.52
24	WAN SIEW CHUAN	1,078,400	0.48
25	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR MOHD NIZAM BIN MOHAMED]*	1,000,000	0.44
26	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR CHONG KHONG SHOONG (E-IMO/JSI)]*	1,000,000	0.44
27	ENG CHONG HIM	992,500	0.44
28	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR SI THO YOKE MENG (6000156)]*	900,000	0.40
29	LIEW WAI KIAT	800,000	0.35
30	YAP KEAN CHONG	700,000	0.31

ANALYSIS OF WARRANT HOLDINGS
As at 24 March 2017

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 in the Company at an exercise price of RM0.50
Voting Right	:	The holder of warrants is not entitled to any voting rights

Size of Holdings	No. of Holders	Percentage (%)	No. of Warrant	Percentage (%)
Less than 100	142	20.23	6,788	0.01
100-1,000	95	13.53	56,298	0.10
1,001-10,000	199	28.35	1,008,184	1.87
10,001-100,000	219	31.20	9,085,323	16.84
100,001- less than 5%	44	6.27	13,774,033	25.54
5% and above	3	0.43	30,007,005	55.63
TOTAL	**702**	**100.00**	**53,937,631**	**100.00**

LIST OF DIRECTORS' WARRANT HOLDINGS AS PER THE REGISTER OF DIRECTORS' WARRANTS HOLDINGS AS AT 24 MARCH 2017

	Direct Interest		Indirect Interest	
Names	No. of Warrants	%	No. of Warrants	%
Gan Hung Keng[(1)]	33	0.00	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 8 of the Companies Act 2016 by virtue of their direct shareholding interests in Palace Star Sdn. Bhd.

ANALYSIS OF WARRANT HOLDINGS

As at 24 March 2017

cont'd

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 24 MARCH 2017

(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	AFFIN HWANG INVESTMENT BANK BERHAD IVT (YMT)	1,250,000	2.32
5	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY (8092812)]*	1,000,000	1.85
6	TEOH WEI CHAN	700,000	1.30
7	LIM HAN YONG	667,600	1.24
8	HAM YEAN MING	557,633	1.03
9	LEE KEE HUAT	540,000	1.00
10	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *CIMB BANK FOR ALLAN TEO (MY2456)*	513,000	0.95
11	SI THO YOKE MENG	500,000	0.93
12	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR SI THO YOKE MENG (6000156)]*	400,000	0.74
13	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR KONG FOONG MING (STF)]*	400,000	0.74
14	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR JULIAN CHEAH WAI MENG]*	384,500	0.71
15	CHAI MEI LING	380,000	0.70
16	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR SOH TONG HWA (STF)]*	350,000	0.65
17	M BALAMUTHU A/L M MUTHU	339,000	0.63
18	YAP KEAN CHONG	306,900	0.57
19	GOH CHIN CHOON	300,000	0.56
20	TEO TZE SENG	300,000	0.56
21	SIM SIEW POH	287,000	0.53
22	LIM KEAN YEW	280,000	0.52
23	LIM YAP KIANG	270,000	0.50
24	CHAN YEE MENG	250,000	0.46
25	HLIB NOMINEES (TEMPATAN) SDN. BHD. *[HONG LEONG BANK BHD FOR CHOW SAW BOON]*	250,000	0.46
26	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR LOOI LEONG CHAI (33D-MARGIN)]*	240,000	0.44
27	YUEN BENG LON	210,000	0.39
28	CHOO YEONG LIN	200,000	0.37
29	GOH CHENG CHAI	200,000	0.37
30	LIEW WAI KIAT	200,000	0.37

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventeenth Annual General Meeting ("17th AGM") of **Kelington Group Berhad** ("KGB" or "Company") will be held at Green 2 (Club House) Tropicana Golf & Country Resort, Jalan Kelab Tropicana, Off Jalan Tropicana Utama, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 13 June 2017 at 10.00 a.m., for the purpose of considering the following businesses:-

A G E N D A

Ordinary Business

1. To lay before the Meeting the Audited Financial Statements for the financial year ended 31 December 2016 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 Paragraph 69 of the Company's Constitution, and being eligible, have offered themselves for re-election:

   (i) Mr Ong Weng Leong **(Ordinary Resolution 1)**
   (ii) Mr Chan Thian Kiat **(Ordinary Resolution 2)**

3. To approve the payment of Directors' fees of RM156,400.00 for the financial year ended 31 December 2016. **(Ordinary Resolution 3)**

4. To approve the payment of Directors' remuneration payable to the Non-Executive Directors of the Company amounting to RM252,600 for the period from 1 January 2017 until the next Annual General Meeting. **(Ordinary Resolution 4)**

5. To approve the payment of a final tax-exempt dividend of 1 sen per ordinary share for the financial year ended 31 December 2016. **(Ordinary Resolution 5)**

6. 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 6)**

Special Business

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

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

   "THAT subject always to the Companies Act, 2016, Constitution of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 75 of the Companies Act, 2016 to issue and allot not more than ten percent (10%) of the issued capital (excluding treasury shares) of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company pursuant to Section 76 of the Companies Act, 2016 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 7)**

8. **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 28 April 2017 ("the Circular") provided such transactions are:- **(Ordinary Resolution 8)**

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 340(2) of the Companies Act, 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) 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."

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

"THAT subject to the Companies Act, 2016 (the "Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Constitution and the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:- **(Ordinary Resolution 9)**

(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

(iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends or transfer the shares under employee share scheme or as purchase consideration or otherwise use the shares for such other purposes as the Minister may order prescribe.

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."

10. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016.

Notice of Dividend Entitlement

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at Seventeenth Annual General Meeting, a final tax-exempt dividend of 1 sen per ordinary share for the financial year ended 31 December 2016, if approved, will be paid on 2 August 2017 to holders of ordinary shares registered in the Record of Depositors of the Company at the close of business on 6 July 2017.

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 6 July 2017 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 28th day of April 2017

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 Paragraph 50(f) of the Constitution of the Company, a Record of Depositors as at 6 June 2017 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

1. *Item 1 of the Agenda*
   Audited Financial Statements for the financial year ended 31 December 2016.

   The Audited Financial Statements under this agenda item is meant for discussion only as the provision of Section 248 and Section 340 (1) (a) of the Companies Act, 2016 ("the Act") does not require a formal approval of the shareholders and hence this item is not put forward for voting.

2. *Ordinary Resolutions 3 and 4*

   Section 230(1) of the Companies Act, 2016 provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the 17th AGM on the Directors' remuneration in two (2) separate resolutions as below:-

   - *Resolution 3 on payment of Directors' fees in respect of the preceding year 2016; and*
   - *Resolution 4 on payment of Directors' remuneration for the period from 1 January 2017 until the next AGM ("Relevant Period").*

   The payment of the Directors' Fees in respect of the financial year ended 31 December 2016 will only be made if the proposed Resolution 3 has been passed at the 17th AGM pursuant to Paragraph 76 of the Company's Constitution and Section 230(1) of the Companies Act, 2016.

   The Directors' remuneration comprises the Directors' fee and meeting allowances payable to the Board of the Company is set out as follows:

	Executive Directors (RM)	***Non-Executive Directors (RM)***
Director Fee	*-*	*234,600*
Meeting allowance	*-*	*18,000*
Total	*-*	*252,600*

   In determining the estimated total amount of the Directors' remuneration, the Board considered various factors including the number of scheduled meetings for the Board and Board Committees as well as involvement of the respective Directors.

   Payment of Directors' remuneration will be made by the Company on a monthly basis and/or as and when incurred if the proposed Resolution 4 has been passed at the 17th AGM. The Board is of the view that it is just and equitable for the Directors to be paid such payment on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the period as stated herein.

NOTICE OF ANNUAL GENERAL MEETING
cont'd

3. *Ordinary Resolution 7*
   Authority to Issue and Allot 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.

4. *Ordinary Resolution 8*
   Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature

   The proposed Ordinary Resolution 8, 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 28 April 2017.

5. *Ordinary Resolution 9*
   Proposed Renewal of Authority for Purchase of Own Shares by the Company

   The proposed Ordinary Resolution 9, if approved, will empower the Company to purchase and/or hold up to ten per centum (10%) of the issued and paid-up share capital of the Company through Bursa Malaysia Securities Berhad. For more information, please refer to the Share Buy-Back Statement dated 28 April 2017.

KELINGTON GROUP BERHAD
(501386-P)
(Incorporated in Malaysia)

FORM OF PROXY

CDS Account No.	Number of Shares Held

*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 Seventeenth 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 Tuesday, 13 June 2017 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 Ong Weng Leong as Director		
2	To re-elect Mr Chan Thian Kiat as Director		
3	To approve the payment of Directors' fees for the financial year ended 31 December 2016		
4	To approve the payment of Directors' remuneration payable to the Board of the Company for the period from 1 January 2017 until the next Annual General Meeting		
5	To approve Final Tax-Exempt Dividend		
6	To re-appoint Messrs Crowe Horwath as Auditors of the Company		
7	**Special Business** Authority to Issue and Allot Shares		
8	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party of Revenue or Trading Nature		
9	Proposed Renewal of Authority for purchase of own shares by the Company		

Mark either box if you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two proxies and wish them to vote differently this should be specified.

\# *If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "The Chairman of the Meeting" and insert the name(s) of the person(s) desired.*

* *Delete if not applicable.*

Signed this ______________ day of ______________ 2017

____
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.*
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 Paragraph 50(f) of the Constitution of the Company, a Record of Depositors as at 6 June 2017 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.*

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

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

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