KELINGTON GROUP BERHAD
(501386-P)

ANNUAL REPORT '17

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

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

CONTENTS

UHP DELIVERY SYSTEM

We serve industries that require ultra high purity (UHP) gases and chemicals in specialised 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.




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

2017

Secured our FIRST 10-year industrial gas supply project in Malaysia

Signed a 15-year agreement with PETRONAS to purchase Carbon Dioxide (CO2) waste gas for our manufacturing of liquid CO2 gas business

PROCESS ENGINEERING

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




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

Soo Yuit Weng
Member
Independent Non-Executive Director

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

EMPLOYEE SHARE SCHEME ("ESS") COMMITTEE

Ir. Gan Hung Keng
Chairman/CEO

Ong Weng Leong
Member
Executive Director/COO

Tan Chuan Yong
Member
Senior Independent Non-Executive Director

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTORS

Tan Chuan Yong
tcy@kllaw.com.my

Chan Thian Kiat
steventkchan@yahoo.com

COMPANY SECRETARIES

Lim Lee Kuan
(MAICSA 7017753)

Teo Mee Hui
(MAICSA 7050642)

REGISTERED OFFICE

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MANAGEMENT OFFICE

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Fax : +603-7845 7097
Email : enquiry@kelington-group.com

INVESTOR RELATIONS

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Damansara Avenue
Bandar Sri Damansara
52200 Kuala Lumpur, Malaysia
Tel : +603 6262 577
Email : meilynn@capitalfront.biz

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
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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
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50450 Kuala Lumpur, Malaysia
Tel : +603-2788 9999
Fax : +603-2788 9998

PRINCIPAL BANKER

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No. 43 & 45
Jalan Metro Perdana 7
Taman Usahawan, Kepong
Kepong Utara
52100 Kuala Lumpur, Malaysia
Tel : +603-6254 6890
Fax : +603-6259 5027

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Ordinary Shares
Stock Name : KGB
Stock Code : 0151

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

CORPORATE STRUCTURE

KELINGTON GROUP BERHAD
(Incorporated in Malaysia)

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

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

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

- **90%** KELINGTON SOLOMON PHILIPPINES, INC *(Incorporated in Philippines)*
- **80%** PT. MITRACON GRAHA SOLUSINDO *(Incorporated in Indonesia)*
- **100%** PURITEC TECHNOLOGIES (S) PTE. LTD. *(Incorporated in Singapore)*
  - **100%** PURITEC TECHNOLOGIES (M) SDN. BHD. *(Incorporated in Malaysia)*

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

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

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

94%
ACE GASES SDN. BHD.
(Incorporated in Malaysia)

- **80%** 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.


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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

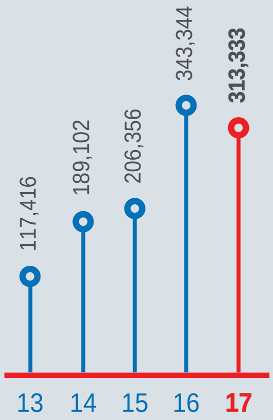
Encourage Innovation

Work Safety

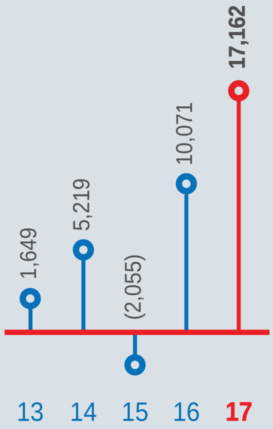
FINANCIAL HIGHLIGHTS

	2013	2014	2015	2016	2017
Revenue (RM'000)	117,416	189,102	206,356	343,344	**313,333**
Profit before taxation (RM'000)	1,649	5,219	(2,055)	10,071	**17,162**
Profit after taxation (RM'000)	1,611	5,149	(2,521)	8,827	**11,541**
Shareholders' Funds (RM'000)	54,035	59,334	59,399	66,993	**78,475**
Total Assets (RM'000)	116,583	163,718	174,534	199,945	**229,874**
Number of Ordinary share ('000)	160,680	216,966	220,080	222,375	**229,834**
Net Assets Per Share (RM)	0.34	0.27	0.27	0.30	**0.34**
Basic Earning Per Share (Cent)	0.8	2.4	-1.2	4.00	**5.2**

Revenue
(RM'000)

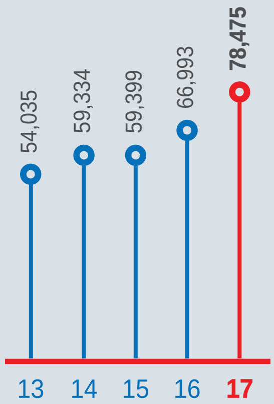


Profit Before Taxation
(RM'000)

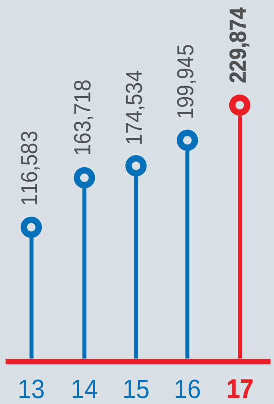


Profit After Taxation
(RM'000)

Shareholders' Funds
(RM'000)



Total Assets
(RM'000)



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of KGB for the financial year ended 31 December 2017 ("FY2017").

ECONOMIC OVERVIEW

The Malaysian economy accelerated at a faster pace with a gross domestic product ("GDP") growth of 5.9%, from 4.2% in 2016. The Malaysian Ringgit, Asia's second best performing currency also strengthened in 2017 with an average of 4.30 per US dollar, against an average of 4.15 per US dollar from last year. In the first three months of 2018, the Malaysian Ringgit remained strong at below 4.00 per US dollar.

For KGB, our regional operations are mostly carried out in the respective local currencies, thus slightly mitigating the impact of currency fluctuations on the Group's earnings.

2017 was an exciting year for the semiconductor industry. Global capex spending on semiconductor fabrication (fab) plants continued to bloom in tandem with the rising demand for memory and integrated chips. According to Semiconductor Equipment and Materials International ("SEMI"), investment for fab equipment reached a new record high in 2017 and is expected to rise 11% year-on-year to USD63 billion in 2018.

KEY HIGHLIGHTS IN 2017

Riding on this growth wave, we intensified our business activities in key semiconductor markets such as China and successfully clinched a few major projects there. As a result, the value of new projects secured during the year grew to another record high of RM374 million.

During the year, our teams also worked diligently to implement several key initiatives set to strengthen our foundation for further growth. We relooked at our regional operations and streamlined corporate functions such as procurement, to fully maximise our resources and achieve operating efficiencies through economies of scale.

Additionally, we rebalanced our projects portfolio to focus on projects that contribute positively to our bottom line as compared to our top line. This has allowed us to optimise our capabilities and better utilise our resources to generate higher returns.

CHAIRMAN'S STATEMENT
cont'd

I am pleased to inform that these efforts have started to bear fruit and led the Group to achieve our highest ever net profit of RM11.8 million in FY2017.

In line with the strong financial performance, the Group has proposed a final dividend of 1.5 sen, representing a dividend payment ratio of 31.8% for FY2017.

Another notable development for us was the commencement of our industrial gases division. We made encouraging progress in 2017 as we secured our very first on-site 10-year gas supply contract from a major manufacturer of solar cells and modules. We also announced our plans to be a manufacturer of liquid carbon dioxide with the setting up of a new plant in Kerteh, Terengganu. These new businesses are well positioned to deliver growth and consistent returns in the coming years.

OUTLOOK

The outlook for the Group is promising as global fab spending is expected to hit another record high in 2018 with China taking the lead on fab construction spending.

We believe our distinctive capabilities and proven track record in ultra high purity ("**UHP**") delivery systems will give us a strong competitive edge over the other industry players.

As for the industrial gases business, we are seeing tremendous growth potential for us in both the domestic and international markets. We are optimistic that these new businesses will give us a sustainable recurring revenue stream, complementing our existing project-based business model of providing engineering services, which are usually completed within 6 to 12 months.

Going forward, we will continue to streamline costs, optimise manpower, as well as improve our technical capabilities to ensure the Group's long-term resilience and competitiveness. Our long-term goal will be to remain steadfast to our vision, profitability and on generating value for all our shareholders.

IN APPRECIATION

In closing, I would like to thank our shareholders, clients and business partners for your continued confidence and trust for the Group. I would also like to express my gratitude to our Board of Directors for their advice and guidance. Finally, my heartfelt appreciation to the management team and all employees for your excellent performance, dedication, hardwork and commitment in leading the Group forward.

Thank you.

IR. GAN HUNG KENG
Chairman

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.

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 4 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 centre.

iv) 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.

OPERATING OVERVIEW

In the year under review, we strengthened our competitive position and continued our growth momentum amidst challenges from both the Malaysian and global economies. We achieved yet another record breaking results with an all-time high net profit of RM 11.8 million and highest ever new orders secured of RM374.0 million in FY2017.

We have also successfully clinched several contracts for UHP works from global semiconductor giants in China, adding significant credence to our growing customer profile of high-tech clients in China.

Additionally, we have expanded our clientele to include global multinational companies beyond the electronics sector. This year, our project engineering division secured a few notable contracts from clients such as manufacturer of flavour, fragrances and active cosmetic ingredients, manufacturer of nutrition products and manufacturer of chemical polymers. We are encouraged by these contract wins as it affirms our capabilities and track record in handling a wide range of process engineering projects.

The Group also managed to expand our industrial gases business with two new segments namely the on-site gas supply scheme and manufacturing of liquid carbon dioxide ("CO2"). We are optimistic that these ventures will complement our existing engineering business and improve our earnings visibility as the industrial gases business is long-term in nature.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

NEW BUSINESS VENTURES

On-Site Gas Supply

The on-site gas supply business has attractive growth potential as it allows us to secure long-term contracts, thus enhancing our earnings visibility. This business operates on a lease basis business model, where we set up on-site gas generators at our client's facilities. In return, we will charge a fixed facility fee or utilisation fee over a period of time.

In March 2017, we successfully secured our first ever 10-year on-site gas supply contract from one of the world's largest manufacturers of solar cells and modules. The on-site gas generator has since been completed and will contribute to our financial performance commencing financial year ending 2018.

Manufacturing of Liquid CO2

We see great opportunities in the supply of liquid CO2 due to the rising demand from the food and beverage ("F&B") industries where it is used for making carbonated drinks and for refrigeration and freezing of food. Liquid CO2 is also used by the fabrication and construction industries.

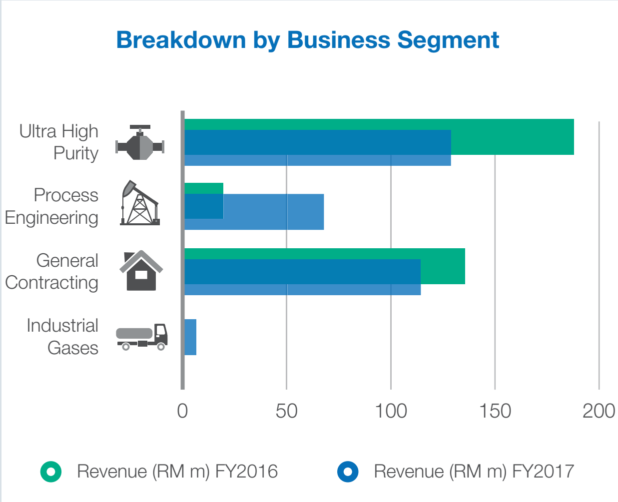
In November 2017, we inked a supply agreement with Petroliam Nasional Berhad ("Petronas") to purchase its CO2 waste gas from the Petronas Gas Processing Plant ("GPP") for a period of 15 years, starting in 2019. We will be building a new state-of-the-art gas plant with a production capacity of 50,000 tonnes per year next to the Petronas GPP in Kerteh, Terengganu to purify and liquefy the CO2 waste gas emitted.

Production is expected to come on stream in phases starting in the second half of 2019. Subsequently, we will invest in related assets for operations such as storage vessels, tankers, etc.

Once we commence production, we will emerge as one of the major manufacturers of liquid CO2 in Malaysia. In addition to supplying to the domestic market, we also aim to export our products to neighbouring countries where the supply of liquid CO2 is inadequate or does not meet the high-quality standards required by the F&B industry.

REVIEW OF FINANCIAL PERFORMANCE

REVENUE



The Group's revenue stood at RM313.3 million in FY2017 as compared to RM343.3 million in FY2016.

The UHP division remained the highest revenue contributor for the Group at RM128.8 million, mainly driven by on-going hook up and base build jobs from the Group's existing clientele of semiconductor manufacturers and wafer foundries.

In line with the Group's focus on increasing the bottom line, the Group managed to clinch more project engineering projects which carry higher profit margins as compared to general contracting works.

As a result, revenue from process engineering division jumped by almost four-fold to RM68.2 million, representing 22% of total revenue. The division was largely boosted by new projects clinched from the non-electronics industry. The Group successfully clinched projects from a manufacturer of chemical polymers (Malaysia) and a manufacturer of flavour, fragrances and active cosmetic ingredients (Singapore).

Meanwhile, the general contracting division registered a lower revenue of RM114.4 million.

In FY2017, the Group engaged in small-scale industrial gas trading activities. As a result, revenue from the industrial gases division grew marginally to RM1.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS

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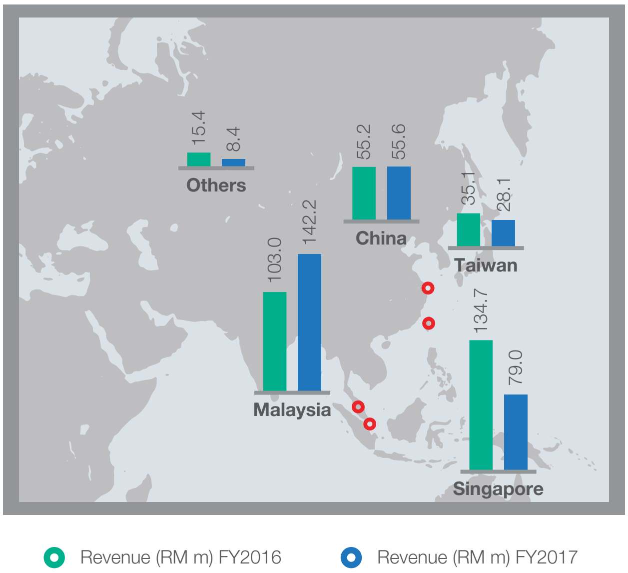
Breakdown by Key Geographical Markets



	Revenue (RM m)	
Country	**FY2016**	**FY2017**
Malaysia	103.0	142.2
Singapore	134.7	79.0
China	55.2	55.6
Taiwan	35.1	28.1
Others	15.4	8.4

MALAYSIA

Malaysia rose 38% to RM142.2 million in FY2017, contributing the largest bulk to the Group's total revenue.

SINGAPORE

The second largest revenue contributor, representing 25% of the Group's total revenue.

CHINA

Revenue contribution stood at RM 55.6 million, contributing 18% to the Group's overall revenue.

Revenue from Malaysia rose 38% or RM39.2 million to RM142.2 million in FY2017. Malaysia was the largest revenue contributor at 45% of revenue and outperformed all other key operating markets.

Singapore was the second largest revenue contributor, representing 25% of total revenue. Singapore registered lower contribution of RM79.0 million in FY2017 due to the absence of revenue recognition from a major project completed in FY2016.

Meanwhile, revenue contribution from China stood at RM55.6 million, contributing 18% to the Group's total revenue. Taiwan posted slightly lower revenue from the previous year, contributing 9% to the Group's total revenue.

PROFIT MARGINS

During the year under review, gross profit rose 28% to RM50.0 million from RM39.2 million previously on the back of higher gross profit margins of 16% as compared to 11% a year ago. This improvement is attributable to the Group's project mix which included more UHP and process engineering projects that deliver higher profit margins as well as cost optimisation efforts.

However, it was slightly offset by higher administrative expenses of RM25.2 million due to increase in bonus expenses, increase in number of employee headcount for the Group's expansion into the new business segment and higher corporate expenses.

Nonetheless, profit before tax ("PBT") soared 70% in FY2017 to RM17.2 million against RM10.1 million same time last year. This is mainly attributable to lower impairment losses of RM3.8 million against RM10.9 million in FY2016. PBT margins increased to 5% from 3% as compared to FY2016.

In FY2017, the Group recorded a higher effective tax rate of 33% as compared to 12% a year ago, mainly due to the expiry of the Pioneer Status of one of the Group's wholly-owned subsidiary, Kelington Technologies Sdn Bhd in May 2017, certain non-deductible expenses incurred as well as adjustments to prior years taxation. Going forward, we expect the effective tax rate to normalise accordingly with the statutory tax rate.

Notwithstanding the higher tax rate, the Group recorded our highest ever profit after tax ("PAT") of RM11.5 million in FY2017. Earnings per share ("EPS") stood at 5.2 sen representing 30% higher than the EPS of 4.0 sen in FY2016.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2017, the Group maintained a healthy cash flow with positive net cash flow from operations of RM23.2 million. Consequently, cash and bank balances strengthened to RM62.2 million, from RM42.6 million in the previous year.

Total borrowings increased by 23.2% to RM30.3 million, mainly due to higher working capital required for our operations and projects undertaken in Taiwan. Approximately 92% of the total borrowings were short-term in nature and will be repaid upon completion of the projects.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

With higher cash balances, the Group's financial position has strengthened to a net cash position of RM31.9 million, a significant improvement as compared with net cash of RM18.0 million as at 31 December 2016. Net cash per share stood at 13.9 sen.

Meanwhile, the equity attributable to owners of the company was 18% higher year-on-year at RM78.2 million as at 31 December 2017, mainly boosted by higher retained earnings of RM38.8 million and RM1.9 million injection from the employees share option exercise. Debt-to-Equity ratio remained at 0.4 times.

DIVIDEND POLICY

The Group has proposed a final dividend of 1.5 sen per ordinary share, which brings the total payout to RM3.66 million, or a dividend payout ratio of 31.8% for FY2017. This is subject to shareholders' approval at the forthcoming Annual General Meeting.

Moving forward, the Group remains committed to reward our shareholders and uphold our dividend policy to distribute at least 25% of the Group's net profit.

OUTLOOK AND PROSPECTS

Looking ahead, we will embark on an intensified expansion mode in all our core businesses across the key operating markets.

There will be higher concentration in China as we intend to leverage on the markets' exponential growth in the semiconductor market. According to SEMI, China alone is expected to increase its construction spending to US$6.6 billion in 2018 to build new fab facilities to meet global demand.

Thus, we will continue to bid for more base build works which is the backbone of a new manufacturing facility. In addition, the Group will aggressively tender for hook up jobs, which entail connecting the backbone to new tools and equipment, from expanding manufacturing facilities. This should result in higher work orders and revenue contribution from China in the coming quarters.

Additionally, we expect higher revenue contributions from the industrial gases division as the first on-site gas supply contract is set to commence in FY2018. Subsequently, we expect a revenue boost from the manufacturing of liquid carbon dioxide business once the gas plant comes on stream in FY2019.

Considering all these growth plans, we expect our capital expenditure to rise, especially from the industrial gases division, over the next three to five years. We believe these initial investments are essential to fuel our long-term growth.

We look forward to continuing our growth momentum and providing sustainable returns to our shareholders in the new year.

RISK FACTORS

Dependence on human capital

Our continued success is highly dependent on human capital. To thrive in this competitive engineering business, we need highly skilled engineers that are trained to handle the complexity of our projects. Thus, our operations and business expansion activities are limited by the size of our workforce.

The Group has made continuous efforts to ensure that we carefully optimise our human capital in every business decision. We also recognise the importance of retaining and grooming our employees. Hence, we have made efforts to provide trainings, development programmes and suitable remuneration packages for our employees.

Cyclical nature of the industry

Our UHP delivery systems division is exposed to the cyclical nature of the semiconductor and electronics industry and may experience a downturn during a slowdown in the industry capex spending. This may affect the Group's business and financial performance resulting from lower revenue contribution and lesser work orders from the UHP business.

In light of this, we have ventured into new businesses that are not too adversely affected by this cyclical risk. We have expanded our portfolio to include process engineering, general contracting, and most recently, the industrial gases business. This has allowed us to mitigate the risk of being over-reliant on the semiconductor and electronics industry.

Competitive industry environment

The engineering and gas industry is highly competitive. We face competitions from larger industry players from around the world who have greater resources, wider access to capital and better marketing resources. We are also exposed to profitability pressures, should our competitors engage with aggressive pricing in order for them to increase their market share.

To ensure we keep abreast with the rising competition, the Group has continuously focused on enhancing our technical capabilities, improving our operating efficiencies, as well as maximising our resources. On top of that, we believe our strong track record in handling projects from global multinational companies will enhance our competitive advantage.

BOARD OF DIRECTORS' PROFILE

IR. GAN HUNG KENG, *age 54, Malaysian, Male*
Chairman/CEO
Length of Service: 18 years & 2 months

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 ESS Committee. He graduated with a Bachelor of Chemical & Process Engineering degree from Universiti Kebangsaan Malaysia, Malaysia. He is also a Professional Engineer on the Board of Engineers, Malaysia.

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

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

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

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

ONG WENG LEONG, *age 50, Malaysian, Male*
Executive Director/COO
Length of Service : 13 years & 5 months

Mr Ong Weng Leong has been a Director of the Company since 22 November 2004. He was appointed as the General Manager on 1 August 2005 and assumed the role of COO with effect from 1 September 2009. As 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 ESS Committee. He graduated in 1992 with a Bachelor of Chemical Engineering degree from Universiti Teknologi Malaysia, Malaysia. He also received a Master in Business Administration from the University of Bath, United Kingdom in 2002. He is also a fellow member of Malaysian Institute of Management and was elected as a General Council member of the Institution in 2015 – 2016.

He began taking up managerial roles in 1996 while at MOX as the Production Manager after which he became the Operations Manager from 1998 to 2000, responsible for managing plant operations located in the central and east coast region. Later in 2000, he was promoted to National Engineering Manager at MOX which he carried 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 of 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 62, Malaysian, Male*
Senior Independent Non-Executive Director
Length of Service: 8 years & 7 months

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

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

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

TAN CHUAN YONG, *age 62, Malaysian, Male*
Senior Independent Non-Executive Director
Length of Service: 8 years & 7 months

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

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

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

BOARD OF DIRECTORS' PROFILE
cont'd

VICE ADMIRAL (RETIRED)
DATUK HAJI JAMIL BIN HAJI OSMAN, *Age 60, Malaysian, Male*
Independent Non-Executive Director
Length of Service : 5 years 10 months

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

He is a highly decorated navy officer who opted for an early retirement from the Royal Malaysian Navy ("RMN") in March 2012. Prior to his retirement, he was the RMN Fleet Commander in charge of the marine operations and responsible for the sovereignty of Malaysia Maritime Area. Before that, he has been assigned to several leadership positions namely, Chief of Staff at the Malaysian Armed Forces ("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 a Domestic Operations General Manager of Weststar Aviation Services Sdn. Bhd. and he does not hold any other directorships in public companies and listed issuers.

SOO YUIT WENG, *Age 50, Malaysian, Male*
Independent Non-Executive Director
Length of Service : 5 years 3 months

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, Remuneration Committee and 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 151 and 153 of this Annual Report.

KEY SENIOR MANAGEMENT'S PROFILE

JONG YU HUAT
Age 47, Malaysian, Male

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

LIM SENG CHUAN
Age 50, Singaporean, Male

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

WAN SIEW CHUAN
Age 45, Malaysian, Male

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

ONG SENG HENG
Age 39, Malaysian, Male

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

KEY SENIOR MANAGEMENT'S PROFILE

cont'd

SOO WEI KEONG

Age 42, Malaysian, Male

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

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

Annual Dinner with theme "Hawaiian Night" attended approximately 120 employees of KE Malaysia. A special segment was dedicated for the Long Service Award.The Company presented the Long Service Award to 22 employees across the Group who have been with the organisation for 10 and 15 years.

Mr Ong presented 18 employees with 10 years of service with a service certificate and a gold pendant (5 grams).

Mr Gan presented 4 employees with 15 years of service with a service certificate and a gold pendant (10 grams).

KE MALAYSIA ANNUAL DINNER

CORPORATE HIGHLIGHTS
cont'd

13TH MOSHPA OSH EXCELLENCE AWARD 2017
"Continuously Improving OSH Work Culture"
Gold Award: OSHE Management in Construction and Engineering Works

13TH MOSHPA OSH EXCELLENCE AWARD 2017

Enhancing safety awareness of our employees via on-the-job trainings such as scaffolding and fire safety

SAFETY AWARENESS

CORPORATE HIGHLIGHTS
cont'd

Appreciation for 300,000 safe man-hours awarded by Customer.

SAFETY FIRST QUALITY ALWAYS

KE Malaysia 2017 Company Trips. We believe shared experiences of a fantastic trip will hone and develop team dynamics.

KE MALAYSIA 2017 COMPANY TRIPS

CORPORATE HIGHLIGHTS
cont'd

KE Singapore 2017 Team Building : One heart, One Beat, One Team

KE SINGAPORE 2017 TEAM BUILDING

KE Shanghai has been honoured with an Excellent Management Award from Customer

EXCELLENT MANAGEMENT AWARD

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of KGB remains committed in maintaining the highest standards of corporate governance ("CG") within the Company and adhering to the principles and best practices of CG, through observing and practising the core values of the new Malaysian Code on Corporate Governance 2017 ("MCCG") which was released by the Securities Commission on 26 April 2017 and the Corporate Governance Guide issued by Bursa Malaysia Securities Berhad ("Bursa Securities"). The commitment from the top paves the way for Management and all employees to ensure the Company's businesses and affairs are effectively managed in the best interest of all stakeholders.

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

This statement should be read together with the 2017 CG Report of the Company which is available on the Company's website at www.kelington-group.com.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

PART I – BOARD RESPONSIBILITIES

1. BOARD'S LEADERSHIP ON OBJECTIVES AND GOALS

1.1 Strategic Aims, Values and Standards

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

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

The key responsibilities of the Board include reviewing and adopting the strategic plan, overseeing the conduct of business, risk management, succession planning, overseeing the development and implementation of a shareholder communication policy and reviewing the internal control systems.

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

The Board Committees consist of Audit Committee ("AC"), Nomination Committee ("NC") and Remuneration Committee ("RC"). The power delegated to the Board Committees are set out in the Terms of Reference of each of the Committees as set out in the Appendices I, J and K of the Board Charter.

1.2 Chairman

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

1.3 Separation of the Positions of the Chairman and CEO

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

PART I – BOARD RESPONSIBILITIES *cont'd*

1. BOARD'S LEADERSHIP ON OBJECTIVES AND GOALS *cont'd*

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

All decisions of the Board are made unanimously or by consensus. To ensure balance of power and authority, 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.

1.4 Qualified and Competent Secretaries

In performing their duties, all Directors have access to advice and services of a suitably qualified Company Secretary. The Company Secretary acts as a CG counsel and ensures good information flow within the Board, the Board Committees and Management. The Company Secretary attends all meetings of the Board and Board Committees and advises the Directors on the requirements encapsulated in the Company's Constitution and legislative promulgations such as the Companies Act 2016, Main Market Listing Requirements ("MMLR"), etc.

1.5 Access to Information and Advice

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

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

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

2. DEMARCATION OF RESPONSIBILITIES

2.1 Board Charter

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 26 February 2018.

In discharging its duties, the Board 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 which is available 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 CG principles.

The Board Charter would be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have impact on the discharge of the Board's responsibilities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

PART I – BOARD RESPONSIBILITIES *cont'd*

3. PROMOTING GOOD BUSINESS CONDUCT AND CORPORATE STRUCTURE

3.1 Code of Ethics and Conduct

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

3.2 Whistleblowing Policy

The Board has adopted a whistleblowing policy for the Group as a measure to promote the highest standard of CG. The whistleblowing policy outlines the avenues for Directors, employees and stakeholders to raise concerns or disclose in good faith any improper conduct within the Group and to enable prompt corrective actions and measures to resolve them effectively.

Any employee who has reasonable belief that there is serious malpractice relating to the matter disclosed, may direct such complaint and report to the Chairman of the AC in writing. Management will ensure that any employee of the Company who raises a genuine complaint in good faith shall not be penalised for such disclosure and the identity of such complainant shall be kept confidential.

The Whistleblowing Policy is published on the corporate website.

PART II – BOARD COMPOSITION

4. STRENGTHEN BOARD'S OBJECTIVITY

4.1 Board Composition

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

4.2 Tenure of Independent Director

There are no independent Directors who have exceeded a cumulative terms of nine (9) years.

4.3 Policy of Independent Director's Tenure

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

4.4 Diverse Board and Senior Management Team

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

PART II – BOARD COMPOSITION *cont'd*

4. STRENGTHEN BOARD'S OBJECTIVITY *cont'd*

4.4 Diverse Board and Senior Management Team *cont'd*

The Group will endeavor to meet the diversity at the Senior Management level and when the need arises, the Board will consider appointment of female candidate to the senior management.

4.5 Gender Diversity

The Board acknowledges the importance of boardroom diversity and takes cognisant of the recommendation of the MCCG to have at least 30% of female directors. On 26 February 2018, the Board established the Boardroom Diversity Policy as set out in the Board Charter of the Company, which is available on the corporate website.

The Board, through the NC will consider the female representation when a vacancy arises and/or suitable candidates are identified. However, the appointment of a new Board member will not be guided solely by gender but will also take into account the skills-set, experience and knowledge of the candidate. The Company's prime responsibility in new appointments is always to select the best candidates available.

Hence, the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board remains a priority.

4.6 Identification of New Candidates for Appointment of Directors

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

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

4.7 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 ongoing basis. The Board will have the ultimate responsibility and final decision on the appointment. This process shall ensure that the Board membership accurately reflects the long-term strategic direction and needs of the Company and determine skills matrix to support strategic direction and needs of the Company.

Management shall 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 Committees 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 nominating process as well as Director/Board profiles, roles and responsibilities, expectations of time commitments and other information as required.

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

PART II – BOARD COMPOSITION *cont'd*

4. STRENGTHEN BOARD'S OBJECTIVITY *cont'd*

4.7 NC *cont'd*

The Terms of Reference of the NC is set out in Appendix J of the Board Charter and is available on the corporate website.

A summary of key activities undertaken by the NC in discharging if its duties during the financial year under review is set out below:

- Reviewed and assessed the performance and effectiveness of the Board as a whole, the committee of the Board, contribution of each individual director;
- Reviewed and assessed the independence of the Independent Non-Executive Directors;
- Reviewed and recommended to the Board, the re-election and re-appointment of the Directors who will be retiring at the forthcoming AGM of the Company;
- Reviewed and assessed the term of office and performance of the AC and each of its members; and
- Reviewed and assessed the performance of the CFO.

5. OVERALL BOARD EFFECTIVENESS

5.1 Annual Evaluation

The Board undertakes annual evaluation to determine the effectiveness of the Board. The Board evaluation comprises a Board Assessment, an Individual Assessment and an Assessment of Independence of Independent Directors.

The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities. As for Individual Director, the assessment criteria include contribution to interaction, quality of input, 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.

Based on the annual assessment conducted, the NC was satisfied with the existing Board composition and concluded that each Director has the requisite competence to serve on the Board and has sufficiently demonstrated their commitment to the Company in terms of time and participation during the year under review, and recommended to the Board the re-election of the retiring Directors at the Company's forthcoming AGM. All assessments and evaluations carried out by the NC in discharge of its functions were properly documented.

The attendance record of the Directors at the Board and Board Committees meetings during FY2017 are as follows:-

Meeting Attendance	Board	AC	NC	RC	AGM
Ir. Gan Hung Keng	5/5	-	-	-	1/1
Ong Weng Leong	5/5	-	-	1/1*	1/1
Chan Thian Kiat	5/5	5/5	-	-	1/1
Tan Chuan Yong	5/5	5/5	1/1	1/1	1/1
Vice Admiral (Retired) Datuk Haji Jamil Bin Haji Osman	5/5	-	1/1	1/1	0/1
Soo Yuit Weng	5/5	5/5	1/1	-	1/1

**Change of composition of RC on 24 November 2017 whereby Soo Yuit Weng, an Independent Director was appointed as member of RC in place of Ong Weng Leong, the Executive Director/COO in compliance with MCCG .*

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

PART II – BOARD COMPOSITION *cont'd*

5. OVERALL BOARD EFFECTIVENESS *cont'd*

5.1 Annual Evaluation *cont'd*

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

During the FY2017, all the Directors have attended training, seminars, conferences and exhibitions which they considered vital in keeping abreast with the changes in laws and regulation, business environment, and CG development, as detailed hereunder:-

Name of Director	Course Attended	Date
Ir. Gan Hung Keng	Updates on MCCG 2017	24.08.2017
	Affin Hwang Capital Conference Series 2017 - Opportunities Amidst Geopolitical Shifts	05.10.2017
	ISO 9001:2015 Version Transition Leadership Engagement	01.11.2017
	CIDB Integrity and Ethics of Contractors	08.11.2017
	Selangor Synergies	27.10.2017
Ong Weng Leong	Updates on MCCG 2017	24.08.2017
	ISO 9001:2015 Version Transition Leadership Engagement	01.11.2017
Chan Thian Kiat	Advocacy Sessions on Corporate Disclosure for Directors and Principal Officers of Listed Issuers	30.08.2017
	Integrating an Innovation Mindset with effective governance	07.11.2017
Tan Chuan Yong	Updates to the Companies Act	14.07.2017
	Tricor's Breakfast Talk on Management Discussion and Analysis Statement	25.01.2017
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	Awareness First Aid, CPR and AED Talk	09.03.2017
Soo Yuit Weng	Transfer pricing documentation and BEPS (Base Erosion and Profit Shifting)	11.07.2017
	New tax implication on cross border transaction	07.06.2017

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

PART III - REMUNERATION

6. LEVEL AND COMPOSITION OF REMUNERATION

6.1 Remuneration Policy

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

7. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

7.1 Detailed Disclosure of Directors' Remuneration

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

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

The Directors plays no part in determining his own remuneration as well as abstain from discussion on their own remuneration.

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

Details of the Directors' remuneration (including benefits-in-kind) of each Director during the FY2017 are as follows:

	Salary (RM)	Fees (RM)	Bonus (RM)	Benefits in-kind (RM)	Total (RM)
Executive Directors					
Ir. Gan Hung Keng	410,800	-	534,496	15,000	960,296
Ong Weng Leong	400,800	-	500,896	15,000	916,696
Total	**811,600**	**-**	**1,035,392**	**30,000**	**1,876,992**
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	**811,600**	**156,400**	**1,035,392**	**30,000**	**2,033,392**

The Directors do not receive any additional remuneration for services rendered in the subsidiaries (apart from that received at the Company's level).

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

PART III - REMUNERATION *cont'd*

7. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT *cont'd*

7.2 Remuneration of Top Five (5) Senior Management

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

In addition, the Board is of the view that the interest of the shareholders will not be prejudiced as a result of non disclosure of the remuneration of top five senior management personnel who are not Directors.

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

PART I – AUDIT COMMITTEE

8. AC

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

The AC is chaired by a Senior Independent Non-Executive Director who is distinct from the Chairman of the Board and all members of the AC are financially literate. The composition of the AC, including its roles and responsibilities as well as a summary of its activities carried out in FY2017, are set out in the AC Report on pages 44 to 46 of this Annual Report.

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

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

The AC is empowered by the Board to review any matters concerning the appointment and re-appointment, resignations or dismissals of the External Auditors and review and evaluate factors relating to the independence of the external auditors. The terms of engagement for services provided by the External Auditors are reviewed by the AC prior to submission to the Board for approval. Feedback based on the assessment areas is obtained from the AC, the CFO, the internal auditor and senior management.

The AC undertakes an annual assessment of the suitability and independence of the External Auditors based on the External Auditors and Independent Checklist to evaluate the performance of the external auditors, including the review of calibre of the audit firm, quality of processes, audit team, independence and objectivity, audit scope and planning, audit fees and audit communications.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

PART I – AUDIT COMMITTEE *cont'd*

8. AC *cont'd*

In this regard, the AC had on 18 April 2018, assessed the independence of Messrs. Crowe Horwath ("CH") as External Auditors of the Company as well as reviewed the level of non-audit services rendered by CH to the Company for FY2017. The AC was satisfied with CH's technical competency and audit independence and took note that the quantum of non-audit fee charged thereto was not material as compared to the total audit fees paid to CH. Details of statutory audit, audit-related and non-audit fees paid/payable in the FY2017 to the External Auditors are set out in the Additional Compliance Information of this Annual Report. Having satisfied itself with their performance and fulfillment of criteria as set out in the Non-Audit Services Policy as well as received the assurance from CH as stated above, the AC recommended their re-appointment to the Board, upon which the shareholders' approval will be sought at the 18th AGM.

PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

9. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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

The 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' investment.

Details of the main features of the Company's risk management and internal controls framework are further elaborated in the Statement on Risk Management and Internal Control on page 41 to 43 of this Annual Report.

10. GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board has outsourced the internal audit ("IA") function to an independent assurance provider, namely Axcelasia Columbus Sdn. Bhd. to provide an independent appraisal over the system of internal control of the Group to the AC.

To ensure that the responsibilities of internal auditors are fully discharged, 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 included on page 41 to 43 of this Annual Report provides the overview of the internal control framework adopted by the Company during the financial year ended 31 December 2017.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

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

PART I – COMMUNICATION WITH STAKEHOLDERS

11. CONTINUOUS COMMUNICATION BETWEEN COMPANY AND STAKEHOLDERS

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

The Company has put in place a Corporate Disclosure Policy with the objective to ensure communications to the public are timely, factual, accurate, complete, broadly disseminated and where necessary, filed with regulators in accordance with applicable laws and a disclosure committee comprises of Executive Directors and CFO was established in year 2013.

In addition, the Directors engage with shareholders at least once a year during the AGM to understand their needs and seek their feedback.

PART II – CONDUCT OF GENERAL MEETINGS

12. SHAREHOLDER PARTICIPATION AT GENERAL MEETINGS

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

In line with good corporate governance practices, the notice of the AGM was issued at least 28 days before the AGM date. All the Directors shall endeavour to present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company the AGM. The proceedings of the AGM will include the Chairman's briefing on the Company's overall performance for the year under review, the presentation of the External Auditors' unqualified report to the shareholders, and a Q&A session during which the Chairman will invite shareholders to raise questions pertaining to the Company's financial statements and other items for adoption at the meeting, before putting a resolution to vote. The Directors, CFO and External Auditors will be in attendance to respond to the shareholders' queries.

This CG Overview Statement was approved by the Board on 18 April 2018.

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 financial year ended ("FYE") 31 December 2017, which has been prepared pursuant to paragraph 15.26 (b) of Bursa Securities' MMLR, Practices 9.1 and 9.2 of the MCCG and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"), in this Annual Report. This statement outlines the nature and state of the risk management and internal controls of the Group during the financial year.

BOARD RESPONSIBILITY

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

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

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

RISK MANAGEMENT FRAMEWORK

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

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

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

The above risk management process is carried out biennially and has been in place for the year under review and up to the date of the approval of this Statement. The Key Risk Profile ("KRP") was last presented to the AC on 24 February 2016. Subsequent to FYE 31 December 2017, as facilitated by a professional services firm, the following risk management activities were carried out:

- Re-assessment of the impact and likelihood parameters to ensure that these parameters are still relevant to the Group on an annual basis;

- Risk assessment meeting with the Group CEO, COO and CFO was conducted to update the KRP. During the meeting, key risks identified will be rated and prioritised in terms of likelihood of the risk occurring and its impact should the risk occur. The risk ratings take into consideration the effectiveness of existing internal controls put in place to mitigate the key risks identified. Thereafter, risk management strategies or management action plans to be undertaken are considered to manage risks to the Group's acceptable level.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

RISK MANAGEMENT FRAMEWORK *(cont'd)*

- Update of the Group's KRP based on risk assessment meeting conducted.
- Results of the risk assessment were presented to the AC on 26 February 2018.

IA FUNCTION

The Group's IA Function assists the Board and AC by providing an independent assessment of the adequacy and effectiveness of the Group's internal control system. Further details of the IA Function are set out in the AC Report on pages 44 to 46 of this Annual Report.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

(a) Management Structure

The Group maintains a formal organisation structure with clear lines of accountability and responsibility. The daily running of the businesses is entrusted to the Executive Directors and 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 are 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 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 9001:2015 Quality Management System since March 2018. Yearly surveillance audits and periodic re-assessments are carried out to ensure its adherence and application of the ISO quality policies and procedures.

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

Both KGB and KTSB achieved the OHSAS 18001:2017 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.

OTHER KEY ELEMENTS OF INTERNAL CONTROL *cont'd*

(f) Internal Policies and Procedures

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

(g) External Audit

In accordance with Paragraph 15.23 of MMLR, the External Auditors have performed a review on the statement on internal control and risk management for its inclusion into the Annual Report of the Company for FYE 31 December 2017, 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

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

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

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 the Board and Management.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors dated on 18 April 2018.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

In accordance with Paragraph 15.23 of MMLR, the External Auditors have performed a review on the statement on internal control and risk management for its inclusion into the Annual Report of the Company for the FYE 31 December 2017, 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.

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 2017.

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. 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 2017 are as follows:

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

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

The Board assesses the performance of the AC and its members through an annual Board Committee effectiveness evaluation and is satisfied that they are able to discharge their functions, duties and responsibilities in accordance with the 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 AC

The AC held five (5) meetings in the year 2017 and the Executive Directors were invited to all AC meetings to facilitate direct communication and to provide clarification on audit issues and the operations of the Group. The Internal Auditors were present two (2) out of five (5) AC meetings to table the respective IA reports. Management were invited to brief the AC on specific issues arising from the relevant audit reports.

The AC met with the External Auditors two (2) times in the year 2017 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 2017, 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 AC *cont'd*

The works carried out by the AC during the FY2017 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 FYE 31 December 2016. 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 with the External Auditors without the presence of executive board members and management personnel to further discuss matters arising from audit; and

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

Overseeing the Governance Practices in the Group:

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

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

(c) Reviewed the adequacy and effectiveness of the Group's 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 the Internal Auditors.

AUDIT COMMITTEE REPORT
cont'd

MEETINGS AND SUMMARY OF WORKS OF THE AC *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 IA plan;

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

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

IA FUNCTIONS

The Group's IA function, which reports directly to the AC, is outsourced to Axcelasia Columbus Sdn Bhd. The engagement Executive Director is Mr Mah Siew Hoong who has diverse professional experience in IA, risk management and corporate governance advisory. He is a Chartered Member of the Institute of Internal Auditors Malaysia, a member of the Malaysian Institute of Accountants and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom. Mr Mah is a Certified Internal Auditors (USA) and has a Certification in Risk Management Assurance (USA).

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

During the FYE 31 December 2017, the outsourced IA function carried out IA reviews in accordance with the risk based IA plan approved by the AC. The business processes reviewed are as follows:

Entity	Business Processes Reviewed
Kelington Engineering (S) Pte. Ltd & Puritec Technologies (S) Pte Ltd	Procurement of Contractors and Materials Billing and Collection
Kelington Technologies Sdn. Bhd.	Billing and Collection Treasury Management

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

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

The total cost incurred by the IA function is at RM43,000 for the FYE 31 December 2017.

The AC Report is made in accordance with the resolution of the Board of Directors' Meeting held on 18 April 2018.

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 2017 is as follows:-

Details of Auditors' Remuneration	Group (RM)	Company (RM)
- Statutory Audit Fees	384,000	138,000
- Non-Audit Fees being payment for Statement of Risk Management and Internal Control	5,000	5,000
Total	**389,000**	**143,000**

3. LIST OF PROPERTIES

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

4. MATERIAL CONTRACTS

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 2017 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 13 June 2017, 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 FYE 31 December 2017 pursuant to Shareholders' Mandate are as follows:-

Transacting parties	Interested directors or major shareholders	Nature of transactions	Actual Value transacted (RM)
Provider: Kelington Group **Recipient:** BOCLH Group	1) Sun Lead (1) 2) Fortune Dragon (2) 3) LHIC (2)	Kelington Group is supplying services in relation to UHP delivery systems solution to BOCLH Group	RM7,507,923
Provider: BOCLH Group **Recipient:** Kelington Group	1) Sun Lead (1) 2) Fortune Dragon (2) 3) LHIC (2)	Kelington Group is purchasing equipment and consumables (welding and testing gases) for UHP delivery system from BOCLH Group	nil

Notes:-

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

ADDITIONAL COMPLIANCE INFORMATION
cont'd

6. ESOS AND ESS

ESOS

The ESOS was approved by the shareholders at an Extraordinary General Meeting ("EGM") 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.

Subsequently, the ESOS was terminated upon implementation of the ESS on 19 June 2017.

ESS

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

During the FYE 31 December 2017, the information in relation to the ESS is as follows:-

Total number of ESS Shares outstanding as at 1 January 2017	Total number of ESS Shares offered during the FYE 31 December 2017	Total number of ESS Shares granted during the FYE 31 December 2017	Total ESS Shares outstanding as at 31 December 2017
Nil	16,000,000	Nil	16,000,000

ESS Shares offered to Directors and Senior Management

	During the FYE 31 December 2017	Since commencement of the ESS on 19 June 2017
Aggregate maximum Entitlement under ESS (%)	56.5%	56.5%
Actual ESS Shares offered (%)	36.7%	36.7%

Breakdown of the ESS shares offered and granted to Non-Executive Directors pursuant to ESS in respect of the financial year are as follows:

Name of Directors	Number of ESS Shares Offered	Number of ESS Shares Granted
Chan Thian Kiat	65,000	Nil
Tan Chuan Yong	65,000	Nil
Soo Yuit Weng	55,000	Nil
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	55,000	Nil
Total	**240,000**	**Nil**

SUSTAINABILITY STATEMENT

Our vision, mission, and core values form the guiding principles in the way we manage corporate sustainability and interaction with our stakeholders.

CORPORATE GOVERNANCE

Providing a rigorous system of policies, practices & internal controls upheld by our Board, Management and Employees.

EDUCATION AND HUMAN CAPITAL DEVELOPMENT

Creating a culture of excellence, competitiveness & knowledgable society through continual development of stakeholders.

PRODUCTIVITY & INNOVATION

Delivering value added and quality solutions that meet our Customers' needs.

SAFETY AND HEALTH

Ensuring a safe and secure workplace as well as proactively managing health and safety risks.

ENVIRONMENTAL CARE & PROTECTION

Protecting and conserving the environment.

CORPORATE SOCIAL RESPONSIBILITIES

Making a positive difference to the communities we operate in.

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

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

STAKEHOLDER ENGAGEMENT

Key Stakeholders	Engagement Objectives	Stakeholders' Interest	Engagement Methods
Customers	To deliver value added and quality solutions that meet our Customers' needs.	Safe and efficient engineering solutions	• Customer satisfaction surveys • Personalised services • Strategic alliance and regular meetings
Employees	To create a safe workplace with good employee welfare, open communications and career advancement.	• Employee welfare • Training and development • Employee engagement	• Safety Briefing & Toolbox Meetings • Corporate Quarterly Newsletters • Monthly Safety & Health Newsletters • Workshops, seminars & trainings • Annual staff meetings • Posters/Memos • Long Services Award • Monthly tea talks with senior management
Contractors, Industry Partners, and Suppliers	To drive sustainability across our supply chain.	• Strategic partnerships • Sustainable practices	• Formal & Informal dialogue sessions • Site Inspections • Supplier selection via pre-qualification and tendering process
Government and Regulatory Bodies	To comply with applicable laws and regulations across all our operations.	• Regulatory compliance • Annual reporting • Sustainability reporting	• Maintain relationships with government officials

SUSTAINABILITY STATEMENT
cont'd

STAKEHOLDER ENGAGEMENT *cont'd*

Key Stakeholders	Engagement Objectives	Stakeholders' Interest	Engagement Methods
Investors	To assist investors in making informed investment decisions by providing timely and regular updates on financial performance, business strategy and other issues.	• Strong financial performance • Timely and transparent disclosure	• Dedicated Investor Relations team • Quarterly financial results announcements • Quarterly analysts' briefings • Press releases • Annual General Meeting • Corporate website
Media	To strengthen our profile by providing timely and accurate information about our Group's developments.	Timely and accurate information on Group's businesses	• Press releases • Press Conferences • Media interviews
Local Communities	To support local communities in economic, environmental and social development.	Community development initiatives	• Local sourcing • Donations and Corporate Contributions

APPROACH TO SUSTAINABILITY

The following table provides the details of the identified material issues which were classified in seven categories and our approach.

Classification	Issue	Our Approach
Economic Performance	**Profitability**	• Executing the Group's strategic plan. • Top Management to keep abreast with local and global economic climate through economic reports and media. • Create solutions for all sorts of engineering enquiries. • Continuous efforts in improving efficiency and quality of projects. • Improve Group's earnings sustainability by exploring for business opportunities that provide recurring income.
Business Conduct and Governance	**Legal Compliance**	• Access to information and professional advice. • Review of legal requirements for contracts. • Keep abreast with new accounting standards by attending seminars. • Updating relevant staff on new changes of laws and regulations. • Formation of Safety and Health Committee. • Managing operations to ensure compliance to all legal requirements.
	Crisis and business continuity management	• Establish a sound framework to manage risks.
	Ethics	• Formalise ethical standards through code of ethics and conduct. • There were no confirmed incidents of corruption, money laundering, non-compliance or violation of laws and regulations. • Ensure adequate safety measures and provide proper protection to workers and employees at the workplace. • Ensure activities of the Group do not harm the interest and well-being of society at large.

SUSTAINABILITY STATEMENT
cont'd

APPROACH TO SUSTAINABILITY *cont'd*

Classification	Issue	Our Approach
Safety and Security	**Workers' Safety**	• Establishment of OHSAS 18001:2007 Management System to reduce rates of injury, occupational diseases, lost days and absenteeism. • Our employees are provided with training to equip them with knowledge to handle hazardous gas/chemicals and are also adequately insured. • Employees are required to adhere strictly to our Standard Operating Procedures at all times. • Disseminate safety information via Safety Handbook. • Promote a safety culture: Safety First, Quality Always. • Our impeccable safety record to date is a testament of our commitment to safety.
	Workers' Health	• Disseminate health news, articles and information via safety newsletter. • Minimise workplace health hazards. • Create culture of enhance wellbeing.
	Security Issue	• Installation of closed-circuit television within office boundaries.
Environmental Impact	**Energy Management**	• Renewable energy solution. • Install and maintain photovoltaic system on top of our office building. • Create environmentally beneficial products/services.
	Materials Usage	• Disseminate information on how to lower environmental footprint via newsletter. • Ensure effective use of natural resources.
	Waste Management and recycling potential	• Adopting green practices and using natural resources responsibly. • Manage consumption of direct and indirect sources of energy used in the operations. • Use raw materials such as steel efficiently and reduce different types of waste. • Encourage recycling for materials including steel scrap and paper.
Employee Welfare and Health	**Talent retention**	• Attractive remuneration packages and advancement opportunities for talented employees.
	Staff welfare	• Standardised Human Resources policies and implementation of minimum wage policy. • Promote professionalism and improve the competency of Management, employees and skill workers via continuous training. • Stringent Health and Safety programmes at the workplace. Regular workplace inspection. • Provide Insurance plan, Employee Share Scheme and Bonus to supplement higher costs of living.
	Learning and Development	• An employee's professional development continues throughout his/her career with us, mainly through on-the-job training in the form of technical and skills courses conducted by external experts in their respective fields.
Business Excellence	**Productivity**	• Engage closely with our customers and contractor partners to solicit feedback and improve processes through a number of channels including customer surveys, project discussions, on-site visits and other events. • Continuous improving in engineering processes.
	Project Quality	• Meeting and exceeding our customer's requirement and expectations. • Consistently review our Quality Management System to ensure compliance to ISO 9001:2008 requirements.
Community Involvement	**Community Initiative**	• Create Jobs. • Create beneficial products/services. • Corporate contribution to local school.

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 2017.

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/(Loss) after taxation for the financial year	11,541	(982)
Attributable to:-		
Owners of the Company	11,785	(982)
Non-controlling interests	(244)	-
	11,541	(982)

DIVIDENDS

A final tax-exempt dividend of 1 sen per ordinary share amounting to approximately RM2,287,143 for the financial year ended 31 December 2016 was approved by the shareholders at the Seventeenth Annual General Meeting held on 13 June 2017 and was paid on 2 August 2017.

The directors recommend the payment of a final tax-exempt dividend of 1.5 sen per ordinary share amounting to approximately RM3,665,000 in respect of the current financial year. The proposed dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting. 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 2018.

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) the Company increased its issued share capital from RM22,237,533 to RM24,139,536 by way of an issuance of 7,458,835 new ordinary shares of RM0.255 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

(b) 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 127(6) of the Companies Act 2016.

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

During the financial year, the Company resold 100,000 of its treasury shares in the open market at a price of approximately RM0.74 per share. The total consideration received for the resale including transaction cost amounted to approximately RM74,000.

As at 31 December 2017, the Company held a total of 1,119,900 treasury shares out of the total 229,834,166 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of approximately RM534,000. The details on the treasury shares are disclosed in Note 15(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			
	Exercise Price	**At 1.1.2017**	**Exercised**	**Lapsed**	**At 31.12.2017**
Warrant 2014/2019	RM0.50	53,937,631	-	-	53,937,631

The salient terms of the Warrants 2014/2019 are disclosed in Note 15(f) to the financial statements.

OPTION GRANTED OVER UNISSUED SHARES

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

ESOS AND EMPLOYEES' SHARE SCHEME ("ESS")

(a) 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. On 13 June 2017, the ESOS was terminated with the approval by shareholders at an Extraordinary General Meeting.

(b) ESS

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

The details of the ESOS and ESS are disclosed in Note 15(d) to the financial statements.

DIRECTORS' REPORT
cont'd

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS' REPORT
cont'd

DIRECTORS

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

Gan Hung Keng
Ong Weng Leong
Chan Thian Kiat
Tan Chuan Yong
Laksamana Madya Datuk Haji Jamil Bin Haji Osman
Soo Yuit Weng

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

Chang Chin Sia
Lim Seng Chuan
Cham Teck Kuang
Wan Siew Chuan
Joshua Kalinoe
Tommy Suhardjo
Roderick R.C. Salazar III
Lino Jose A. Equipilag
Ong Seng Heng (Appointed on 28.8.2017)
Bayani B. Loste (Appointed on 17.4.2017)
Francis Chia Meng Tet (Resigned on 20.2.2017)
Ng Boon Hock (Resigned on 20.2.2017)

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				
	At 1.1.2017	Bought	Exercise of Share Options	Sold	At 31.12.2017
Direct Interests					
Gan Hung Keng	1,946,666	-	-	-	1,946,666
Ong Weng Leong	1,946,000	-	-	-	1,946,000
Chan Thian Kiat	173,332	-	93,334	(173,300)	93,336
Tan Chuan Yong	173,332	-	93,334	-	266,666
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	156,000	-	84,000	(156,000)	84,000
Soo Yuit Weng	514,666	200,000	84,000	-	798,666
Indirect Interests					
Gan Hung Keng *	100,299,290	-	-	(8,000,000)	92,299,290
Ong Weng Leong *	100,299,290	-	-	(8,000,000)	92,299,290

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

DIRECTORS' REPORT
cont'd

DIRECTORS' INTERESTS *cont'd*

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

	Number of Share Options Over Ordinary Shares				
	At 1.1.2017	**Granted**	**Exercised**	**Lapsed**	**At 31.12.2017**
Share Options of the Company					
Direct Interests					
Gan Hung Keng	-	1,600,000	-	-	1,600,000
Ong Weng Leong	666	1,600,000	-	(666)	1,600,000
Chan Thian Kiat	93,334	65,000	(93,334)	-	65,000
Tan Chuan Yong	93,334	65,000	(93,334)	-	65,000
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	84,000	55,000	(84,000)	-	55,000
Soo Yuit Weng	84,000	55,000	(84,000)	-	55,000

	Number Of Warrants Over Ordinary Shares			
	At 1.1.2017	**Issued**	**Sold**	**At 31.12.2017**
Warrants of the Company				
Direct interests				
Gan Hung Keng	150,466	-	(150,433)	33
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	24,000	-	(24,000)	-
Indirect interests				
Gan Hung Keng *	25,052,572	-	(6,745,700)	18,306,872
Ong Weng Leong *	25,052,572	-	(6,745,700)	18,306,872

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 37 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 ESS of the Company) and warrants issued to the directors.

DIRECTORS' REPORT
cont'd

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are disclosed in Note 28 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, there is no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Group and of the Company.

SUBSIDIARIES

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

SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

The significant events during and after the financial year are disclosed in Note 42 to the financial statements.

AUDITORS

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

The auditors' remuneration are disclosed in Note 28 to the financial statements.

Signed in accordance with a resolution of the directors dated 18 April 2018.

Gan Hung Keng

Ong Weng Leong

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Gan Hung Keng and Ong Weng Leong, being two of the directors of Kelington Group Berhad, state that, in the opinion of the directors, the financial statements set out on pages 64 to 149 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 18 April 2018.

Gan Hung Keng **Ong Weng Leong**

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Jong Yu Huat, MIA Membership Number: 29248, being the officer primarily responsible for the financial management of Kelington Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 64 to 149 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Jong Yu Huat,
at Kuala Lumpur
in the Federal Territory
on this 18 April 2018

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 2017 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 64 to 149.

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 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

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

<table>
<tr><td colspan="2">Amounts owing by/(to) contract customers and revenue recognition
Refer to Notes 9 and 24 to 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.

We focused on this area as the recognition of revenue and costs require the application of judgement.</td><td>Our procedures included, amongst others:-
• Reviewing the contract value secured and projected budgeted costs.
• Assessing the estimated total costs to complete through inquiries with the operational and financial personnel of the Group.
• Inspecting documentation to support cost estimates made including contract variations and cost contingencies.
• Comparing contract budgets to actual outcomes to assess the reliability of management.
• Performing verification on the actual progress billings issued and actual costs incurred for the financial year.
• Checking on the subsequent billings of amount owing by contract customers.
• Performing 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*

Recoverability of trade receivables Refer to Note 11 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
The balance of trade receivables amounted to approximately RM81.2 million of which approximately RM15.9 million exceeded their credit terms. Management recognised the allowance of impairment losses on trade receivables based on specific known facts or customers' ability to pay. We focused on this area as determination of whether trade receivables are recoverable involves significant management judgement.	Our procedures included, amongst others:- • Reviewing the ageing analysis of receivables and tested its reliability. • Reviewing subsequent cash collections for major receivables and overdue amounts. • Examining other evidence including customers' correspondences, proposed or existing settlement plans and repayment schedules. • Evaluating the reasonableness and testing the adequacy of the impairment losses recognised for identified exposures on trade receivables by assessing the relevant assumptions and historical data from the Group's previous collection experience.

Goodwill impairment Refer to Note 7 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
The Group has goodwill of approximately RM6.3 million comprised mainly from a cash-generating units ("CGU"). The determination of recoverable amount, being the higher of fair value less costs to sell and value-in-use, requires judgement on the part of management in identifying and then valuing the relevant CGUs. The value-in-use models use to assess the risk of impairment are based on assumptions including revenue forecasts, gross and operating margins and discount rates, all of which are country-specific. We focused on this area because of the inherent judgement involved in determining key assumptions such as future sales growth, profit margins and discount rates.	Our procedures included, amongst others:- • Making enquiries of and challenging the management on the key assumptions made, including: i. The achievement of the business plan; and ii. Sales growth, operating margin, discount rates and long-term growth rates. • We also performed sensitivity analysis on key assumptions and agreed with management's conclusion that reasonable possible changes to the assumptions would result in a material difference to the changes already recognised.

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 the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As 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 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Cheong Tze Yuan
Approval No: 03034/04/2020 J
Chartered Accountant

18 April 2018

Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2017

		The Group		The Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	14,463	7,261
Property, plant and equipment	6	15,525	8,329	2,602	2,644
Development costs		-	17	-	-
Goodwill	7	6,336	6,479	-	-
Non-current tax assets		-	349	-	-
Other receivables	8	-	184	-	-
		21,861	15,358	17,065	9,905
CURRENT ASSETS					
Amount owing by contract customers	9	42,851	68,906	1,668	19,602
Inventories	10	969	167	-	-
Trade receivables	11	81,194	59,301	7,362	8,266
Other receivables, deposits and prepayments	8	20,373	12,765	2,642	2,995
Amount owing by subsidiaries	12	-	-	11,931	12,869
Current tax assets		464	851	-	-
Fixed deposits with licensed banks	13	14,622	8,236	10,226	7,070
Cash and bank balances		47,540	34,361	10,977	2,730
		208,013	184,587	44,806	53,532
TOTAL ASSETS		229,874	199,945	61,871	63,437

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

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2017
cont'd

		The Group		The Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	14	25,826	22,238	25,826	22,238
Reserves	15	52,418	44,337	1,106	4,781
Equity attributable to the owners of the Company		78,244	66,575	26,932	27,019
Non-controlling interests	5	231	418	-	-
TOTAL EQUITY		78,475	66,993	26,932	27,019
NON-CURRENT LIABILITIES					
Deferred tax liabilities	16	157	158	65	66
Long-term borrowings	17	2,317	897	1,668	361
		2,474	1,055	1,733	427
CURRENT LIABILITIES					
Amount owing to contract customers	9	21,806	40,550	320	121
Amount owing to subsidiaries	12	-	-	8,792	9,468
Trade payables	20	59,322	45,921	6,557	11,348
Other payables and accruals	21	34,288	20,574	1,681	1,421
Provisions	22	986	645	212	507
Short-term borrowings	23	27,948	23,664	15,557	12,970
Current tax liabilities		4,575	543	87	156
		148,925	131,897	33,206	35,991
TOTAL LIABILITIES		151,399	132,952	34,939	36,418
TOTAL EQUITY AND LIABILITIES		229,874	199,945	61,871	63,437

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		The Group		The Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
REVENUE	24	313,333	343,344	28,193	35,324
COST OF SALES	25	(263,308)	(304,120)	(36,377)	(36,099)
GROSS PROFIT/(LOSS)		50,025	39,224	(8,184)	(775)
OTHER INCOME	26	2,105	4,831	15,579	7,124
		52,130	44,055	7,395	6,349
SELLING AND DISTRIBUTION EXPENSES	27	(1,123)	(1,142)	(225)	(263)
ADMINISTRATIVE EXPENSES	28	(25,176)	(19,851)	(5,949)	(4,055)
OTHER EXPENSES	29	(7,908)	(12,175)	(1,178)	(582)
FINANCE COSTS	30	(761)	(816)	(873)	(613)
PROFIT/(LOSS) BEFORE TAXATION		17,162	10,071	(830)	836
INCOME TAX EXPENSE	31	(5,621)	(1,244)	(152)	(628)
PROFIT/(LOSS) AFTER TAXATION		11,541	8,827	(982)	208
OTHER COMPREHENSIVE (EXPENSE)/ INCOME					
Item that May Be Reclassified Subsequently to Profit or Loss					
Foreign currency translation		(522)	(767)	510	(638)
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE FINANCIAL YEAR		11,019	8,060	(472)	(430)
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		11,785	8,866	(982)	208
Non-controlling interests		(244)	(39)	-	-
		11,541	8,827	(982)	208
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) ATTRIBUTABLE TO:-					
Owners of the Company		11,284	8,083	(472)	(430)
Non-controlling interests		(265)	(23)	-	-
		11,019	8,060	(472)	(430)
EARNINGS PER SHARE (SEN)					
- Basic	32	5.2	4.0		
- Diluted	32	4.8	4.0		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		← 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	Attributable To Owners of the Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
The Group											
Balance at 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:											
- Foreign currency translation differences		-	-	-	-	-	(783)	-	(783)	16	(767)
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	34	-	-	-	-	-	-	(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 at 31.12.2016		22,238	(608)	1,315	8,985	371	4,933	29,341	66,575	418	66,993

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
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	Attributable To Owners of the Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
The Group											
Balance at 31.12.2016/1.1.2017		22,238	(608)	1,315	8,985	371	4,933	29,341	66,575	418	66,993
Profit after taxation for the financial year		-	-	-	-	-	-	11,785	11,785	(244)	11,541
Other comprehensive income for the financial year:											
- Foreign currency translation differences		-	-	-	-	-	(501)	-	(501)	(21)	(522)
Total comprehensive (expenses)/income for the financial year		-	-	-	-	-	(501)	11,785	11,284	(265)	11,019
Contributions by and distribution to owners of the Company:											
- Dividend paid	34	-	-	-	-	-	-	(2,287)	(2,287)	-	(2,287)
- Acquisition of a subsidiary:											
- Hiti Engineering (M) Sdn. Bhd.	33	-	-	-	-	-	-	-	-	48	48
Issuance of share to non-controlling interests by a subsidiary		-	-	-	-	-	-	-	-	110	110
- Changes in ownership interests in subsidiaries that do not result in a loss of control		-	-	-	-	-	-	-	-	(80)	(80)
- Employees' share option reserve		-	-	-	-	696	-	-	696	-	696
- Employees' share options exercised		2,273	-	-	-	(371)	-	-	1,902	-	1,902
- Resale of treasury shares		-	74	-	-	-	-	-	74	-	74
- Transfer to share capital upon implementation of the Companies Act 2016		1,315	-	(1,315)	-	-	-	-	-	-	-
Total transactions with owners		3,588	74	(1,315)	-	325	-	(2,287)	385	78	463
Balance at 31.12.2017		25,826	(534)	-	8,985	696	4,432	38,839	78,244	231	78,475

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

		Non-Distributable						Distributable	
		Share Capital	Treasury Shares	Share Premium	Capital Reserve	Employees' Share Option Reserve	Exchange Fluctuation Reserve	Retained Profits	Total Equity
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Company									
Balance at 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	34	-	-	-	-	-	-	(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 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

		Non-Distributable						Distributable	
		Share Capital	Treasury Shares	Share Premium	Capital Reserve	Employees' Share Option Reserve	Exchange Fluctuation Reserve	Retained Profits	Total Equity
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Company									
Balance at 31.12.2016/1.1.2017		22,238	(608)	1,315	1,044	371	(904)	3,563	27,019
Loss after taxation for the financial year		-	-	-	-	-	-	(982)	(982)
Other comprehensive income for the financial year:									
- Foreign currency translation differences		-	-	-	-	-	510	-	510
Total comprehensive income/(expenses) for the financial year		-	-	-	-	-	510	(982)	(472)
Contributions by and distribution to owners of the Company:									
- Dividend paid	34	-	-	-	-	-	-	(2,287)	(2,287)
- Employees' share option reserve		-	-	-	-	696	-	-	696
- Employees' share option exercised		2,273	-	-	-	(371)	-	-	1,902
- Resale of treasury shares		-	74	-	-	-	-	-	74
- Transfer to share capital upon implementation of the Companies Act 2016		1,315	-	(1,315)	-	-	-	-	-
Total transactions with owners		3,588	74	(1,315)	-	325	-	(2,287)	385
Balance at 31.12.2017		25,826	(534)	-	1,044	696	(394)	294	26,932

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit/(Loss) before taxation	17,162	10,071	(830)	836
Adjustments for:-				
Amortisation of development costs	17	18	-	-
Amount owing by contract customers written off	635	832	635	233
Bad debts written off	2,082	4,496	269	-
Depreciation of property, plant and equipment	1,296	1,158	89	84
Property, plant and equipment written off	17	6	16	-
Impairment loss on investment in subsidiaries	-	-	-	170
Impairment losses on trade receivables	1,110	5,380	-	95
Impairment losses on other receivables	-	224	-	-
Interest expense	761	816	873	613
Inventories written off	-	59	-	-
Loss on disposal of property, plant and equipment	44	62	-	-
Provision for foreseeable loss	327	495	-	495
Provision for warranty costs	623	-	220	-
Provision for unutilised leave	8	-	-	-
Share-based payments	696	15	329	8
Dividend income	-	-	(11,562)	(3,397)
Reversal of impairment losses on trade receivables	(40)	-	(40)	-
Unwind of discount on advances to employees	(251)	-	-	-
Unrealised loss/(gain) on foreign exchange	2,529	(2,410)	(472)	(646)
Interest income	(389)	(265)	(265)	(195)
Writeback of provision for foreseeable losses	(503)	-	(503)	-
Writeback of provision for warranty costs	(112)	(63)	(13)	(12)
Writeback of impairment losses on trade receivables	(44)	-	-	-
Operating profit/(loss) before working capital changes	25,968	20,894	(11,254)	(1,716)
Increase in inventories	(826)	(31)	-	-
Decrease/(Increase) in amounts owing by/(to) contract customers	6,499	7,888	17,772	(12,396)
(Increase)/Decrease in trade and other receivables	(36,257)	(13,962)	972	(8,501)
Increase/(Decrease) in trade and other payables	28,930	131	(4,443)	8,213
CASH FROM/(FOR) OPERATIONS	24,314	14,920	3,047	(14,400)
Income tax paid	(752)	(929)	(221)	(76)
Interest paid	(761)	(816)	(873)	(613)
Interest received	389	265	265	195
NET CASH FROM/(FOR) OPERATING ACTIVITIES	23,190	13,440	2,218	(14,894)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

		The Group		The Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Acquisition of subsidiaries	33	-	-	(303)	-
Additional investment in a subsidiary		(80)	-	(6,535)	(360)
Capital contribution from non-controlling interests		-	40	-	-
Dividend received		-	-	11,562	3,397
Net cash outflow on acquisition of subsidiaries	33	(249)	-	-	-
Proceeds from disposal of equipment		-	281	-	-
Purchase of property, plant and equipment	35(a)	(8,352)	(2,025)	(67)	(103)
Proceeds from disposal of equipment		80	-	-	-
Proceeds from issuance of share to non-controlling interests		110	-	-	-
Repayment from subsidiaries		-	-	1,131	242
Repayment from subsidiaries for employees' share options		-	-	4	24
Placement of fixed deposits with licensed banks		(4,948)	(1,074)	(3,156)	(1,042)
Withdrawal of cash in bank held in trust		-	870	-	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(13,439)	(1,908)	2,636	2,158
CASH FLOWS FROM FINANCING ACTIVITIES					
(Repayment to)/Advances from subsidiaries	35(b)	-	-	(593)	7,619
Net repayment of hire purchase obligations	35(b)	(212)	(131)	-	-
Net (repayment)/drawdown of bankers' acceptances	35(b)	(176)	963	-	-
Net drawdown of invoice financing	35(b)	4,001	(1,369)	-	-
Net drawdown of revolving credits	35(b)	7,000	1,500	7,000	1,500
Drawdown of term loans	35(b)	4,351	1,110	4,351	1,110
Repayment of term loans	35(b)	(2,307)	(1,402)	(2,307)	(1,402)
Net (repayment)/drawdown of trust receipts	35(b)	(6,907)	4,226	(5,052)	4,740
Proceeds from exercise of employees' share options		1,902	586	1,902	586
(Resale)/Purchase of treasury shares		74	(1)	74	(1)
Dividend paid	34	(2,287)	(1,106)	(2,287)	(1,106)
NET CASH FROM FINANCING ACTIVITIES		5,439	4,376	3,088	13,046

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

	Note	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		15,190	15,908	7,942	310
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(518)	(530)	305	(371)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		34,361	18,983	2,730	2,791
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	35(c)	49,033	34,361	10,977	2,730

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

1. GENERAL INFORMATION

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 18 April 2018.

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 2016 in Malaysia.

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

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 107: Disclosure Initiative

Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to MFRS Standards 2014 – 2016 Cycles: Amendments to MFRS 12: Clarification of the Scope of the Standard

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

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation between opening and closing balances of these items is provided in Note 35(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
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 as 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
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
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 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 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 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
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
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

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 guidance in MFRS 139 on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the financial assets are managed and their cash flow characteristics. The new standard contains 3 principle classification categories for financial assets (measured at amortised cost, fair value through profit or loss, fair value through other comprehensive income) and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available-for-sale financial assets.

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' ("ECL") model. The new impairment model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. It involves a 3-stage approach under which financial assets move through the stages as their credit quality changes. This new impairment model applies to financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets, lease receivables, loan commitments and certain financial guarantee contracts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
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 *cont'd*:-

The Group is currently assessing the impact of implementing MFRS 9. As a result, the potential impact on the adoption of this standard would only be observable when the assessment is completed later.

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 about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

As at the date of authorisation of issue of the financial statements, the assessment of implementing MFRS 15 has not been finalised. Thus, the potential impact of the adoption of this standard cannot be determined and estimated reliably until the assessment is completed later.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

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

(a) Depreciation of Property, Plant and Equipment

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

(b) 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. The carrying amount of non-current tax asset, current tax assets and current tax liabilities of the Group and of the Company as at the reporting date as follows:-

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Non-current tax asset	-	349	-	-
Current tax assets	464	851	-	-
Current tax liabilities	4,575	543	87	156

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *cont'd*

Key Sources of Estimation Uncertainty *cont'd*

(c) Impairment of Property, Plant and Equipment

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

(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. The carrying amount of inventories as at the reporting date is disclosed in Note 10 to the financial statements.

(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. The carrying amount of other receivables and trade receivables as at the reporting date are disclosed in Note 8 and Note 11 to the financial statements respectively.

(f) Impairment of Goodwill

The assessment of whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating unit to which the goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the reporting date is disclosed in Note 7 to the financial statements.

(g) 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. The carrying amount of development costs as at the reporting date is Nil (2016 - approximately RM17,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *cont'd*

Key Sources of Estimation Uncertainty *cont'd*

(h) Construction Contracts

Significant judgement is required in determining the stage of completion of a construction contract, the extent of the construction cost incurred, the estimation of the variation works and total budgeted construction costs, as well as the recoverability of the construction project. In making the judgement, management evaluates based on experience and by relying the works of specialists. The gross amount due from/(to) contract customer for contract works as at the reporting date is disclosed in Note 9 to the financial statements.

(i) Provisions

The Group recognises a provision for liabilities associated with completed contract based on past experience of the level of repairs and return. The Group's provision for warranty is affected by claims due to actual repairs and return, which may result in the actual costs differing from the Group's estimates. The carrying amount of provisions as at the reporting date is disclosed in Note 22 to the financial statements.

(j) Purchase Price Allocation

Purchase prices related to business combinations are allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The determination of fair value required the Group to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amount assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impact the Group's reported assets (including goodwill) and liabilities, future net earnings due to the impact on future depreciation and amortisation expense and impairment tests. The fair values of the assets acquired and liabilities assumed under the business combinations made during the current financial year are disclosed in Note 33 to the financial statements.

Critical Judgements Made in Applying Accounting Policies

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

(a) 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.

(b) Share-based Payments

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The 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 2017
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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

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 immediately.

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

4.4 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

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

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

(b) Foreign Currency 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 2017
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 2017
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 2017
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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.5 FINANCIAL INSTRUMENTS *cont'd*

(c) Equity Instruments

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

(i) Ordinary Shares

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

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

(ii) Treasury Shares

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

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

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

(d) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.5 FINANCIAL INSTRUMENTS *cont'd*

(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.

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

4.6 INVESTMENTS IN SUBSIDIARIES

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

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

4.7 PROPERTY, PLANT AND EQUIPMENT

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

Subsequent to initial recognition, all property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses. Freehold land is stated at cost less impairment losses, if any, and is not depreciated.

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.

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

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 2017
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.7 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. Any changes are accounted for as a change in estimate.

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

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

4.8 RESEARCH AND DEVELOPMENT EXPENDITURE

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

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

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

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

(iii) its future economic benefits are probable;

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

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

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

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

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

4.9 IMPAIRMENT

(a) Impairment of Financial Assets

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.9 IMPAIRMENT *cont'd*

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

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

(b) Impairment of Non-financial Assets

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

An impairment loss is recognised in profit or loss immediately.

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

4.10 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.11 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.

4.12 INVENTORIES

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

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

4.13 BORROWING COSTS

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

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

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.

4.14 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).

(b) *Deferred Tax*

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.14 INCOME TAXES *cont'd*

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

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

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

Revenues, expenses and assets are recognised net of GST except for the GST in a 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.

In addition, 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.

4.15 CASH AND CASH EQUIVALENTS

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

4.16 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.

(a) Warranties

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

(b) Onerous Contracts

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.17 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 capital 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.

4.18 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.

4.19 EARNINGS PER ORDINARY SHARE

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.20 FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

4.21 REVENUE AND OTHER INCOME

Revenue is measured at the fair value of the consideration received or receivable, net of returns, GST, cash and trade discounts.

(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 from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer and where the Group does not have continuing managerial involvement and effective control over the goods sold.

(d) Interest Income

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

4.21 REVENUE AND OTHER INCOME *cont'd*

(e) Dividend Income

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

4.22 OPERATING SEGMENTS

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

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2017	**2016**
	RM'000	**RM'000**
Unquoted shares, at cost		
- in Malaysia	3,331	823
- outside Malaysia	11,302	6,608
	14,633	7,431
Less: Impairment losses	(170)	(170)
	14,463	7,261
Unquoted shares, at cost:-		
At 1 January	7,431	7,088
Addition during the year:		
- in Malaysia	2,294	360
- outside Malaysia	4,544	-
Movement of ESOS during the year:		
- addition of ESOS	-	7
- ESOS repayment	(4)	(24)
Movement of ESS during the year:		
- addition of ESS	368	-
At 31 December	14,633	7,431

Included in the investments in subsidiaries is an amount of approximately RM632,000 (2016 - RM268,000) relating to the share options granted by the Company to the employees of the subsidiaries.

In the previous 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, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

5. INVESTMENTS IN SUBSIDIARIES *cont'd*

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2017 %	2016 %	
Subsidiaries of the Company				
Kelington Technologies Sdn. Bhd. ("KTSB")	Malaysia	100	100	Provision of engineering services and general trading.
Kelington Engineering (Shanghai) Co. Ltd. ("KESH") *	The People's Republic Of China ("PRC")	100	100	Provision of engineering services.
Kelington Engineering (S) Pte. Ltd. ("KESG") *	Singapore	100	100	Provision of engineering solutions on Ultra-High-Purity gas and chemical delivery system.
Kelington Energy Sdn. Bhd. ("KESB")	Malaysia	100	100	Provision of engineering services and general trading.
Kelington Nawik Sdn. Bhd. ("KNSB")	Malaysia	90	85	Provision of engineering consultancy and services, construction, engineering process and installation.
Kelington Analytical Services Sdn. Bhd. ("KASSB")	Malaysia	55	55	Provision of scientific and technical researches, laboratory testing service and experiments.
Ace Gases Sdn. Bhd. ("AGSB")	Malaysia	94	90	Construction of gas delivery system and manufacturing facilities, production, distribution, supply, import and trading of gases.
Hiti Engineering (M) Sdn. Bhd. ("HITI")	Malaysia	49	-	Investment holding.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
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 2017 %	2016 %	Principal Activities
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.
PT Mitracon Graha Solusindo ("PT Mitracon") *	Indonesia	80	80	Installation, purchase and production of heavy steel construction and building installation.
Kelington Solomon Philippines, Inc ("KSP") *	Philippines	90	80	Dormant.
Subsidiary of PTS				
Puritec Technologies (M) Sdn. Bhd. ("PTM")	Malaysia	100	100	Provision of engineering services and general trading.
Subsidiaries of KNSB				
Kelington Nawik (PNG) Limited ("KNPNG") *	Papua New Guinea	100	100	Dormant.
Subsidiaries of AGSB				
Ace Gases Marketing Sdn. Bhd. ("AGMSB")	Malaysia	100	100	Manufacturing of gas delivery system, repair of gas manufacturing activities, production, distribution supply, import and trading of gases.

Note:-
* - *These subsidiaries were audited by other firms of chartered accountants.*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

5. INVESTMENTS IN SUBSIDIARIES *cont'd*

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

	Effective Equity Interest		The Group	
	2017	2016	2017	2016
	%	%	RM'000	RM'000
KNSB	10	15	(55)	(78)
KASSB	45	45	70	69
AGSB	6	10	102	20
HITI	51	-	16	-
PT Mitracon	20	20	37	257
KSP	10	20	61	150
			231	418

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

(c) On 31 January 2017, the Company had acquired an additional 5% equity interests in KNSB from its non-controlling interests for a cash consideration of RM1. Following the completion of the acquisition, KNSB became a 90%-owned subsidiary of the Company. The acquisition has no significant effect on the financial results and financial position of the Group for the current financial year.

(d) On 6 February 2017, the Company acquired 49% equity interest in HITI. The details of the acquisition are disclosed in Note 33 to the financial statements. Although the Company owns less than half of the voting power in HITI, the directors have determined that the Group has de facto control over HITI as there is power to govern the financial and operating policies. Consequently, the Company accounted HITI as a subsidiary.

(e) On 31 March 2017, KESG, a wholly owned subsidiary of the Company, had acquired an additional 10% equity interest in KSP from its non-controlling interests for a cash consideration of SGD25,401 (equivalent to RM77,000). Following the completion of the acquisition, KSP became a 90%-owned subsidiary of KESG. The acquisition has no significant effect on the financial results and financial position of the Group for the current financial year.

(f) On 1 June 2017, AGSB, a subsidiary of the Company, increased its issued share capital from RM400,000 to RM1,500,000 by the allotment of 1,100,000 new ordinary shares. The Company subscribed for the additional equity in AGSB to retain its 90% equity interests. On 2 October 2017, AGSB, increased its issued share capital from RM1,500,000 to RM2,500,000 by the allotment of 1,000,000 new ordinary shares to the Company. Following the completion of the subscription, AGSB became a 94%-owned subsidiary of the Company.

(g) On 31 July 2017, AGMSB, a subsidiary of AGSB, increased its issued share capital from RM100 to RM100,000 by allotment of 99,900 new ordinary shares. AGSB subscribed for the additional equity in AGMSB to retain its 100% equity interests.

(h) On 20 December 2017, KESG, a wholly owned subsidiary of the Company, increased its issued share capital from SGD3,600,000 to SGD5,100,000. The Company subscribed for 1,500,000 new ordinary shares to retain its 100% equity interests.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

5. INVESTMENTS IN SUBSIDIARIES *cont'd*

(i) In the previous financial year:

(i) the Company had subscribed for 90 ordinary shares of RM1 each representing 90% of the total issued and paid-up capital of AGSB. AGSB had an issued and paid-up share capital of RM100 comprising 100 ordinary shares of RM1 each on 20 July 2016. AGSB is set up mainly for the purpose of restructuring and streamlining the Group's current operations in the 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.

(ii) AGSB had incorporated a subsidiary known as AGMSB with an issued and paid-up capital of RM100 comprising 100 ordinary shares of RM1 each on 7 September 2016. AGSB had subscribed for 100 ordinary shares of RM1 each representing 100% 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 the construction of gas plants, engineering and installation of gas delivery systems.

6. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.1.2017 RM'000	Additions RM'000	Disposal RM'000	Written Off RM'000	Exchange Fluctuation Differences RM'000	Depreciation Charges RM'000	At 31.12.2017 RM'000
Carrying amount							
Freehold land	1,300	-	-	-	-	-	1,300
Buildings	1,008	-	-	-	-	(28)	980
Motor vehicles	1,303	364	(124)	(16)	(7)	(212)	1,308
Office and computer equipment	651	469	-	(1)	(7)	(235)	877
Tools and equipment	3,871	2,530	-	-	(47)	(785)	5,569
Furniture, fittings and renovation	196	31	-	-	(1)	(36)	190
Capital work-in-progress	-	5,301	-	-	-	-	5,301
	8,329	8,695	(124)	(17)	(62)	(1,296)	15,525

The Group	At 1.1.2016 RM'000	Additions RM'000	Disposals RM'000	Written Off RM'000	Exchange Fluctuation Differences RM'000	Depreciation Charges RM'000	At 31.12.2016 RM'000
Carrying amount							
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

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

	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
The Group			
2017			
Freehold land	1,300	-	1,300
Buildings	1,400	(420)	980
Motor vehicles	2,166	(858)	1,308
Office and computer equipment	2,308	(1,431)	877
Tools and equipment	10,511	(4,942)	5,569
Furniture, fittings and renovation	1,274	(1,084)	190
Capital work-in-progress	5,301	-	5,301
	24,260	(8,735)	15,525
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

	At 1.1.2017 RM'000	Addition RM'000	Written Off RM'000	Exchange Fluctuation Differences RM'000	Depreciation Charges RM'000	At 31.12.2017 RM'000
The Company						
Carrying Amount						
Freehold land	1,300	-	-	-	-	1,300
Buildings	1,008	-	-	-	(28)	980
Motor vehicles	60	-	(16)	-	(16)	28
Office and computer equipment	103	67	-	-	(33)	137
Tools and equipment	130	-	-	(2)	(9)	119
Furniture, fittings and renovation	43	-	-	(2)	(3)	38
	2,644	67	(16)	(4)	(89)	2,602

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

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

	At 1.1.2016 RM'000	Additions RM'000	Exchange Fluctuation Differences RM'000	Depreciation Charges RM'000	At 31.12.2016 RM'000
The Company					
Carrying Amount					
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

	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
The Company			
2017			
Freehold land	1,300	-	1,300
Buildings	1,400	(420)	980
Motor vehicles	153	(125)	28
Office and computer equipment	438	(301)	137
Tools and equipment	669	(550)	119
Furniture, fittings and renovation	528	(490)	38
	4,488	(1,886)	2,602
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

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 RM1,096,000 (2016 - RM952,000) were acquired under hire purchase terms.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

7. GOODWILL

	The Group	
	2017	**2016**
	RM'000	**RM'000**
At 1 January	6,479	6,356
Foreign exchange differences	(143)	123
At 31 December	6,336	6,479

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

	The Group	
	2017	**2016**
	RM'000	**RM'000**
PTS		
- provision of engineering services in clean energy system	6,106	6,249
Others	230	230
	6,336	6,479

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

	Gross Margin		Growth Rates		Discount Rate	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	18%	12%	-5% to 5%	-28% to 5%	8.55%	11.6%

(i) Budgeted gross profit margin — Management determines budgeted gross margin based on past performance and its expectations of market development.

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

(iii) Discount rate (pre-tax) — Management estimates discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risk specific to the CGU. The rate used to discount the forecasted cash flows reflects specific risks and expected returns relating to the industry.

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

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
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cont'd

8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

		The Group		The Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Non-current portion:-					
Other receivables:-					
Advances to employees	(a)	-	184	-	-
Current portion:-					
Other receivables:-					
Third parties		1,752	4,926	501	823
Advances to employees	(a)	652	1,001	-	4
GST recoverable		974	1,324	121	719
		3,378	7,251	622	1,546
Deposits		13,211	2,138	1,277	1,090
Prepayments		3,784	3,376	743	359
		20,373	12,765	2,642	2,995
Other receivables:-					
Third parties		6,179	9,431	4,928	5,328
Allowance for impairment losses:-					
At 1 January		(4,505)	(4,244)	(4,505)	(4,244)
Effect of foreign exchange translation		78	(261)	78	(261)
At 31 December		(4,427)	(4,505)	(4,427)	(4,505)
		1,752	4,926	501	823

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

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

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Advances to employees	652	1,667	-	4
Imputed interest, at amortised cost				
At 1 January	(250)	(245)	-	-
Unwind of discount, under other income	251	-	-	-
Effect of foreign exchange translation	(1)	(5)	-	-
At 31 December	-	(250)	-	-
Allowance for impairment loss:-				
At 1 January	(232)	-	-	-
Addition during the financial year	-	(224)	-	-
Writeoff during the financial year	233	-	-	-
Effect of foreign exchange translation	(1)	(8)	-	-
At 31 December	-	(232)	-	-
	652	1,185	-	4

(a) The advances to employees of the Group is unsecured, repayable in 24 (2016 - 12 to 24) months and bear interest rates ranging from 1.5% to 2% (2016 - 2%) per annum.

(b) In previous financial years, 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 42 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
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9. AMOUNTS OWING BY/(TO) CONTRACT CUSTOMERS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Contract costs incurred	513,809	566,182	22,480	47,778
Attributable profits	90,990	82,814	1,929	637
Less: Written off				
Addition during the financial year	(635)	(832)	(635)	(233)
Effect of foreign exchange translation	21	(41)	21	(19)
	(614)	(873)	(614)	(252)
	604,185	648,123	23,795	48,163
Progress billings	(583,140)	(619,767)	(22,447)	(28,682)
	21,045	28,356	1,348	19,481
Represented by:-				
Amount owing by contract customers	42,851	68,906	1,668	19,602
Amount owing to contract customers	(21,806)	(40,550)	(320)	(121)
	21,045	28,356	1,348	19,481

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Direct contract costs	234,291	277,419	34,443	33,409
Depreciation of property, plant and equipment	705	-	38	-
Provision for foreseeable losses	327	495	-	495
Rental of equipment	5,737	5,410	-	-
Staff cost:				
- salaries, wages, bonus, allowances and others	19,161	17,907	2,287	2,080
- defined contribution plans	2,099	1,901	112	115
Writeback of provision for foreseeable losses	(503)	-	(503)	-
Total contract costs (Note 25)	261,817	303,132	36,377	36,099

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
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10. INVENTORIES

	The Group	
	2017	2016
	RM'000	RM'000
Materials for contracts	969	167
Recognised in profit or loss		
Inventories recognised as cost of sales	616	846
Inventories written off	-	59

11. TRADE RECEIVABLES

		The Group		The Company	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Trade receivables	(a)	78,014	57,348	7,364	8,083
Unbilled receivables	(b)	10,198	8,055	74	300
		88,212	65,403	7,438	8,383
Allowance for impairment losses		(7,018)	(6,102)	(76)	(117)
		81,194	59,301	7,362	8,266
Allowance for impairment loss:-					
At 1 January		(6,102)	(657)	(117)	(14)
Additions during the financial year		(1,110)	(5,380)	-	(95)
Writeback during the financial year		44	-	-	-
Reversal during the financial year		40	-	40	-
Effect of foreign exchange translation		110	(65)	1	(8)
At 31 December		(7,018)	(6,102)	(76)	(117)

(a) The Group's normal trade credit terms range from 30 to 120 (2016 - 30 to 120) days. Other credit terms are assessed and approved on a case-by-case basis.

(b) Unbilled receivables represent work performed but not yet billed.

(c) Included in the trade receivables of the Group and of the Company at the end of the reporting period is an amount of approximately RM7,127,000 and RM2,056,000 (2016 - RM452,000 and RM Nil) respectively, being project retention sums to be received from customers in accordance with the terms of respective contracts.

(d) 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 2017
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12. AMOUNTS OWING BY/(TO) SUBSIDIARIES

		The Company	
		2017	2016
		RM'000	RM'000
Amount owing by:-			
Non-trade balance:			
- interest-free	(a)	7,524	13,334
- interest bearing at 5.27% - 5.80%		4,872	-
		12,396	13,334
Allowance for impairment losses	(b)	(465)	(465)
		11,931	12,869
Amount owing to:-			
Non-trade balance:			
- interest-free	(a)	(1,400)	(9,468)
- interest bearing at 3.30%		(7,392)	-
		(8,792)	(9,468)

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

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

13. FIXED DEPOSITS WITH LICENSED BANKS

	The Group		The Company	
	2017	2016	2017	2016
Weighted average effective interest rate (%)	2.74	3.14	2.55	3.18
Average maturity (days)	30 to 365	30 to 365	30 to 365	30 to 365

Included in the fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period are amounts of approximately RM12,629,000 and RM10,226,000 (2016 - RM8,236,000 and RM7,070,000) respectively which have been pledged to licensed banks as security for banking facilities granted to the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
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14. SHARE CAPITAL

	The Group/The Company			
	2017	2016	2017	2016
	Number Of Shares		RM'000	RM'000
Authorised				
Ordinary shares of RM0.10 each	N/A	500,000,000	N/A	50,000

N/A - Not applicable pursuant to the Companies Act 2016 which came into operation on 31 January 2017 as disclosed in item (iii) below.

	The Group/The Company			
	2017	2016	2017	2016
	Number Of Shares		RM'000	RM'000
Issued And Fully Paid-Up				
Ordinary shares with no par value (2016 - Par value of RM0.10 each)				
At 1 January	222,375,331	220,079,828	22,238	22,008
Employees' share options exercised	7,458,835	2,295,503	2,273	230
	229,834,166	222,375,331	24,511	22,238
Transfer from share premium account (Note 15(a))	-	-	1,315	-
At 31 December	229,834,166	222,375,331	25,826	22,238

(i) During the financial year, the Company increased its issued share capital from RM22,237,533 to RM24,139,536 by the issuance of 7,458,835 new ordinary shares of RM0.255 each for cash pursuant to the exercise of share options under the Employees' Share Option Scheme ("ESOS").

(ii) 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.

(iii) On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. Consequently, the amount standing to the credit of the Company's share premium account became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

NOTES TO THE FINANCIAL STATEMENTS
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15. RESERVES

		The Group		The Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Non-distributable reserves:-					
Share premium	(a)	-	1,315	-	1,315
Capital reserve	(b)	8,985	8,985	1,044	1,044
Exchange fluctuation reserve	(c)	4,432	4,933	(394)	(904)
Employees' share option reserve	(d)	696	371	696	371
Treasury shares	(e)	(534)	(608)	(534)	(608)
		13,579	14,996	812	1,218
Distributable reserve:-					
Retained profits		38,839	29,341	294	3,563
		52,418	44,337	1,106	4,781

(a) Share Premium

	The Group/The Company	
	2017	2016
	RM'000	RM'000
At 1 January	1,315	1,315
Transfer to share capital upon implementation of the Companies Act 2016 (Note 14)	(1,315)	-
At 31 December	-	1,315

(b) Capital Reserve

	The Group		The Company	
	2017	2016	2017	2016
	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

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.

NOTES TO THE FINANCIAL STATEMENTS
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cont'd

15. RESERVES *cont'd*

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

(i) ESOS

The Company granted 7,232,000 share options under the ESOS on 29 March 2011. 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. 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. On 13 June 2017, the ESOS was terminated with the approval by shareholders at an Extraordinary General Meeting.

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 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;

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15. RESERVES *cont'd*

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

(i) ESOS *cont'd*

The salient terms and conditions of the ESOS are as follows:- *cont'd*

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 fair values of the share options granted were estimated using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of the share options measured at grant date and the assumptions used were as follows:-

	The Group/ The Company
Share price on grant date (RM)	0.26*
Exercise price (RM)	0.26*
Expected volatility (%)	41.37
Expected life (years)	5
Risk free rate (%)	3.656
Expected dividend yield (%)	4.406

The expenses recognised for employee services received in the previous financial year were as follows:-

	The Group RM'000	**The Company RM'000**
Expenses arising from equity-settled share-based payment transaction	15	8

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

15. RESERVES *cont'd*

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

(i) ESOS *cont'd*

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

		Number Of Share Options Over Ordinary Shares				
Date Of Offer	**Exercise Price***	**At 1.1.2017**	**Granted**	**Exercised**	**Lapsed**	**At 31.12.2017**
29 March 2011	RM0.255	7,463,433	-	(7,458,835)	(4,598)	-

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 RM0.255 due to the issuance of bonus shares in the financial year ended 31 December 2014.*

(ii) Employees' Share Scheme ("ESS")

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

The main features of ESS are as follows:-

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

2. The maximum number of the Company's shares which may be made available under the ESS shall not be more than seven percent (7%) of the issue shares of the Company (excluding treasury shares, if any) at any point in time during the duration of the ESS.

   Notwithstanding the foregoing and subject to any applicable law, not more than 10% of the maximum company's share available shall be allocated to any individual selected employee who, either individually or collectively through persons connected with the said selected employee, holds 20% or more of the issued shares of the Company;

3. Any employee of the Group or director of the Company who is at least 18 years of age and has been confirmed in service for regular full time employment of any company within the Group shall be eligible to participate in the ESS;

4. The ESS shall be administered by the ESS Committee appointed by the board of directors to administer the ESS; and

5. All the new ordinary shares issued arising from the ESS shall rank pari passu in all respects with the existing ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS
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15. RESERVES *cont'd*

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

The fair values of the share options granted were estimated using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of the share options measured at grant date and the assumptions used are as follows:-

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

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

	The Group RM'000	**The Company RM'000**
Expenses arising from equity-settled share-based payment transaction	696	329

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

		Number Of Share Options Over Ordinary Shares				
Date Of Offer ("Offer Date")	**Exercise Price**	**At 1.1.2017**	**Granted**	**Exercised**	**Lapsed**	**At 31.12.2017**
20 June 2017	Not applicable	-	16,000,000	-	-	16,000,000

The Company granted 16,000,000 share options under the ESS on 20 June 2017. The ESS will be matured and are exercisable if the employee has been confirmed in service for regular full time employment of any company within the Group when the performance conditions are met as follows:-

Performance Conditions	**Allocation**
Achieve a share price of Offer Date closing share price + 10% between the Offer Date to 30 June 2020	10%
Achieve a share price of Offer Date closing share price + 30% between the Offer Date to 30 June 2020	20%
Achieve a share price of Offer Date closing share price + 40% between the Offer Date to 30 June 2020	70%

NOTES TO THE FINANCIAL STATEMENTS
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15. RESERVES *cont'd*

(e) Treasury Shares

	Weighted Average Cost Per Share	The Group/ The Company Number Of Shares	Amount
	RM		RM'000
At 1 January 2016	0.50	1,217,900	(607)
Purchase of treasury shares	0.27	2,000	(1)
At 31 December 2016/1 January 2017	0.50	1,219,900	(608)
Resale of treasury shares	0.74	(100,000)	74
At 31 December 2017	0.48	1,119,900	(534)

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

The shareholder of the Company, by an ordinary resolution passed in the Annual General Meeting held on 13 June 2017, granted their approval for the Company's plan to resale its own ordinary shares. The directors of the Company are committed to enhancing the value to the Company for its shareholders and believe that the resale plan can be applied in the best interests of the Company and its shareholders.

The shares purchased are being held as treasury shares in accordance with Section 127(6) of the Companies Act 2016 in Malaysia.

During the financial year, the Company resale 100,000 of its treasury shares in the open market at a price of approximately RM0.74 per share. The total consideration received for the resale including transaction cost amounted to approximately RM74,000.

In the previous 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 transaction cost amounted to approximately RM600.

(f) 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
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cont'd

15. RESERVES *cont'd*

(f) 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 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.

16. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At 1 January	158	(299)	66	(391)
Recognised in profit or loss (Note 31)	-	447	-	447
Effect of foreign exchange	(1)	10	(1)	10
At 31 December	157	158	65	66
Represented by:-				
Non-current				
Deferred tax assets				
At 1 January	-	(391)	-	(391)
Recognised in profit or loss	-	385	-	385
Effect of foreign exchange	-	6	-	6
At 31 December	-	-	-	-
Deferred tax liabilities				
At 1 January	158	92	66	-
Recognised in profit or loss	-	62	-	62
Effect of foreign exchange	(1)	4	(1)	4
At 31 December	157	158	65	66

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cont'd

16. DEFERRED TAX LIABILITIES *cont'd*

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

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Accelerated capital allowances	92	92	-	-
Amount owing by contract customers	65	66	65	66
	157	158	65	66

17. LONG-TERM BORROWINGS

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Hire purchase payables (Note 18)	649	536	-	-
Term loans (Note 19)	1,668	361	1,668	361
	2,317	897	1,668	361

18. HIRE PURCHASE PAYABLES

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Minimum hire purchase payments:				
- not later than one year	225	200	-	-
- later than one year and not later than five years	622	593	-	-
- later than five years	119	-	-	-
	966	793	-	-
Less: Future finance charges	(130)	(88)	-	-
Present value of hire purchase payables	836	705	-	-
Analysed by:-				
Current liabilities (Note 23)	187	169	-	-
Non-current liabilities (Note 17)	649	536	-	-
	836	705	-	-

(a) The hire purchase payables of the Group are secured by the Group's motor vehicles under finance leases as disclosed in Note 6 to the financial statements. The hire purchase agreements are expiring from 4 to 7 (2016 - 1 to 5) years.

(b) The hire purchase payables of the Group at the end of the reporting period bore effective interest rates ranging from 4.83% to 5.36% (2016 - 4.57% to 4.88%). The interest rates are fixed at the inception of the hire purchase arrangements.

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19. TERM LOANS (SECURED)

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current liabilities (Note 23)	2,057	1,418	2,057	1,418
Non-current liabilities (Note 17)	1,668	361	1,668	361
	3,725	1,779	3,725	1,779

(a) The term loans are secured by:-

i. a first party charge over the freehold land and building of the Group as disclosed in Note 6 to the financial statements;
ii. a first party facility agreement;
iii. a corporate guarantee of a subsidiary;
iv. a negative pledge;
v. a first party trade financing general agreement;
vi. a first and third party blanket counter indemnity;
vii. fixed deposits with licensed banks of the Group and of the Company as disclosed in Note 13 to the financial statements; and
viii. a personal guarantee of a key management personnel of the Company.

(b) The term loans of the Group and of the Company at the end of reporting period bore effective interest rates as follows:-

	The Group		The Company	
	2017	2016	2017	2016
	%	%	%	%
Floating rates term loans:-				
Effective interest rates	5.60 - 6.90	3.28 - 6.90	5.60 - 6.90	3.28 - 6.90

20. TRADE PAYABLES

The normal trade credit terms granted to the Group and the Company range from 30 to 60 days (2016 - 30 to 60 days).

21. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Other payables	19,106	597	216	179
Accruals	13,379	18,955	1,450	1,225
GST payables	1,803	1,022	15	17
	34,288	20,574	1,681	1,421

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22. PROVISIONS

		The Group		The Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Provision for foreseeable losses:-	(a)				
At 1 January		495	-	495	-
Addition during the financial year		327	495	-	495
Writeback during the financial year		(503)	-	(503)	-
Effect of foreign exchange translation		8	-	8	-
At 31 December		327	495	-	495
Provision for warranty costs:-	(b)				
At 1 January		150	214	12	23
Addition during the financial year		623	-	220	-
Writeback during the financial year		(112)	(63)	(13)	(12)
Effect of foreign exchange translation		(10)	(1)	(7)	1
At 31 December		651	150	212	12
Others		8	-	-	-
		986	645	212	507

(a) Provision for foreseeable losses is recognised for possible future losses arising from the current on-going projects.

(b) Provision for warranty costs is recognised for expected claims on the contract revenue during the year that is based on past experience of the level of repairs 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 year warranty periods.

23. SHORT-TERM BORROWINGS

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Hire purchase payables (Note 18)	187	169	-	-
Term loans (Note 19)	2,057	1,418	2,057	1,418
Trust receipts	-	6,900	-	5,052
Revolving credits	13,500	6,500	13,500	6,500
Bankers' acceptances	-	176	-	-
Invoice financing	12,204	8,501	-	-
	27,948	23,664	15,557	12,970

NOTES TO THE FINANCIAL STATEMENTS
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23. SHORT-TERM BORROWINGS *cont'd*

(a) The trust receipts, revolving credits, bankers' acceptances and invoice financing of the Group and of the Company at the end of reporting period bore effective interest rates as follows:-

	The Group		The Company	
	2017	2016	2017	2016
	%	%	%	%
Trust receipts	-	1.56 - 2.50	-	1.56
Revolving credits	4.48 - 5.80	5.26 - 5.85	4.48 - 5.80	5.26 - 5.85
Bankers' acceptances	-	4.27	-	-
Invoice financing	4.45 - 5.75	5.73 - 5.85	-	-

(b) The revolving credits are secured by:-

i. a first party charge over the freehold land and building of the Group as disclosed in Note 6 to the financial statements;
ii. a first party facility agreement;
iii. a corporate guarantee of a subsidiary;
iv. a negative pledge;
v. a first and third party trade financing general agreement;
vi. a first and third party blanket counter indemnity;
vii. fixed deposits with licensed banks of the Group and the Company as disclosed in Note 13 to the financial statements;
viii. an assignment of contractual proceeds;
ix. a cash deposit agreement;
x. a letter of earmark; and
xi. a first and third party master security agreement.

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

(c) The invoice financing are secured by:-

i. a first party facility agreement;
ii. fixed deposits with licensed banks of the Group and the Company as disclosed in Note 13 to the financial statements;
iii. a first and third party master security agreement; and
vi. a corporate guarantee from the Company.

(d) In the previous financial year, the trust receipts were secured by a corporate guarantee of the Company.

(e) In the previous financial year, the bankers' acceptances were secured by:-

i. a corporate guarantee of the Company; and
ii. fixed deposits with licensed banks of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS
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24. REVENUE

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Contract revenue	311,424	342,123	28,193	35,324
Services	398	247	-	-
Sale of goods	1,511	974	-	-
	313,333	343,344	28,193	35,324

25. COST OF SALES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Contract cost (Note 9)	261,817	303,132	36,377	36,099
Depreciation of property, plant and equipment	17	-	-	-
Others	1,474	988	-	-
	263,308	304,120	36,377	36,099

26. OTHER INCOME

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Dividend income	-	-	11,562	3,397
Management fees	-	-	1,624	2,294
Gain on foreign exchange:				
- unrealised	-	2,410	472	646
- realised	828	1,481	1,555	566
Income from transportation on floating dock	-	247	-	-
Interest income:				
- financial institutions	389	265	234	195
- a subsidiary	-	-	31	-
- unwind of discount on advances to employees	251	-	-	-
Writeback of impairment losses on trade receivables	44	-	-	-
Reversal of impairment losses on trade receivables	40	-	40	-
Others	553	428	61	26
	2,105	4,831	15,579	7,124

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
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27. SELLING AND DISTRIBUTION EXPENSES

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

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Entertainment	760	314	61	-
Travelling expenses	273	237	159	158

28. ADMINISTRATIVE EXPENSES

Included in administrative expenses are the following items:-

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:				
- audit fees:				
- Crowe Horwath Malaysia:				
- statutory audit for the financial year	196	161	102	91
- under/(over)provision in the previous financial year	13	(1)	8	1
- overseas affiliates of Crowe Horwath Malaysia	35	39	28	23
- other auditors:				
- statutory audit for the financial year	157	116	-	-
- overprovision in the previous financial year	(17)	-	-	-
- non-audit fees:				
- Crowe Horwath Malaysia	5	5	5	5
Directors' remuneration:				
- Directors' fee:				
- current year	156	156	156	156
- underprovision in the previous financial year	-	16	-	16
- Directors' non-fee emoluments*:				
- salaries, wages, bonus, allowances and others	1,849	1,252	1,849	1,252
- defined contribution plan	97	91	97	91
- share-based payments	150	4	150	4
Provision for unutilised leave	8	-	-	-
Staff costs**:				
- salaries, wages, bonus, allowances and others	13,535	10,939	1,446	1,267
- defined contribution plans	1,749	1,408	98	83
- share-based payments	546	11	179	4
Rental of office	437	690	-	-

* *The estimated monetary value of other benefits not included in the above received by the director of the Group and of the Company amounted to RM30,000 (2016 - RM27,500).*

** *The estimated monetary value of other benefits not included in the above received by the key management personnel of the Group and of the Company amounted to approximately RM12,000 (2016 - RM7,000) and RM9,000 (2016 - RM7,000) respectively.*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
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29. OTHER EXPENSES

Included in other expenses are the following items:-

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Amount owing by contract customers written off	635	832	635	233
Amortisation of development costs	17	18	-	-
Bad debts written off	2,082	4,496	269	-
Depreciation of property, plant and equipment	574	1,158	51	84
Property, plant and equipment written off	17	6	16	-
Inventories written off	-	59	-	-
Impairment loss:				
- investment in subsidiaries	-	-	-	170
- trade receivables	1,110	5,380	-	95
- other receivables	-	224	-	-
Loss on disposal of property, plant and equipment	44	62	-	-
Provision for warranty costs	623	-	220	-
Unrealised loss on foreign exchange	2,529	-	-	-
Writeback of provision for warranty costs	(112)	(63)	(13)	(12)

30. FINANCE COSTS

Included are the following items:-

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest expense:				
- bank overdraft	33	19	22	4
- bankers' acceptances	-	7	-	-
- from a subsidiary	-	-	266	-
- hire purchase	24	17	-	-
- invoice financing	70	14	-	-
- revolving credits	350	498	346	393
- term loans	122	126	122	85
- trust receipts	5	-	-	-
- others	157	135	117	131
	761	816	873	613

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31. INCOME TAX EXPENSE

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
- Malaysian tax	2,308	682	137	131
- Foreign tax	2,851	288	-	-
	5,159	970	137	131
Under/(Over)provision in the previous financial year:				
- Malaysian tax	17	(174)	15	50
- Foreign tax	445	1	-	-
	462	(173)	15	50
	5,621	797	152	181
Deferred tax liability (Note 16):				
- relating to originating and recognition of temporary differences	-	447	-	447
	5,621	1,244	152	628

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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before taxation	17,162	10,071	(830)	836
Tax at Malaysian statutory tax rate of 24%	4,119	2,417	(199)	201
Tax effects of:-				
Differential in tax rates	(1,403)	(164)	-	212
Non-deductible expenses	3,599	2,216	675	1,133
Non-taxable gains	(219)	(213)	-	-
Tax-exempt income	(3,384)	(2,048)	(2,775)	(967)
Under/(Over)provision of current tax in the previous financial year	462	(173)	15	50
Deferred tax assets not recognised during the current financial year	2,467	40	2,436	-
Utilisation of deferred tax assets not recognised in the previous financial year	(20)	(831)	-	(1)
Tax for the financial year	5,621	1,244	152	628

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

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31. INCOME TAX EXPENSE *cont'd*

On 21 October 2016, the Government of Malaysia announced the reduction of income tax rate from 24% to a range of 20% to 24% based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment for years of assessment 2017 and 2018.

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets:				
- unabsorbed capital allowances	396	416	314	329
- unutilised tax losses	17,536	7,632	14,516	4,736
- depreciation in excess of capital allowances	5	6	-	-
- tax adjustment on attributable profit from contracts	10	35	-	-
- provision of bonus	1,121	864	1,021	703
- others	78	-	78	-
	19,146	8,953	15,929	5,768
Deferred tax liability:				
- accelerated capital allowances	(104)	(85)	(62)	(52)
- others	-	(22)	-	-
	(104)	(107)	(62)	(52)
	19,042	8,846	15,867	5,716

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 100% exemption from income tax on its statutory income from pioneer activities for a maximum period of 10 years.

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

NOTES TO THE FINANCIAL STATEMENTS
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32. EARNINGS PER SHARE

	The Group 2017	2016
Basic earnings per share		
Profit attributable to owners of the Company (RM'000)	11,785	8,866
Number of shares in issue as of 1 January	222,375,331	220,079,828
Effects through:		
- treasury shares acquired	-	(690)
- share options exercised	5,534,607	1,333,278
Weighted average number of ordinary shares for basic earnings per share computation	227,909,938	221,412,416
Effects of dilution - ESOS	-	261,569
Effects of dilution - ESS	8,547,945	-
Effects of dilution - warrants	9,233,363	-
Weighted average number of ordinary shares for diluted earnings per share computation	245,691,246	221,673,985
Basic earnings per ordinary share attributable to owners of the Company (sen)	5.2	4.0
Diluted earnings per ordinary share attributable to owners of the Company (sen)	4.8	4.0

33. ACQUISITION OF A SUBSIDIARY

On 6 February 2017, the Company entered into a Sale and Purchase Agreement of Share for the acquisition of 3,528,000 ordinary share of RM0.01 each, representing 49% of the total issue and paid-up capital of HITI.

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

	HITI 2017 RM'000
Non-current assets	256
Current assets	103
Current liabilities	(8)
Net identifiable assets acquired	351
Less: Non-controlling interests, measured at the proportionate share of the fair value of the net identifiable assets	(48)
Total purchase consideration, to be settled by cash	303
Less: Bank balances of a subsidiary acquired	(54)
Net cash outflow from the acquisition of a subsidiary	249

NOTES TO THE FINANCIAL STATEMENTS
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cont'd

33. ACQUISITION OF A SUBSIDIARY *cont'd*

i. There is no goodwill arising from the acquisition of shares in HITI.

ii. The subsidiary has contributed no revenue and loss after taxation of RM63,531 to the Group since the date of acquisition.

iii. If the acquisition was effective at the beginning of the current financial year, the Group's revenue and profit after taxation would have been approximately RM313,333,000 and RM11,252,000 respectively.

34. DIVIDEND

	The Group/The Company	
	2017	**2016**
	RM'000	**RM'000**
Paid:-		
Final tax-exempt dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2016	2,287	-
Final tax-exempt dividend of 0.5 sen per ordinary share in respect of the financial year ended 31 December 2015	-	1,106

At the forthcoming Annual General Meeting, a final tax-exempt dividend of 1.5 sen per ordinary share amounting to approximately RM3,665,000 in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 31 December 2018.

35. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment is as follows:-

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cost of property, plant and equipment purchased	8,695	2,765	67	103
Amount financed through hire purchase	(343)	(740)	-	-
Cash disbursed for purchase of property, plant and equipment	8,352	2,025	67	103

NOTES TO THE FINANCIAL STATEMENTS
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cont'd

35. CASH FLOW INFORMATION *cont'd*

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

	At 1.1.2017 RM'000		Non-Cash Items RM'000	Net Cash Flows RM'000	At 31.12.2017 RM'000
The Group					
Hire purchase	705	(i)	343	(212)	836
Bankers' acceptances	176		-	(176)	-
Invoice financing	8,501	(ii)	(298)	4,001	12,204
Revolving credits	6,500		-	7,000	13,500
Term loans	1,779	(ii)	(98)	2,044	3,725
Trust receipts	6,900	(ii)	7	(6,907)	-
The Company					
Amount owing to subsidiaries	9,468	(ii)	(83)	(593)	8,792
Revolving credits	6,500		-	7,000	13,500
Term loans	1,779	(ii)	(98)	2,044	3,725
Trust receipts	5,052		-	(5,052)	-

(i) New hire purchase as disclosed in Note 35(a) to the financial statements.
(ii) Unrealised gain on foreign exchange.

Comparative information is not presented by virtue of the exemption given in MFRS 107.

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fixed deposits with licensed banks	14,622	8,236	10,226	7,070
Cash and bank balances	47,540	34,361	10,977	2,730
	62,162	42,597	21,203	9,800
Less: Fixed deposits pledged to licensed banks (Note 13)	(12,629)	(8,236)	(10,226)	(7,070)
Less: Fixed deposits with original maturity of more than 3 months	(500)	-	-	-
	49,033	34,361	10,977	2,730

NOTES TO THE FINANCIAL STATEMENTS
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36. 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.

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(a) Directors of the Company:				
Short-term employee benefits:				
- salaries, bonuses and other benefits	1,849	1,252	1,849	1,252
Defined contribution benefits	97	91	97	91
Share-based payments	139	3	139	3
Benefits-in-kind	30	28	30	28
	2,115	1,374	2,115	1,374
(b) Other key management personnel:				
Short-term employee benefits:				
- fee	224	216	-	-
- salaries, bonuses and other benefits	2,790	2,470	578	537
Defined contribution benefits	116	100	52	48
Share-based payments	114	4	30	2
Benefits-in-kind	12	7	9	7
	3,256	2,797	669	594

37. 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.

NOTES TO THE FINANCIAL STATEMENTS
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37. RELATED PARTY DISCLOSURES *cont'd*

(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	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Dividend from subsidiaries	-	-	11,562	3,397
Management fees from subsidiaries	-	-	1,624	2,294
Sales to subsidiaries	-	-	-	194
Backcharge of staff costs	-	-	-	95
Interest charged from a subsidiary	-	-	266	-
Interest charge to a subsidiary	-	-	31	-

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Entities having the substantial shareholders:				
- progress billings	7,508	1,421	1,573	316

(c) Outstanding balances

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Entities having the substantial shareholders:				
- trade receivables	1,704	348	46	196

The 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.

38. OPERATING SEGMENTS

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

The Group Chief Executive Officer (the chief operating decision maker) review internal management report at least on a quarterly basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
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38. OPERATING SEGMENTS *cont'd*

The Group is organised into the following geographical segments:

- Malaysia
- Singapore
- Taiwan
- China
- Indonesia
- Philippines

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

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

38.1 GEOGRAPHICAL INFORMATION

	Geographical segment							Reportable segment
	Malaysia	Singapore	Taiwan	China	Indonesia	Philippines	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017								
Revenue								
External revenue	142,162	79,005	28,131	55,558	5,347	3,130	-	313,333
Inter-segment revenue	1,254	-	62	10,705	-	-	(12,021)	-
Total revenue	143,416	79,005	28,193	66,263	5,347	3,130	(12,021)	313,333
Results								
Segment profit/(loss)	10,365	8,073	(9,870)	3,966	3,414	1,456	(121)	17,283
Interest income								640
Finance costs								(761)
Profit before tax								17,162
Income tax expense								(5,621)
Profit after tax								11,541
2017								
Assets								
Property, plant and equipment	13,180	1,005	282	1,058	-	-	-	15,525
Goodwill	230	6,106	-	-	-	-	-	6,336
Current assets	108,716	59,262	13,528	48,695	1,033	649	(24,334)	207,549
Unallocated assets								464
Consolidated total assets								229,874
Liabilities								
Segment liabilities	47,632	49,115	33,328	40,130	289	23	(23,850)	146,667
Unallocated liabilities								4,732
Consolidated total liabilities								151,399

NOTES TO THE FINANCIAL STATEMENTS
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38. OPERATING SEGMENTS *cont'd*

38.1 GEOGRAPHICAL INFORMATION *cont'd*

	Geographical segment							Reportable segment
	Malaysia	Singapore	Taiwan	China	Indonesia	Philippines	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017								
Other Information								
Capital expenditure	8,260	189	67	179	-	-	-	8,695
Depreciation	732	201	50	313	-	-	-	1,296
Other non-cash items:								
- income	44	251	40	-	-	-	-	335
- expenses	1,282	1,807	654	994	34	-	2,509	7,280
2016								
Revenue								
External revenue	102,947	134,650	35,130	55,165	8,424	7,028	-	343,344
Inter-segment revenue	3,103	-	194	3,051	-	-	(6,348)	-
Total revenue	106,050	134,650	35,324	58,216	8,424	7,028	(6,348)	343,344
Results								
Segment profit/(loss) before interest and tax	10,135	2,364	(2,931)	1,653	2,068	(319)	(2,348)	10,622
Interest income								265
Finance costs								(816)
Profit before tax								10,071
Income tax expense								(1,244)
Profit after tax								8,827

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38. OPERATING SEGMENTS *cont'd*

38.1 GEOGRAPHICAL INFORMATION *cont'd*

	Geographical segment							Reportable segment
	Malaysia	Singapore	Taiwan	China	Indonesia	Philippines	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2016								
Assets								
Property, plant and equipment	5,778	1,036	284	1,231	-	-	-	8,329
Goodwill	230	6,249	-	-	-	-	-	6,479
Others non-current assets	17	184	-	-	-	-	-	201
Current assets	103,900	33,689	32,613	32,339	4,211	868	(23,884)	183,736
Unallocated assets								1,200
Consolidated total assets								199,945
Liabilities								
Segment liabilities	54,832	34,477	42,854	22,371	3,150	110	(25,543)	132,251
Unallocated liabilities								701
Consolidated total liabilities								132,952
2016								
Other Information								
Capital expenditure	1,477	162	69	1,057	-	-	-	2,765
Depreciation	690	209	47	212	-	-	-	1,158
Other non-cash items:								
- income	788	437	159	-	-	-	1,026	2,410
- expenses	3,569	4,773	812	2,355	-	-	-	11,509

38.2 MAJOR CUSTOMERS

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

	Revenue	
	2017	2016
	RM'000	RM'000
Customer 1	47,907	115,768
Customer 2	40,796	-
Customer 3	34,023	-

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cont'd

39. CAPITAL COMMITMENTS

	The Group	
	2017	2016
	RM'000	RM'000
Purchase of plant and equipment	1,267	-

40. OPERATING LEASE COMMITMENTS

Leases as Lessee

The Group leases a number of office premises and a residential premises under non-cancellable operating leases. The lease periods range from 1 to 3 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.

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

	The Group	
	2017	2016
	RM'000	RM'000
Not more than 1 year	183	226
Later than 1 year and not later than 5 years	69	15
	252	241

41. 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.

41.1 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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41. FINANCIAL INSTRUMENTS *cont'd*

41.1 FINANCIAL RISK MANAGEMENT POLICIES *cont'd*

***(a) Market Risk** cont'd*

(i) Foreign Currency Risk cont'd

Foreign currency exposure

The Group	RMB RM'000	USD RM'000	NTD RM'000	SGD RM'000	IDR RM'000	PESO RM'000	Others RM'000
2017							
Financial Assets							
Trade receivables	20,100	3,929	7,362	21,664	-	-	-
Other receivables and deposits	1,737	7,556	1,738	3,303	174	77	-
Cash and bank balances	15,422	2,853	1,907	20,441	388	9	12
Fixed deposits with licensed banks	-	2,537	-	-	-	-	-
	37,259	16,875	11,007	45,408	562	86	12
2017							
Financial Liabilities							
Term loans	-	-	(3,545)	-	-	-	-
Invoice financing	(8,042)	-	-	-	-	-	-
Trade payables	(14,923)	(15,931)	(6,033)	(7,413)	-	-	(122)
Other payables and accruals	(16,473)	(11)	(175)	(10,474)	(29)	(12)	-
	(39,438)	(15,942)	(9,753)	(17,887)	(29)	(12)	(122)
Net financial (liabilities)/ assets	(2,179)	933	1,254	27,521	533	74	(110)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	2,179	-	(1,254)	(21,634)	(533)	(74)	(10)
Net currency exposure	-	933	-	5,887	-	-	(120)

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

41.1 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 2017
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41. FINANCIAL INSTRUMENTS *cont'd*

41.1 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
2017			
Financial Assets			
Trade receivables	-	7,362	-
Other receivables and deposits	-	1,738	-
Amount owing by subsidiaries	-	-	4,324
Cash and bank balances	94	1,907	5,777
Fixed deposits with licensed banks	2,537	-	-
	2,631	11,007	10,101
Financial Liabilities			
Amount owing to subsidiaries	(7,392)	-	-
Term loans	-	(3,545)	-
Trade payables	(524)	(6,033)	-
Other payables and accruals	-	(175)	-
	(7,916)	(9,753)	-
Net financial (liabilities)/assets	(5,285)	1,254	10,101
Less: Net financial assets denominated in the entity's functional currency	-	(1,254)	-
Net currency exposure	(5,285)	-	10,101

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
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41. FINANCIAL INSTRUMENTS *cont'd*

41.1 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 2017
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41. FINANCIAL INSTRUMENTS *cont'd*

41.1 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	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Effects on profit after taxation/equity				
USD				
- strengthened by 10%	93	75	(529)	(1,434)
- weakened by 10%	(93)	(75)	529	1,434
SGD				
- strengthened by 10%	589	1	1,010	1,041
- weakened by 10%	(589)	(1)	(1,010)	(1,041)
Others				
- strengthened by 10%	(12)	*	-	-
- weakened by 10%	12	*	-	-

Note:-
* - Less than RM1,000

(ii) Interest Rate Risk

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

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 41.1(c) to the financial statements.

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

41.1 FINANCIAL RISK MANAGEMENT POLICIES *cont'd*

(a) *Market Risk* *cont'd*

(ii) *Interest Rate Risk cont'd*

Interest rate risk sensitivity analysis

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Effects on profit after taxation/ equity				
Increase of 100 basis points	(294)	(239)	(172)	(133)
Decrease of 100 basis points	294	239	172	133

(iii) *Equity Price Risk*

The Group and the Company do not have any quoted investments and hence is not exposed to equity price risk.

(b) *Credit Risk*

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. The Group minimises credit risk by dealing exclusively with high credit rating counterparties.

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

(i) *Credit Risk Concentration Profile*

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

	2017	**2016**
Major concentration of credit risk	27%	22%
Number of customers	2	2

41. FINANCIAL INSTRUMENTS *cont'd*

41.1 FINANCIAL RISK MANAGEMENT POLICIES *cont'd*

(b) Credit Risk *cont'd*

(i) Credit Risk Concentration Profile cont'd

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	27,936	16,483	-	-
PRC	22,706	22,020	-	-
Singapore	21,880	11,580	-	-
Taiwan	7,795	8,262	7,362	8,262
Middle East	853	952	-	-
North America	-	4	-	4
Indonesia	24	-	-	-
	81,194	59,301	7,362	8,266

(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 statements of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries as disclosed under the "Maturity Analysis" of item (c) below, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

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

41.1 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
2017			
Not past due	65,311	(42)	65,269
Past due:			
- less than 3 months	5,018	-	5,018
- 3 to 6 months	1,916	-	1,916
- more than 6 months	588	-	588
- more than 1 year	15,379	(6,976)	8,403
	88,212	(7,018)	81,194
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
- more than 6 months	6,675	(15)	6,660
- more than 1 year	10,440	(6,001)	4,439
	65,403	(6,102)	59,301

41. FINANCIAL INSTRUMENTS *cont'd*

41.1 FINANCIAL RISK MANAGEMENT POLICIES *cont'd*

(b) Credit Risk *cont'd*

(iii) Ageing Analysis cont'd

The ageing analysis of the Company'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
2017			
Not past due	4,713	(41)	4,672
Past due:			
- less than 3 months	1,142	-	1,142
- 3 to 6 months	1,180	-	1,180
- more than 1 year	403	(35)	368
	7,438	(76)	7,362
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
- more than 6 months	15	(15)	-
- more than 1 year	17	(17)	-
	8,383	(117)	8,266

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
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
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41. FINANCIAL INSTRUMENTS *cont'd*

41.1 FINANCIAL RISK MANAGEMENT POLICIES *cont'd*

(c) Liquidity Risk

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

Maturity Analysis

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

	Carrying Amount	Contractual Undiscounted Cash Flows	Within 1 Year	2 - 5 Years	Over 5 Years
	RM'000	RM'000	RM'000	RM'000	RM'000
The Group					
2017					
Non-derivative Financial Liabilities					
Hire purchase payables	836	966	225	622	119
Term loans	3,725	3,980	2,201	1,779	-
Revolving credits	13,500	14,216	14,216	-	-
Invoice financing	12,204	12,955	12,955	-	-
Trade payables	59,322	59,322	59,322	-	-
Other payables and accruals	32,485	32,485	32,485	-	-
Provisions	986	986	986	-	-
	123,058	124,910	122,390	2,401	119

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
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41. FINANCIAL INSTRUMENTS *cont'd*

41.1 FINANCIAL RISK MANAGEMENT POLICIES *cont'd*

(c) Liquidity Risk *cont'd*

Maturity Analysis cont'd

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

	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	2 – 5 Years RM'000
The Group				
2016				
Non-derivative Financial Liabilities				
Hire purchase payables	705	793	200	593
Term loans	1,779	1,841	1,465	376
Revolving credits	6,500	6,816	6,816	-
Trust receipts	6,900	7,025	7,025	-
Bankers' acceptances	176	184	184	-
Invoice financing	8,501	8,997	8,997	-
Trade payables	45,921	45,921	45,921	-
Other payables and accruals	19,552	19,552	19,552	-
Provisions	645	645	645	-
	90,679	91,774	90,805	969
The Company				
2017				
Non-derivative Financial Liabilities				
Term loans	3,725	3,980	2,201	1,779
Revolving credit	13,500	14,216	14,216	-
Amount owing to subsidiaries	8,792	8,792	8,792	-
Trade payables	6,557	6,557	6,557	-
Other payables and accruals	1,666	1,666	1,666	-
Provisions	212	212	212	-
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	-	13,128	13,128	-
	34,452	48,551	46,772	1,779

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
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41. FINANCIAL INSTRUMENTS *cont'd*

41.1 FINANCIAL RISK MANAGEMENT POLICIES *cont'd*

(c) Liquidity Risk *cont'd*

Maturity Analysis cont'd

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

	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	2 - 5 Years RM'000
The Company				
2016				
Non-derivative Financial Liabilities				
Term loans	1,779	1,841	1,465	376
Revolving credit	6,500	6,857	6,857	-
Trust receipts	5,052	5,131	5,131	-
Amount owing to subsidiaries	9,468	9,468	9,468	-
Trade payables	11,348	11,348	11,348	-
Other payables and accruals	1,404	1,404	1,404	-
Provisions	507	507	507	-
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	-	11,074	11,074	-
	36,058	47,630	47,254	376

41.2 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 Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total borrowings.

The Group also required to comply with certain loan covenants, failing which, the banks may call an event of default. The Group has complied with this requirement.

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41. FINANCIAL INSTRUMENTS *cont'd*

41.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Financial Asset				
Loans and Receivables Financial Assets				
Trade receivables	81,194	59,301	7,362	8,266
Other receivables and deposits	15,615	8,249	1,778	1,917
Amount owing by subsidiaries	-	-	11,931	12,869
Fixed deposits with licensed banks	14,622	8,236	10,226	7,070
Cash and bank balances	47,540	34,361	10,977	2,730
	158,971	110,147	42,274	32,852
Financial Liability				
Other Financial Liabilities				
Hire purchase payables	836	705	-	-
Term loans	3,725	1,779	3,725	1,779
Revolving credits	13,500	6,500	13,500	6,500
Trust receipts	-	6,900	-	5,052
Bankers' acceptances	-	176	-	-
Invoice financing	12,204	8,501	-	-
Amount owing to subsidiaries	-	-	8,792	9,468
Trade payables	59,322	45,921	6,557	11,348
Other payables and accruals	32,485	19,552	1,666	1,404
Provisions	986	645	212	507
	123,058	90,679	34,452	36,058

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
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41. FINANCIAL INSTRUMENTS *cont'd*

41.4 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 or repayable. These fair values are determined by discounting the relevant cash flows at rates equal to the current market interest rate plus appropriate credit rating, where necessary. These fair values are included in level 2 of the fair value hierarchy.

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1	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**
2017								
Financial Liabilities								
Hire purchase payables	-	-	-	-	855	-	855	836
Term loans	-	-	-	-	3,725	-	3,725	3,725
2016								
Financial Asset								
Advances to employees	-	-	-	-	-	1,185	1,185	1,185
Financial Liabilities								
Hire purchase payables	-	-	-	-	722	-	722	705
Term loans	-	-	-	-	1,779	-	1,779	1,779

	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**
2017								
Financial Liability								
Term loans	-	-	-	-	3,725	-	3,725	3,725
2016								
Financial Liability								
Term loans	-	-	-	-	1,779	-	1,779	1,779

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41. FINANCIAL INSTRUMENTS *cont'd*

41.4 FAIR VALUE INFORMATION *cont'd*

In the previous financial year, 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	**2016**	**2016**
12.0%	-28% to 5.0%	9.0%

(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.

(b) The fair values of hire purchase payables and term loans 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	
	2017	**2016**	**2017**	**2016**
	%	**%**	**%**	**%**
Hire purchase payables	5.09	4.60	-	-
Term loans	6.49	5.69	5.73	5.01

42. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

(a) 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 replaced Companies Act 1965.

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

(i) Removal of the authorised share capital;
(ii) Ordinary shares ceased to have par value; and
(iii) Share premium account transferred to share capital account.

The Companies Act 2016 was applied prospectively and the impacts on implementation are disclosed in the respective notes to financial statements.

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

(b) On 31 January 2017, the Company had acquired an additional 5% equity interests in KNSB from its non-controlling interests for a cash consideration of RM1. Following the completion of the acquisition, KNSB became a 90%-owned subsidiary of the Company. The acquisition has no significant effect on the financial results and financial position of the Group for the current financial year.

(c) On 6 February 2017, the Company had acquired 49% equity interest in HITI for a total consideration of RM303,122.

(d) On 31 March 2017, KESG, a wholly owned subsidiary of the Company, had acquired an additional 10% equity interest in KSP from its non-controlling interests for a cash consideration of SGD25,401 (equivalent to RM77,000). Following the completion of the acquisition, KSP became a 90%-owned subsidiary of KESG. The acquisition has no significant effect on the financial results and financial position of the Group for the current financial year.

(e) On 1 June 2017, AGSB, a subsidiary of the Company, increased its issued share capital from RM400,000 to RM1,500,000 by the allotment of 1,100,000 new ordinary shares. The Company subscribed for the additional equity in AGSB to retain its 90% equity interests. On 2 October 2017, AGSB, increased its issued share capital from RM1,500,000 to RM2,500,000 by the allotment of 1,000,000 new ordinary shares. Following the completion of the subscription, AGSB became a 94%-owned subsidiary of the Company.

(f) On 31 July 2017, AGMSB, a subsidiary of AGSB, increased its issued share capital from RM100 to RM100,000 by allotment of 99,900 new ordinary shares. AGSB subscribed for the additional equity in AGMSB to retain its 100% equity interests.

(g) On 20 December 2017, KESG, a wholly owned subsidiary of the Company, increased its issued share capital from SGD3,600,000 to SGD5,100,000. The Company subscribed for 1,500,000 new ordinary shares to retain its 100% equity interests.

(h) On 26 February 2015, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

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

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

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

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

KTSB has made the necessary impairment for the Claimed Sum.

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

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

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

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

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

On 29 May 2017, the Court has fixed the action for the final case management on 6 July 2017 to update the Court on the service of Writ and Statement of Claim on Defendants.

On 6 July 2017, the Court has fixed the action for the final case management on 17 July 2017 to effect service of the Writ and statement of Claim on the Defendants.

On 17 July 2017, the Court refused to grant further extension of time for Ministry of Foreign Affairs of Malaysia to attempt service of the cause papers on the Defendants and struck off the Writ with liberty to file afresh. The timeframe to attempt service of the cause papers by the Consulate General of Malaysia is out of the Company's control and the Company will make further announcement if the next cause of action is decided, including the possibility of file afresh.

(j) On 22 December 2016, KTSB, a wholly-owned subsidiary of the Company 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 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 2017
cont'd

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

(j) On 29 May 2017, KTSB had completed the following procedures under the Construction Industry Payment and Adjudication Act 2012:-

(i) KTSB submitted an Adjudication Claim (From 7) dated 17 April 2017;

(ii) Adjudication Response (Form 8) dated 12 May 2017 received from Biocon; and

(iii) KTSB submitted an Adjudication Reply (Form 9) dated 25 May 2017.

On 10 July 2017, KTSB had received the Adjudication Decision (Form 15) pursuant to Kuala Lumpur Regional Centre of Arbitration ("KLRCA") Rules and Construction Industry Payment & Adjudication Act 2012 dated 10 July 2017.

Adjudicator's decision was as follows:-

(i) The Biocon should pay KTSB the sum of RM4,593,743.36.

(ii) The Biocon should pay KTSB simple interest at the rate of 5% per annum on the said sum of RM4,593,743.36 from the date of Adjudication Decision until full and final settlement.

(iii) The Biocon should pay KTSB:-

(a) KTSB's adjudication costs including the cost of KTSB's Expert, which shall be taxed by the court;

(b) Advanced Payment to KLRCA as Security deposit; and

(c) Interest of 5% per annum calculated from the date of adjudication decision until full and final settlement.

On 20 September 2017, KTSB had applied to the High Court at Kuala Lumpur ("the High Court") to enforce the Adjudication Decision as if it is a judgement or order of the High Court pursuant Section 28 of the CIPAA.

On 16 October 2017, Biocon had filed its application to the High Court to set aside the Adjudication Decision pursuant to Section 15 of the CIPAA. Subsequently, Biocon had on 30 November 2017 filed an application to stay the Adjudication Decision pending the disposal of the Arbitration pursuant to Section 16 of the CIPAA.

On 29 November 2017, Biocon served a Notice of Arbitration to KTSB to refer the dispute between KTSB and Biocon for arbitration in Singapore ("Arbitration"). The Notice of Arbitration seeks to claim for the total amount of RM5,848,560.68 being the claims for the liquidated damages, additional costs and expenses allegedly incurred and loss of profit allegedly suffered by Biocon. KTSB had on 18 December 2017 filed an arbitration response and counterclaim for RM5,182,663.71 against Biocon in the impending arbitration.

On 22 December 2017, the High Court allowed KTSB's application to enforce the Adjudication Decision with costs while Biocon's applications to set aside the Adjudication Decision and to stay the Adjudication Decision were dismissed with costs.

On 17 January 2018, KTSB and Biocon ("the Parties") had agreed to enter into a Settlement Agreement and Release ("Agreement") to provide, for a full and final settlement and discharge of all claims, actions, and disputes of whatsoever kind of nature which the Parties may have, may now have or may hereafter have against each other arising out and/or relating to the contract subject to the terms and conditions as stipulated in the Agreement.

Pursuant to the Agreement, Biocon shall pay to KTSB a settlement sum of RM3,500,000 as settlement of claims, actions, and disputes of whatsoever kind of nature which the Parties may have, may now have or may hereafter have against each other arising out and/or relating to contract including but not limited to the Adjudication Decision, the Arbitration, all fees and costs incurred by the Parties in pursuing the litigation and arbitration.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
cont'd

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

(j) Upon receipt of the settlement sum by KTSB, the lawsuit and/or arbitration initiated by the Parties shall be deemed settled and any and all orders made therein are deemed to have been fully satisfied and/or be forthwith withdrawn with no order as to costs.

On 23 January 2018, KTSB had received the settlement sum of RM3,500,000 from Biocon.

(k) On 2 February 2018, the Company proposes to undertake a private placement ("Proposed Private Placement") of up to 10% of the total number of issued shares of KGB (excluding treasury shares) to third party investors to be identified at an issue price to be determined later.

On 12 February 2018, the Proposed Private Placement has been submitted to Bursa Securities.

On 15 February 2018, Bursa Securities has approved the listing and quotation up to 28,425,189 placement shares to be issued pursuant to the Proposed Private Placement.

On 7 March 2018, the Company has fixed the issue price for 12,600,000 the Company Shares ("Placement Shares") representing the first tranche of the Private Placement of RM0.78 per Placement Share.

On 9 March 2018, KGB has fixed the issue price for 3,000,000 placement shares representing the second tranche of the Private Placement at RM0.78 per Placement Share.

43. COMPARATIVE FIGURES

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

	The Group		The Company	
	As Restated	As Previously Reported	As Restated	As Previously Reported
	RM'000	RM'000	RM'000	RM'000
Statement of Financial Position (Extract):-				
Other payables and accruals	20,574	21,219	1,421	1,928
Provisions	645	-	507	-

ANALYSIS OF SHAREHOLDINGS
AS AT 23 MARCH 2018

Total number of issued shares	:	245,434,166 ordinary shares (including 1,119,900 treasury shares)
Class of shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share

Size of shareholdings	No. of Holders	Percentage (%)	No. of Shares	Percentage (%)
Less than 100	129	6.80	5,604	0
100 -1,000	186	9.80	100,635	0.04
1,001-10,000	810	42.68	4,904,141	2.00
10,001-100,000	608	32.03	20,797,573	8.48
100,001- less than 5%	162	8.54	107,509,190	43.80
5% and above	3	0.16	112,117,023	45.68
TOTAL	**1,898**	**100**	**245,434,166***	**100**

* *Including 1,119,900 treasury shares.*

LIST OF SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 23 MARCH 2018

	Direct Interest		Indirect Interest	
Names	No. of Shares	%	No. of Shares	%
Palace Star Sdn. Bhd.	92,324,290	37.79	-	-
Sun Lead International Limited	19,817,733	8.11	-	-
Gan Hung Keng	1,946,666	0.80	92,324,290 (1)	37.79 (1)
Ong Weng Leong	1,946,000	0.80	92,324,290 (1)	37.79 (1)
Cham Teck Kuang	-	-	92,324,290 (1)	37.79 (1)
Hu Ke Qin	-	-	92,324,290 (1)	37.79 (1)
Fortune Dragon Holding Inc.	-	-	19,817,733 (2)	8.11 (2)
Lien Hwa Industrial Corp.	-	-	19,817,733 (3)	8.11 (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 23 MARCH 2018
cont'd

LIST OF DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 23 MARCH 2018

	Direct Interest		Indirect Interest	
Names	No. of Shares	%	No. of Shares	%
Gan Hung Keng[(1)]	1,946,666	0.80	92,324,290 [(1)]	37.79 [(1)]
Ong Weng Leong[(1)]	1,946,000	0.80	92,324,290 [(1)]	37.79 [(1)]
Chan Thian Kiat	93,366	0.04	-	-
Tan Chuan Yong	266,666	0.11	-	-
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	84,000	0.03	-	-
Soo Yuit Weng	798,666	0.33	-	-

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 ESS SHARES OVER ORDINARY SHARES
(Based on Register of Employees' Share Scheme maintained pursuant to the Companies Act, 2016)

Directors	No. of ESS Shares Offered
Gan Hung Keng	1,600,000
Ong Weng Leong	1,600,000
Chan Thian Kiat	65,000
Tan Chuan Yong	65,000
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	55,000
Soo Yuit Weng	55,000

ANALYSIS OF SHAREHOLDINGS
AS AT 23 MARCH 2018
cont'd

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 23 MARCH 2018
(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	22.08
2	PALACE STAR SDN. BHD.	38,349,224	15.70
3	SUN LEAD INTERNATIONAL LIMITED	19,817,733	8.11
4	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *KUMPULAN WANG PERSARAAN (DIPERBADANKAN)(AFFIN HWNG SM CF)*	7,400,000	3.03
5	FEDERLITE HOLDINGS SDN. BHD.	6,244,066	2.56
6	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. *RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT-HW SHARIAH FLEXI FUND*	4,005,000	1.64
7	HSBC NOMINEES (TEMPATAN) SDN. BHD. *HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT PROGRESS FUND (4082)*	3,706,500	1.52
8	RHB NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR KOH KIN LIP]*	3,000,000	1.23
9	TASEC NOMINEES (TEMPATAN) SDN. BHD. *TA INVESTMENT MANAGEMENT BERHAD FOR PEMBANGUNAN SUMBER MANUSIA BERHAD (PSMB)*	2,783,000	1.14
10	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD *TA ISLAMIC FUND*	2,670,200	1.09
11	AMANAHRAYA TRUSTEES BERHAD *AFFIN HWANG AIIMAN EQUITY FUND*	2,300,000	0.94
12	UOBM NOMINEES (TEMPATAN) SDN BHD *UOB ASSET MANAGEMENT (MALAYSIA) BERHAD FOR GIBRALTAR BSN AGGRESSIVE FUND*	2,150,000	0.88
13	LEE BEE SENG	2,074,300	0.85
14	MALACCA EQUITY NOMINEES (TEMPATAN) SDN. BHD. *[EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)]*	2,071,033	0.85
15	ONG WENG LEONG	1,946,000	0.80
16	CIMSEC NOMINEES (TEMPATAN) SDN BHD, CIMB BANK FOR TRI DATO INTERPRIS SDN. BHD. (M78067)	1,800,000	0.74
17	CHIA ZHEN CONG	1,765,200	0.72
18	LIM SENG CHUAN	1,731,900	0.71
19	GAN HUNG KENG	1,557,333	0.64
20	PUBLIC NOMINEES (TEMPATAN) SDN BHD *[PLEDGED SECURITIES ACCOUNT FOR KEJUTAAN HOLDINGS SDN BHD (E-IMO)]*	1,500,000	0.61
21	ONG SENG HENG	1,491,400	0.61
22	CHIA KENG KUANG	1,376,400	0.56
23	PUBLIC NOMINEES (TEMPATAN) SDN BHD *[PLEDGED SECURITIES ACCOUNT FOR CHONG KHONG SHOONG (E-IMO/JSI)]*	1,300,000	0.53
24	HSBC NOMINEES (ASING) SDN BHD, BPSS SIN FOR INSURANS ISLAM TAIB HOLDINGS SENDIRIAN BERHAD (AIIMAN-SHARIAH)	1,203,000	0.49
25	TAN KA LIAN	1,127,800	0.46
26	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. *CIMB COMMERCE TRUSTEE BERHAD FOR TA DANA OPTIMIX*	1,113,900	0.46
27	GOH CHIN EX	1,100,000	0.45
28	TASEC NOMINEES (TEMPATAN) SDN. BHD. *[EXEMPT AN FOR TA INVESTMENT MANAGEMENT BERHAD (CLIENTS)]*	1,099,000	0.45
29	AMANAHRAYA TRUSTEES BERHAD, AFFIN HWANG AIIMAN BALANCED FUND	1,090,000	0.45
30	WAN SIEW CHUAN	1,078,400	0.44

ANALYSIS OF WARRANT HOLDINGS
AS AT 23 MARCH 2018

Type of Securities	:	Warrants 2014/2019
Date of Expiry	:	5 years (expiring on 12 June 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	161	22.12	7,534	0.01
100 -1,000	90	12.36	52,993	0.10
1,001-10,000	186	25.55	996,037	1.85
10,001-100,000	219	30.08	7,994,595	14.82
100,001- less than 5%	70	9.62	26,579,600	49.28
5% and above	2	0.27	18,306,872	33.94
TOTAL	**728**	**100.00**	**53,937,631**	**100.00**

LIST OF DIRECTORS' WARRANT HOLDINGS AS PER THE REGISTER OF DIRECTORS' WARRANTS HOLDINGS AS AT 23 MARCH 2018

	Direct Interest		Indirect Interest	
Names	No. of Warrant	%	No. of Warrant	%
Gan Hung Keng[(1)]	33	0.00	18,306,872 [(1)]	33.94 [(1)]
Ong Weng Leong[(1)]	-	-	18,306,872 [(1)]	33.94 [(1)]
Chan Thian Kiat	-	-	-	-
Tan Chuan Yong	-	-	-	-
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	-	-	-	-
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 23 MARCH 2018

cont'd

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 23 MARCH 2018

(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.	4,819,356	8.94
3	AMSEC NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR CHEW SIOW GEOK]*	2,648,300	4.91
4	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR YONG KWEE LIAN]*	2,000,000	3.71
5	ENG CHONG HIM	1,548,500	2.87
6	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR CHONG KHONG SHOONG]*	1,500,000	2.78
7	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *[CIMB BANK FOR TRI DATO INTERPRIS SDN. BHD. (M78067)]*	1,160,000	2.15
8	LEE BEE SENG	1,050,000	1.95
9	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY (SRB/PMS)]*	900,000	1.67
10	TEOH WEI CHAN	743,500	1.38
11	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *[CIMB BANK FOR CHONG KHONG SHOONG (MY1707)]*	650,000	1.21
12	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR SOH TONG HWA (STF)]*	646,800	1.20
13	GOH CHIN CHOON	600,000	1.11
14	GOH CHENG CHAI	500,000	0.93
15	TA NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR CHONG KHONG SHOONG]*	500,000	0.93
16	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR SOH WEI JIAN (STF)]*	450,500	0.84
17	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR CHEW SIOW GEOK (8041848)]*	445,000	0.83
18	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR TOO PEI CHEN (E-SJA)]*	432,000	0.80
19	LEE KEE HUAT	400,000	0.74
20	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR NG BAK LEE (MARGIN)]*	371,200	0.69
21	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *[CIMB BANK FOR HEE YUEN SANG (MY2105)]*	355,000	0.66
22	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR WONG LAI MOEY]*	330,000	0.61
23	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR KONG FOONG MING (STF)]*	311,000	0.58
24	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY (8092812)]*	300,000	0.56
25	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR JINNY CHONG JIN YI (E-IMO)]*	300,000	0.56
26	TEO TZE SENG	300,000	0.56

ANALYSIS OF WARRANT HOLDINGS
AS AT 23 MARCH 2018
cont'd

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 23 MARCH 2018 *cont'd*
(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name of Warrant Holders	No. of Warrant	%
27	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR YAP CHEN BIAU (BTUNGGAL-CL)]*	288,800	0.54
28	HLB NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR HUGO CHONG JIN DER]*	280,000	0.52
29	RHB NOMINEES (TEMPATAN) SDN. BHD. *[PLEDGED SECURITIES ACCOUNT FOR HEE YUEN SANG]*	280,000	0.52
30	SOH CHIN LEH	275,000	0.51

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighteenth Annual General Meeting ("18th AGM") of **Kelington Group Berhad** ("KGB" or "Company") will be held at Function Room 2, Setia City Convention Centre, No. 1, Persiaran Setia Dagang AG U13/AG, Setia Alam Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan, Malaysia on Wednesday, 13 June 2018 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 2017 together with the Reports of the Directors and the Auditors thereon. **(Refer to Explanatory Note (a))**

2. To re-elect the following Directors who are retiring in accordance with the Article 69 of the Company's Constitution, and being eligible, have offered themselves for re-election:

   (i) Mr Gan Hung Keng **(Ordinary Resolution 1)**
   (ii) Vice Admiral (Retired) Datuk Haji Jamil Bin Haji Osman **(Ordinary Resolution 2)**

3. To approve the payment of Directors' remuneration payable to the Board of the Company amounting to RM182,840 for the period from 1 July 2018 until 30 June 2019. **(Ordinary Resolution 3)**

4. To approve the payment of a final tax-exempt dividend of 1.50 sen per ordinary share for the financial year ended 31 December 2017. **(Ordinary Resolution 4)**

5. To re-appoint Messrs. Crowe Horwath as Auditors of the Company until the conclusion of the next AGM and authorise the Directors to fix their remuneration. **(Ordinary Resolution 5)**

Special Business

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

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

   "THAT subject always to the Companies Act, 2016 ("the Act"), Constitution of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 75 of the Act to issue and allot not more than ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company pursuant to Section 76 of the Act and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof." **(Ordinary Resolution 6)**

7. **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 7)**

NOTICE OF ANNUAL GENERAL MEETING
cont'd

(i) the aggregate number of shares purchased does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase;

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall be backed by an equivalent amount of retained profits; and

(iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends or transfer the shares under employee share scheme or as purchase consideration,

AND THAT the authority conferred by this resolution will commence after the passing of this ordinary resolution and will continue to be in force until:-

(i) the conclusion of the next Annual General Meeting ("AGM") at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase(s) of the shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

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

Notice of Dividend Entitlement

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at Eighteenth Annual General Meeting, a final tax-exempt dividend of 1.50 sen per ordinary share for the financial year ended 31 December 2017, if approved, will be paid on 25 July 2018 to holders of ordinary shares registered in the Record of Depositors of the Company at the close of business on 29 June 2018.

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 29 June 2018 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.

NOTICE OF ANNUAL GENERAL MEETING
cont'd

BY ORDER OF THE BOARD

LIM LEE KUAN (MAICSA 7017753)
TEO MEE HUI (MAICSA 7050642)
Company Secretaries

Kuala Lumpur
Dated this 30th day of April 2018

Notes:

1. *A member may appoint up to two (2) proxies to attend and vote at the meeting. If a member appoints more than one (1) proxy, the appointments shall be invalid unless he/she specifies the proportions of his/her holding to be represented by each proxy. A proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. There shall be no restriction as to the qualification of the proxy.*

2. *The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.*

3. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.*

5. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*

6. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 50(f) of the Constitution of the Company, a Record of Depositors as at 6 June 2018 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 2017.

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

2. *Ordinary Resolution 3*
   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 18th AGM on the Directors' remuneration in Resolution 3 on payment of Directors' remuneration for the period from 1 July 2018 until 30 June 2019 ("Relevant Period").

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

	Executive Directors RM	***Non-Executive Directors RM***
Director Fee	-	*172,040*
Meeting allowance	-	*10,800*
Total	**-**	***182,840***

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.

NOTICE OF ANNUAL GENERAL MEETING
cont'd

Payment of Directors' remuneration will be made by the Company on a monthly basis and/or as and when incurred if the proposed Resolution 3 has been passed at the 18th 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.

3. *Ordinary Resolution 6*
   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 had been utilised for the proposed private placement of up to 10% of the total number of issued shares of the Company (excluding treasury shares) as announced to Bursa Malaysia Securities Berhad on 2 February 2018. For further information, please refer the Statement Accompanying Notice of Annual General Meeting on page 160 in the Annual Report 2017.

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

   The proposed Ordinary Resolution 7, if approved, will empower the Company to purchase and/or hold up to ten per centum (10%) of the total number of issued shares of the Company through Bursa Malaysia Securities Berhad. For more information, please refer to the Share Buy-Back Statement dated 30 April 2018.

STATEMENT ACCOMPANYING
NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad

GENERAL MANDATE FOR ISSUE OF SECURITIES IN ACCORDANCE WITH PARAGRAPH 6.03(3) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

The Company has obtained the mandate from the members at the last Annual General Meeting held on 13 June 2017 ("the Previous Mandate"). The previous mandate had been utilised for the proposed private placement of up to 10% of the total number of issued shares of the Company (excluding treasury shares) ("Private Placement") as announced to Bursa Malaysia Securities Berhad on 2 February 2018.

Bursa Malaysia Securities Berhad had on 15 February 2018 granted its approval for the Private Placement. Pursuant thereto, the Company had issued 15,600,000 ordinary shares, being the first and second tranches of the placement shares issued pursuant to the Private Placement at an issue price of RM0.78 each. With the completion of the first and second tranches of the Private Placement, the Company has raised a total proceed of RM12,168,000, and that the details of the utilisation of the proceed raised from the Private Placement, as at the date of the printing of this Annual Report, are as follows:-

Utilisation Purposes	Status of Utilisation	Actual Utilisation (RM)	Amount Unutilised (RM)
To part finance the acquiring of carbon dioxide gas purification plant	On-going	Nil	2,881,000
To part finance the subsequent phase of the construction of carbon dioxide gas purification plant, gas manufacturing facilities and gas delivery systems	On-going	Nil	1,533,000
To part finance the acquisition of assets for the operations of the industrial gas business division	On-going	Nil	4,446,000
General Working Capital	On-going	Nil	2,908,000
Estimated expenses relating to the Proposed Private Placement	On-going	170,667	229,333
Total		170,667	11,997,333

FORM OF PROXY

CDS Account No.	Number of Shares Held

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

*I/We ______________________________ NRIC No./Passport No./Company

No. ______________ of ______________________________

being a Member(s) of KELINGTON GROUP BERHAD (501386-P), hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)
***And/or (delete as appropriate)**			

or failing him/her, #THE CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us on *my/our behalf at the Eighteenth Annual General Meeting of the Company to be held at Function Room 2, Setia City Convention Centre, No. 1, Persiaran Setia Dagang AG U13/AG, Setia Alam Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan, Malaysia on Wednesday, 13 June 2018 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 Gan Hung Keng as Director		
2	To re-elect Vice Admiral (Retired) Datuk Haji Jamil Bin Haji Osman as Director		
3	To approve the payment of Directors' remuneration payable to the Board of the Company for the financial period from 1 July 2018 until 30 June 2019		
4	To approve Final Tax-Exempt Dividend		
5	To re-appoint Messrs Crowe Horwath as Auditors of the Company		
	Special Business		
6	Authority to Issue and Allot Shares		
7	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 ______________ 2018

____
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 Article 50(f) of the Constitution of the Company, a Record of Depositors as at 6 June 2018 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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