KELINGTON GROUP BERHAD
(Company No.: 501386-P)

3 Jalan Astaka U8/83, Section U8, Bukit Jelutong Industrial Park,
40150 Shah Alam, Selangor D.E., Malaysia

T | 603 7845 5696
F | 603 7845 7097

WWW.KELINGTON-GROUP.COM

KELINGTON GROUP BERHAD (501386-P)

Annual Report 2018

KELINGTON GROUP BERHAD
(501386-P)

ANNUAL REPORT 2018

UHP DELIVERY SYSTEMS
PROCESS ENGINEERING

GENERAL CONTRACTING
INDUSTRIAL GASES

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

19th ANNUAL GENERAL MEETING

Function Room 7,
Setia City Convention Centre

13 June 2019

Thursday, 10.00 a.m

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www.kelington-group.com

This Annual Report can be downloaded at
http://www.kelington-group.com/report.php

ABOUT US

Originally founded in 1999, **Kelington Group Berhad** ("Kelington" 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, Kelington and its subsidiaries (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.

Next page is a quick glance into Kelington milestones and the industries it has served since inception.

COMPANY HISTORY TIMELINE

1999

Incorporation of Kelington Technologies Sdn Bhd

2000

Secured our FIRST semiconductor project in Malaysia

2002

Set up office in Shanghai, China

2003

Secured our FIRST TFT-LCD project in Taiwan

2004

Secured our FIRST semiconductor project in China

2006

Set up office in Singapore

2007

Secured FIRST solar energy project in China

2008

Secured FIRST renewable energy project in Singapore

2009

Listed on the ACE Market of Bursa Malaysia Securities Berhad

2010

Secured project from the largest wafer fabrication foundry in China

2011

Secured our FIRST glass manufacturing plant project in Vietnam

Secured our FIRST bioscience project in Singapore

2012

Transferred to Main Market of Bursa Malaysia Securities Berhad

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

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

PURITEC

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 contract in Malaysia

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

2018

Achieved record high in terms of net profit and new orders secured.

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

10th Floor, Menara Hap Seng
No. 1 & 3, Jalan P. Ramlee
50250 Kuala Lumpur, Malaysia
Tel : +603-2382 4288
Fax : +603-2382 4170

MANAGEMENT OFFICE

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

INVESTOR RELATIONS

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

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd (378993-D)
(formerly known as Symphony Share Registrars Sdn Bhd)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : +603-7841 8000
Helpdesk: +603-7849 0777
Fax : +603-7841 8151/8152
Email: BSR.Helpdesk@boardroomlimited.com

AUDITORS

Messrs. Crowe Malaysia PLT
(LLP0018817-LCA & AF 1018)
Chartered Accountants
Level 16, Tower C
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia
Tel : +603-2788 9999
Fax : +603-2788 9998

PRINCIPAL BANKER

HSBC Bank Malaysia Berhad
(127776-V)
No. 43 & 45
Jalan Metro Perdana 7
Taman Usahawan, Kepong
Kepong Utara
52100 Kuala Lumpur, Malaysia
Tel : +603-6254 6890
Fax : +603-6259 5027

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Ordinary Shares
Stock Name : KGB
Stock Code : 0151

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

CORPORATE STRUCTURE

Kelington Group Berhad & Branch in Taiwan

- **100%** Kelington Technologies Sdn. Bhd. (Incorporated in Malaysia)
  - **100%** Kelington Technologies (Sarawak) Sdn. Bhd. (Incorporated in Malaysia)
- **100%** Kelington Energy Sdn. Bhd. (Incorporated in Malaysia)
- **100%** Kelington Engineering (S) Pte. Ltd. (Incorporated in Singapore)
  - **80%** PT Mitracon Graha Solusindo (Incorporated in the Republic of Indonesia) (In the process of members' voluntary winding up)
  - **100%** Puritec Technologies (S) Pte. Ltd. (Incorporated in Singapore)
    - **100%** Puritec Technologies (M) Sdn. Bhd. (Incorporated in Malaysia)
  - **90%** Kelington Solomon Philippines, Inc. (Incorporated in Philippines)
- **100%** Hiti Engineering (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%** KE Integrated Facility Services (Suzhou) Co., Ltd (Incorporated in the People's Republic of China)
  - **100%** KE System Integration (ChuZhou) Co., Ltd (Incorporated in the People's Republic of China)
- **97%** Ace Gases Sdn Bhd (Incorporated in Malaysia)
  - **80%** Ace Gases Marketing Sdn Bhd (Incorporated in Malaysia)
- **55%** Kelington Analytical Services Sdn. Bhd. (Incorporated in Malaysia)
- **90%** Kelington Nawik Sdn. Bhd. (Incorporated in Malaysia)
  - **100%** Kelington Nawik (PNG) Limited (Incorporated in Papua New Guinea)

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 Kelington 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

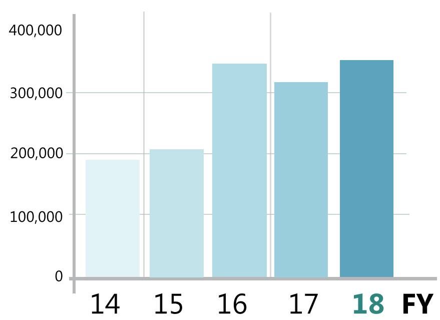
In our drive towards our vision, we uphold the following four core values:

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

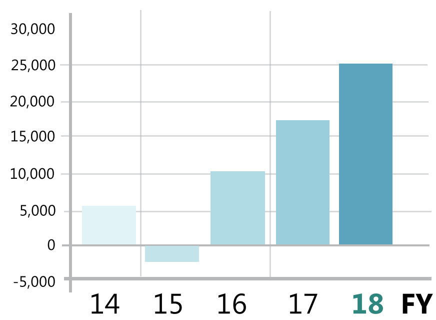
FINANCIAL HIGHLIGHTS

	2018	2017	2016	2015	2014
Revenue (RM'000)	350,023	313,333	343,344	206,356	189,102
Profit before taxation (RM'000)	25,004	17,162	10,071	(2,055)	5,180
Profit after taxation (RM'000)	18,315	11,541	8,827	(2,521)	5,149
Shareholders' Funds (RM'000)	116,215	78,475	66,993	59,399	59,334
Total Assets (RM'000)	243,476	229,874	199,945	174,534	163,718
Number of Ordinary Share ('000)	267,453	229,834	222,375	220,080	216,966
Net Assets Per Share (RM)	0.43	0.34	0.30	0.27	0.27
Basic Earning Per Share (Cent)	7.6	5.2	4.0	-1.2	2.4

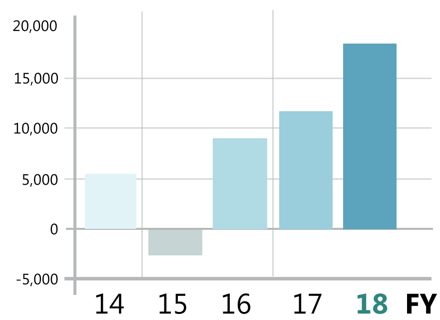
Revenue
(RM'000)



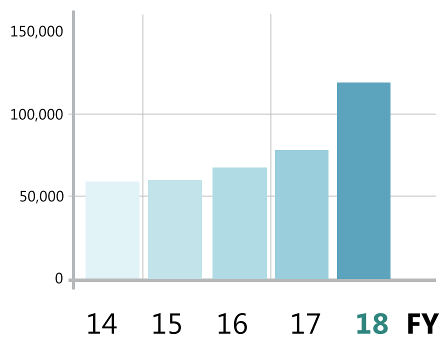
Profit Before Taxation
(RM'000)



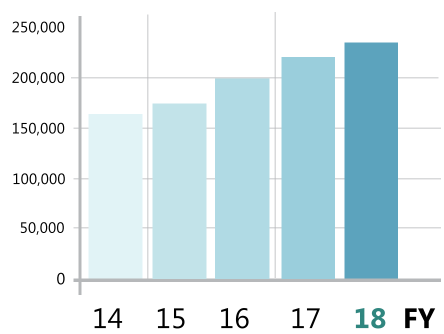
Profit After Taxation
(RM'000)



Shareholders' Funds
(RM'000)



Total Assets
(RM'000)



Management Discussion and Analysis

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of Kelington for the financial year ended 31 December 2018 ("FY2018").

Group's Business and Operations

Kelington was established in 1999 and subsequently listed on Bursa Malaysia in 2009. The Group provides integrated engineering services for a wide range of sectors. Our offerings include end-to-end turnkey services from the initial design works, to fabrication,and maintenance works after the solutions have been handed over to the customer. We have a total workforce of around 300 across regional offices in Malaysia, Singapore, China and Taiwan.

ESTABLISHED SINCE 1999

Workforce

~300

Market Presence

4

Regional offices

MALAYSIA SINGAPORE CHINA TAIWAN

Management Discussion and Analysis
cont'd

Our business activities are categorized into 4 main areas which are: -

Ultra High Purity delivery systems ("UHP")

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.

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 constructions

General Contracting

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

Industrial Gases

We supply a wide range of industrial and specialty gases in various forms; from portable high-pressure gas storage tanks to on-site gas generators. The products are used by the electronics, semiconductor, food processing, and oil and gas sectors.

RISING AGAINST THE ODDS

2018 has been an eventful year for us as we experienced headwinds from the global and domestic front. Global market sentiments were weak as markets were adjusting to the uncertainties brought about by the escalated US-China trade disputes, rising interest rates and geopolitical issues. Capital expansion activities in the semiconductor industries also grew at a moderate rate in 2018 after a strong growth in 2017.

Back home, Malaysia's Gross Domestic Product ("GDP") growth reported a slower growth of 4.7% in 2018 as compared to 5.9% in 2017. The growth in 2018 was mainly supported by continued expansion in domestic demand and net exports.

Notwithstanding the external challenges, Kelington remained resilient and delivered yet another record year, both operationally and financially.

After a series of project biddings, we managed to clinch several major projects across our key markets. The value of new projects secured in FY2018 hit an all-time high of RM424 million, surpassing the previous record-high of RM374 million in 2017. Majority of the new orders was from the UHP and Process Engineering divisions.

All-time high
RM424 million
new orders secured in FY2018

The fast-growing semiconductor market in China has been a big booster for our UHP division. Despite the slowdown in China's fab investment activities, we continue to receive invitations to tender for projects from global renowned semiconductor companies there. Our project orders and revenue from China increased significantly in FY2018. We believe there are pockets of opportunities for us to grow in China as the country is still on its expansionary phase. Over in Singapore, we have also clinched several notable UHP projects to provide specialized engineering services.

The Process Engineering division continued to gain traction and successfully secured major projects from Malaysia and Singapore. During the year in review, our Project Engineering portfolio expanded to include contracts from customers beyond the electronics industry,such as facility provider for liquid storage, tanks, supplier of industrial grade tools and many more.

Meanwhile, the Industrial Gases division made good progress as we completed the installation of our very first on-site nitrogen gas plant at our customer's facility. The plant commenced operations in early March 2018. This marked the start of our venture into the gas industry. As for the manufacturing of liquid carbon dioxide ("CO2") business, we successfully raised a total of RM42.8 million, via a combination of debt (RM25.0 million) and equity (RM17.8 million) funding, to partly fund the purchase of new equipment and construction of a new gas manufacturing plant.

We are pleased to share that the setup of the new plant is on track to commence commercial production of liquid CO2 by 4Q2019.

To recap, we have previously inked a supply agreement with Petroliam Nasional Berhad ("Petronas") in November 2017 to purchase its CO2 waste gas from the Petronas Gas Processing Plant ("GPP") for a period of 15 years, starting 2019.

We are constructing a new 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.

Overall, we are pleased to deliver continuous improvement in our operational performance as well as consistent growth in our orderbook in FY2018. We will continue to leverage on our key competencies and bid for more projects.

Our tenderbook currently stands at approximately RM1.2 billion from across all our key operating markets of Malaysia, Singapore, China and Taiwan.

Along with the improvement in the Group's business performance, our market capitalization has doubled over the last one year and are garnering more interest amongst the institutional investors. Our shareholders presently include a high number of local and foreign institutional funds.

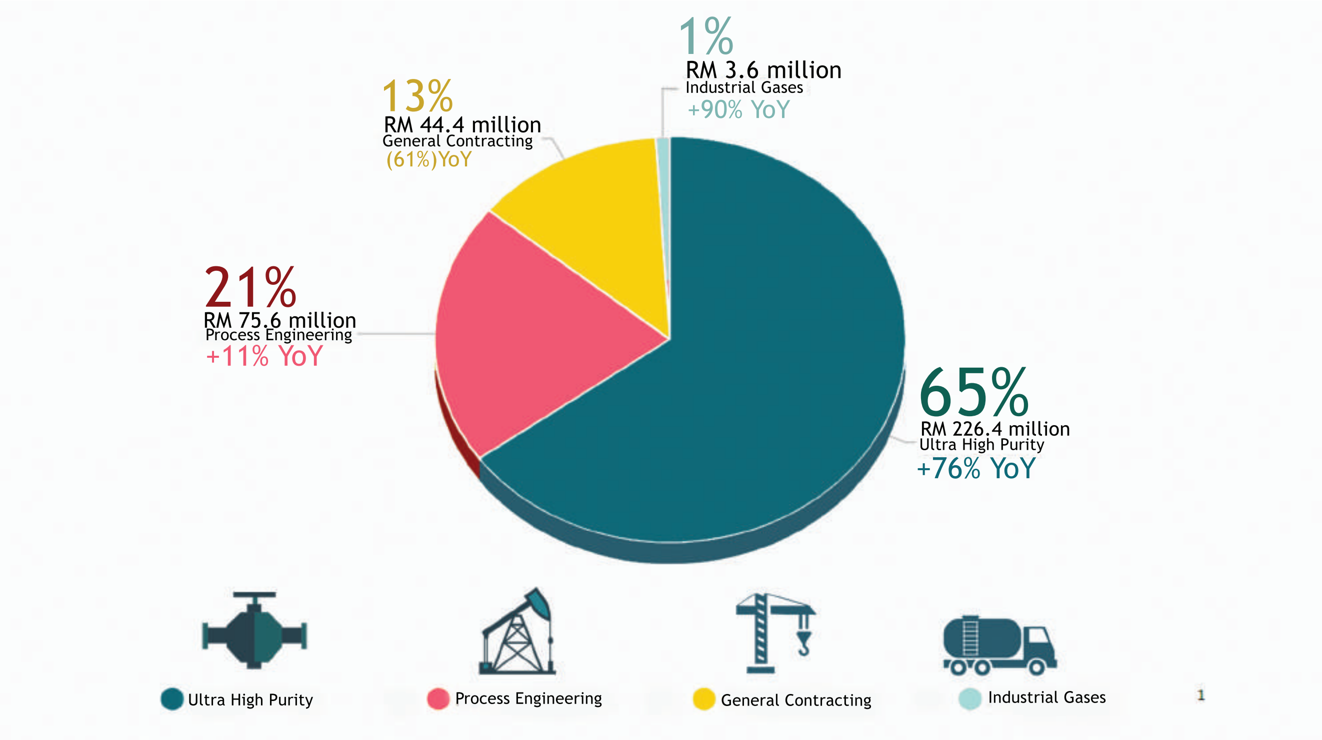
On-site Nitrogen gas plant

Air Separation Unit and Liquefier plant

Financial Highlights

The Group achieved a commendable set of results with double-digit growth in both the top and bottom line. Revenue rose to RM350.0 million in FY2018, an 12% year-on-year ("YoY") increase from RM313.3 million in the previous year ("FY2017"), mainly driven by higher revenue recognised from the UHP and Process Engineering division.

REVENUE BREAKDOWN BY BUSINESS SEGMENTS



The UHP division remained the Group's anchor revenue contributor, accounting for 65% of total revenue in FY2018. Revenue from UHP jumped 76% YoY or RM97.6 million to RM226.4 million in FY2018 from RM128.8 million a year ago, driven by larger projects undertaken in China and Singapore.

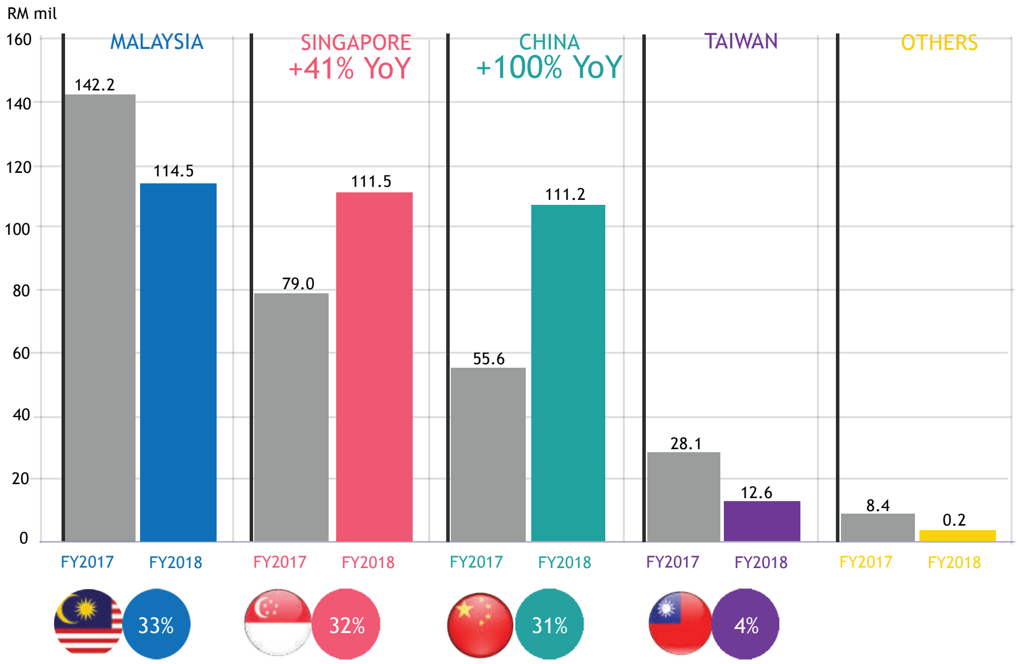
The Process Engineering division also saw an increase in revenue, up 11% YoY to RM75.6 million from RM68.2 million in FY2017, boosted by new projects clinched from customers in the non-electronics sector.

Notably, the Group recorded maiden contribution from our very first on-site gas plant business in FY2018. As a result, revenue from Industrial Gases grew to RM3.6 million from RM1.9 million.

On the other hand, the General Contracting division registered a lower revenue of RM44.4 million in FY2018 as compared with RM114.4 million recorded last year. The decrease in revenue was in line with the Group's strategy to focus on higher margins businesses, such as the UHP and Process Engineering divisions.

Management Discussion and Analysis
cont'd

REVENUE BREAKDOWN BY COUNTRY



Geographically, Malaysia remained the largest market for Kelington, representing 33% of the Group's revenue, followed by Singapore (32%), China (31%) and Taiwan (4%). Revenue from the domestic market stood at RM114.5 million against RM142.2 million in FY2017. Meanwhile, China and Singapore registered robust growth on higher projects completion, up 100% YoY to RM111.2 million and 41% YoY to RM111.5 million, from RM55.6 million and RM79.0 million respectively.

In line with the revenue growth, Kelington's gross profit increased by 18% to RM58.8 million from RM50.0 million previously, which resulted in a higher gross profit margin of 16.8% in FY2018. Finance cost was slightly higher at RM0.9 million from RM0.8 million in FY2017, mainly due to the increase in borrowings for the expansion activities in Industrial Gases division.

Net profit came in at historic high of RM18.7 million in FY2018, breaking the previous record of RM11.8 million achieved in FY2017. These remarkable growths were chiefly attributable to better project mix and stricter cost discipline.

Liquidity and Capital Resources

Kelington's balance sheet remain robust with ample room to fuel future growth. As at 31 December 2018, the Group's financial position strengthened to a net cash of RM50.0 million as compared to RM31.9 million earlier. Total gross cash was higher at RM67.0 million, while total debt pared down by 44% YoY to RM17.1 million from RM30.3 million a year ago due to the repayment of short-term borrowings which were mainly allocated for working capital.

The increment in total assets, from RM229.9 million in FY2017 to RM243.5 million in FY2018, was mainly due to the purchase of new gas plants which had been incorporated into the Group's Property, Plant and Equipment in FY2018.

As for the shareholders' equity (excluding non-controlling interests), it has improved by 48% to RM116.1 million against RM78.2 million as at 31 December 2017. The increase was largely due to proceeds injection from the private placement completed in early August 2018, exercise of convertible warrants, continuous quarterly profit, as well as from the employees shares option exercise.

Consequently, net assets per share increased to RM0.43 from RM0.34 a year ago.

Returns to Shareholders

With the strong performance in FY2018, the Board approved and paid its first interim dividend of 1 sen per ordinary share amounting to a payout of RM2.7 million on 8 January 2019.

Additionally, Kelington declared a second interim dividend of 0.8 sen per ordinary share, which brings a dividend payout to RM2.3 million.The total dividend payout for FY2018 amounts to RM5.0 million, representing a dividend payout ratio of 26.7% for FY2018.

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

FUTURE GROWTH

Looking ahead, we expect the operating landscape to be challenging on the back of dim industry outlook, stiff competition and weak consumer sentiments in financial year 2019 ("FY2019"). While we are cautious of the sustained external headwinds, nevertheless, we believe that the Group will be able to maneuver through the challenges and continue to strengthen our competitive position in our key markets. Our confidence lies upon the Group's solid fundamentals and years of track record in the industry.

Resulting from the strong orderbook replenishment in FY2018, we started FY2019 with a total outstanding orderbook of RM260 million, which was carried forward from the previous year. We are pleased that within the first two months of 2019, we clinched a major contract worth RM93 million from one of the world's largest gas companies to provide turnkey construction works in Singapore. This will augur well for our financial performance in FY2019.

We believe the Group is well-positioned to embark on our mid-term expansion plans. In FY2019, we will continue to focus on accelerating growth and seeding strategic investments in our new businesses under the Industrial Gases division. The venture into the gas industry is part of the Group's strategy to build our recurring revenue stream and further expand our high-margin business portfolio. Our aim is to grow the contribution from the gas division to one-third of the Group's total revenue in three to five years' time.

2019 will be a significant year for us as we look forward to welcoming the commencement of the manufacturing of liquid CO_2 business in 4QFY2019. We expect the production of the new gas plant to ramp up progressively over the years, while we intensify marketing and sales initiatives to secure contract orders. With the new state-of-the-art gas plant, we will be able to produce a high quality grade of liquid CO_2, suitable for use by the food & beverage ("F&B") industries. This will be a competitive advantage for us to penetrate the industry.

Beyond that, we are also exploring opportunities to export our products to neighbouring countries where the supply of liquid CO_2 is inadequate or does not meet the high-quality standards required by the Food & Beverage industry. We intend to fill in the supply and demand gap in the industry and provide customers access to high-quality liquid CO_2. We are optimistic that this new business will stimulate further growth for the Group.

Coupled with our on-going initiatives to streamline costs, optimise manpower, as well as improve our technical capabilities, we are confident that we will have another momentous year ahead.

RISKS FACTORS

LACK OF LONG-TERM CONTRACTUAL AGREEMENTS

The Group's business is reliant on contracts awarded to us on a project-by-project basis and each project typically completes within 6 to 12 months from commencement date. There is no assurance that we are able to continually secure contracts one after the other. As such, we place great emphasis in developing long-term business relationships with our customers to ensure business continuity and growth.

In addition to that, the Group expanded its business model to include businesses that generate recurring revenue, such as the on-site gas supply and manufacturing of liquid CO2 business. The contract period from these new businesses are longer in nature, 5 to 10 year, which will then provide better earnings visibility for the Group in mid to long-term.

DEPENDENCE ON THE AVAILABILITY OF TECHNICAL PROFESSIONALS

As a leading engineering services provider, our business is highly dependent on human capital. Our people are the key growth driver to the Group's continued success. We rely upon our skilled and qualified talent pool to deliver excellence and top-notch services to our customers. The Group has human capital management system in place to ensure effective workforce optimisation.

With this in mind, several initiatives were put in place to ensure we made strategic investments into our greatest assets, our People, beyond remuneration packages. The Group is focused on implementing a comprehensive human resource strategy, including career planning and development, diversity, mobility, learning, recruitment and well-being. We rollout development programmes every year, to groom and upskill our workforce, increase employee engagement and assist our employees in achieving their full potential.

CHANGES IN POLITICAL, ECONOMIC OR SOCIAL CONDITIONS

Kelington has operations across four countries; Malaysia, Singapore, China and Taiwan, and derive a significant amount of revenue from our overseas operations. In FY2018, 67% of the Group's revenue came from overseas.

Thus, it is inevitable that our financial condition and operations would be affected by any shift in the political, economic or social conditions of the countries we transact business in. This includes changes in political leadership, economic conditions, interest rates, introduction of new regulations, currency exchange rules, etc.

As mitigation efforts, the Group constantly engages with the respective local authorities and relevant business associations to keep abreast on the latest development in the industry. In order to be better prepared for any potential changes, we also closely monitor any new developments on prospective regulations as well as changes in policies.

CYCLICAL NATURE OF THE INDUSTRY

The Group's UHP division is exposed to the cyclical nature of the semiconductor and electronics industry. In the event of a downturn in the industry, the Group's business and financial performance may experience lower revenue contribution and lesser work orders from the UHP business.

To future-proof ourselves, we diversified our business to include other businesses, namely the Process Engineering, General Contracting, and Industrial Gases division. This has allowed us to mitigate the risk of being over-reliant on the semiconductor and electronics industry.

COMPETITIVE INDUSTRY ENVIRONMENT

The Group is operating in a highly competitive operating landscape with competitions from the domestic and international markets. Inevitably, we are exposed to profitability pressures, should our competitors engage with aggressive pricing in order for them to increase their market share. We face competitions from larger industry players from around the world who have greater resources and wider access to capital.

To stay ahead of the competition the Group remained steadfast on advancing our technical capabilities, continuous Research and Development ("R&D") efforts, improving our operating efficiencies, as well as maximising our resources. Furthermore, we believe our strong track record in handling projects from global multinational companies will enhance our competitive edge.

APPRECIATION

I would like to extend my appreciation to our shareholders, clients and business partners for their continued confidence and faith in the Group. My sincere gratitude also goes to our Board of Directors for their stewardship, advice, and guidance.

In closing, I would like to thank the management team and all employees for your unwavering dedication, hardwork, commitment and excellent performance throughout the years.

I have good faith that, together, we will be able to grow Kelington to a leading engineering service provider.

Thank you.

IR. GAN HUNG KENG
Chairman and CEO of Kelington

BOARD OF DIRECTORS' PROFILE

CHAN THIAN KIAT
Age 63, Malaysian, Male
Senior Independent
Non-Executive Director
Length of Service:
9 years & 7 months

IR. GAN HUNG KENG
Age 55, Malaysian, Male
Chairman/CEO
Length of Service:
19 years & 2 months

ONG WENG LEONG
Age 51, Malaysian, Male
Executive Director/COO
Length of Service :
14 years & 5 months

TAN CHUAN YONG

Age 63, Malaysian, Male

Senior Independent Non-Executive Director

Length of Service: 9 years & 7 months

VICE ADMIRAL (RETIRED)

DATUK HAJI JAMIL BIN HAJI OSMAN

Age 61, Malaysian, Male

Independent Non-Executive Director

Length of Service : 6 years 10 months

SOO YUIT WENG

Age 51, Malaysian, Male

Independent Non-Executive Director

Length of Service : 6 years 3 months

IR. GAN HUNG KENG

Age 55, Malaysian, Male
Chairman/CEO
Length of Service: 19 years & 2 months

Ir. Gan Hung Keng is the Company founder, Executive Director and Chairman of the Company since 14 February 2000 and was appointed as the Managing Director on 22 November 2004 and assumed the role of CEO with effect from 1 September 2009. As a CEO, he is responsible for the overall strategic direction and management functions of the Group and in particular, the Group's new ventures. He is also the Chairman of the ESS Committee. He graduated with a Bachelor of Chemical & Process Engineering degree from Universiti Kebangsaan Malaysia, Malaysia. He is also a Professional Engineer on the Board of Engineers, Malaysia.

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

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

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

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

ONG WENG LEONG

Age 51, Malaysian, Male
Executive Director/COO
Length of Service : 14 years & 5 months

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

He began taking up managerial roles in 1996 while at MOX as the Production Manager after which he became the Operations Manager from 1998 to 2000, responsible for managing plant operations located in the central and east coast region. Later in 2000, he was promoted to National Engineering Manager at MOX which he carried out for 3 years until 2004 where he was promoted to the National Sales Manager (Electronics) at MOX. Soon after that, he joined the Company in 2004 as the General Manager. Throughout his years' experience at MOX and KGB in management roles, he has acquired expertise in detailed designing of all gas system ranging from gas production plants to the supply stations of customers and engineering construction management of industrial gas related projects.

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

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

CHAN THIAN KIAT

age 63, Malaysian, Male
Senior Independent Non-Executive Director
Length of Service: 9 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 63, Malaysian, Male
Senior Independent Non-Executive Director
Length of Service : 9 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.

VICE ADMIRAL (RETIRED) DATUK HAJI JAMIL BIN HAJI OSMAN

Age 61, Malaysian, Male
Independent Non-Executive Director
Length of Service: 6 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 of public companies and listed issuers.

SOO YUIT WENG

Age 51, Malaysian, Male
Independent Non-Executive Director
Length of Service : 6 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 37 of this Annual Report.

Shareholdings
The details of Directors' shareholdings are set out in the Analysis of Shareholding(s) and Warrant Holdings on pages 147 and 149 of this Annual Report.

KEY SENIOR MANAGEMENT'S PROFILE

JONG YU HUAT
Age 48, Malaysian, Male

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

LIM SENG CHUAN
Age 51, 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 Kelington, 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 46, Malaysian, Male

Mr. Wan Siew Chuan is the Senior Vice President, China for Kelington 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 Semiconduct or industry, detailed engineering of UHP bulk gas distribution systems, including project execution and management.UHP gas systems, where he utilises his expertise in detailed engineering of all UHP specialty gas delivery and bulk gas distribution systems for the Semiconductor industry, he is also responsible in project management which includes project execution and management.

ONG SENG HENG
Age 40, Malaysian, Male

Mr. Ong Seng Heng is the Vice President, Malaysia for Kelington. 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 43, Malaysian, Male

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

CHONG ANN TSUN
Age 42, Malaysian, Male

Mr. Chong Ann Tsun is the General Manager of Ace Gases Marketing Sdn. Bhd. since 2018.He Graduated with a Bachelor of Mechanical Engineering from Leicester University United Kingdom in 1999. He has experience working in various industrial gases companies in both technical application roles, sales and marketing. He was working as a Business Director and Regional Business Development Director for Air Liquide before joining Ace Gases.

ALAN LIM CHUI BOON
Age 37, Malaysian, Male

Mr. Alan Lim Chui Boon is the Operations Manager of Ace Gases Marketing Sdn. Bhd since 2018. He graduated with First Class Hons of Bachelor Degree in Chemical Engineering from Universiti Teknologi Malaysia in 2005. Prior to joining the Company, he commenced his career in MOX Gases Sdn. Bhd. and later joined Air Liquide Malaysia Sdn. Bhd. for 9 years since 2008. He held various positions such as Project Engineer, Commissioning Manager, Project Manager, Facility Manager and Industrial Operations Manager which he is a Technical Expert in ASU Technologies and specialised in industrial gas plants operations, strategy management, plant optimisation and efficiency evaluation. In his current position, he is responsible for industrial gas system design, project implementation, operations management and technical support.

Notes to the Key Senior Management's Profile:

Directorships
None of the key senior management hold any other directorship(s) in public companies and listed issuers.
Family Relationship
None of the key senior management has any family relationship with any other Directors and/or major shareholders of the Company.
Conviction of Offences
None of the key senior management has been convicted for any offences (other than traffic offences) within the past 5 years.There were no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
Conflict of Interest
None of the key senior management has any conflict of interest with the Company.

CORPORATE HIGHLIGHTS

Kelington Malaysia Annual Dinner

Annual Dinner with the theme "Pastel and Unicorn" was attended by more than 120 employees from Kelington Malaysia.

Long Service Award

Long Service Award (10 years)
6 employees with 10 years of service were awarded with a gold pendant.

Long Service Award (15 years)
4 employees with 15 years of service were awarded with a gold pendant.

CORPORATE HIGHLIGHTS
cont'd

Best Micro Cap Company in IR

Event: MIRA 8th Investor Relations Awards 2018
Award: Best Micro Cap Company in Investor Relations
Date: 5th December 2018

CORPORATE HIGHLIGHTS
cont'd

Kelington Malaysia's Company Trip

Kelington Malaysia's Company Trip in Taiwan. We believe shared experiences of a fantastic trip will hone and develop team dynamics.

SUSTAINABILITY STATEMENT

"STRENGTHEN OPERATIONAL EFFICIENCIES AND DELIVER LONG-TERM GROWTH"

This Sustainability Statement covers our Group's business operations for the financial year ended 31 December 2018 and has been prepared in accordance with the guidelines set out in the Main Market Listing Requirements ("MMLR") and the Sustainability Reporting Guide issued by Bursa Malaysia Securities Berhad ("Bursa Securities"). This Statement focus on our main business, Ultra High Purity which are our largest and most established business sector.

GOVERNANCE STRUCTURE

At Kelington, we have in place our long term growth strategy that drives us forward through the unpredictable environment in which we operate, whilst creating sustainable value for our stakeholders. These strategies ensure business growth, increase efficiency, reinforce financial strength, uphold corporate governance and ensure employee safety. The Board shall ultimately responsible for embedding sustainability into the organisation and its business strategy.

To ensure that sustainability is embedded across the organisation and adequate resources, systems, and processes are in place for managing sustainability matters, the Board delegates the management of sustainability matters to the Executive Management Committee ("EMC"). The Group COO has taken the roles as Chief Sustainability Officer in ensuring all material sustainability matters are being considered and managed throughout the operations.

Board of Directors	EMC	Group COO	Business Functions
Ensure business strategy considers sustainability	Develop sustainability strategy and recommend revision to the Board	Oversee departments in ensuring robustness of system of sustainability Management	Support strategy implementation
Approve sustainability strategy	Evaluate overall sustainability risks and opportunities	Provide leadership over implementation of sustainability strategy	Ensures processes and controls are in place within its departments
	Oversee Implementation of sustainability strategy		Reports on performance of processes and controls
			Report Management Targets

STAKEHOLDER ENGAGEMENT

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

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

Key Stakeholders	Engagement Approach	Sustainability Concerns
Customers	• Customer satisfaction surveys • Personalised services • Strategic alliance and regular meetings	• Quality assurance and reliable products and services • Competitive pricing and on-time delivery • Safe working environment
Contractors, Industry Partners, and Suppliers	• Formal & Informal dialogue sessions • Site Inspections • Supplier selection via pre-qualification and tendering proces	• Fair Tender Practices • Competitive Prices • Business continuity • Quality materials and services • Timeliness of payments
Directors	• Quarterly and ad-hoc Board and Board Committee Meeting	• Appropriate internal control and risk management system • Financial risk and company compliance to laws and regulations • Continuous business and operational improvement • Financial results • Sustainable business strategy
Senior Management	• Executive Management Committee Meeting • Monthly Management Meetings • Ad-hoc meetings	• Ensure customer requirements are met • ISO / OHSAS Compliance • Talent Retention Programme and Succession Planning • Proper handling of hazardous gas and chemicals • Minimise Material Waste
Employees	• Annual Staff Meeting • Annual Dinner and Festive Celebrations • Annual Performance Evaluation • Open Communication • Informal communication • Safety Briefing & Toolbox Meeting • Training Workshops and Seminars	• Safe and humane working environment • Provide learning and development opportunities along career path • Competitive compensation and benefit packages for employee
Shareholders / Investors	• Annual General Meeting • Quarterly analysts' briefings • Corporate Website • Press Releases	• Continuous business growth • Timely and transparent disclosure
Law enforcers and regulators	• Bursa Announcements • SSM submissions • Ad-hoc report submissions as requested by the regulators	• Adherence to relevant laws and regulations • Corporate governance and compliances
Financial Institutions	• Ad-hoc discussion	• Business continuity opportunities
Local Communities		• Contributions towards local communities in economic, environmental and social development

SUSTAINABILITY TOPICS

To identify sustainability matters relevant to Kelington, we have considered Kelington's key results areas along the value chain activities, business risks and opportunities, industry trends, as well as environmental and social impact associated with the project site's activities, fair business practices, etc.

In addition, we have also considered sector-specific information from internationally credible guidelines Global Reporting Initiative Standards. These sustainability matters have been further categorised into four dimensions that reflect our approach to sustainability as well as our commitment to create value for both the business and our stakeholders :

MANAGING OUR BUSINESS

OUR PEOPLE

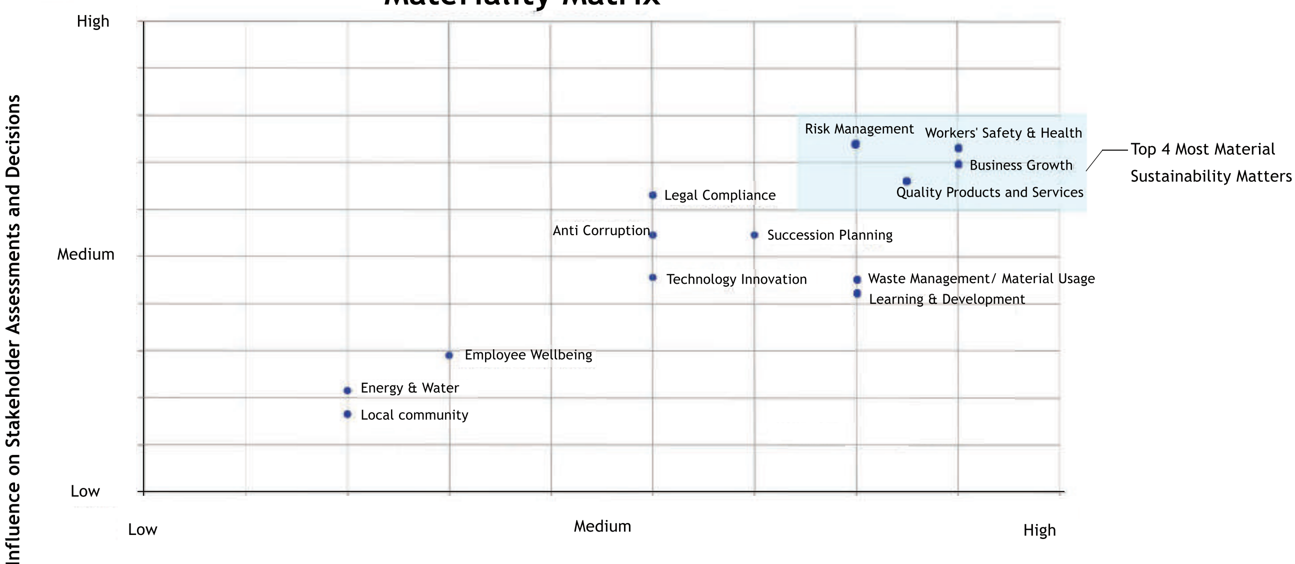
FOCUS OUR CUSTOMER

ENVIRONMENTAL CARE & PROTECTION

MATERIALITY ASSESSMENT

Guided by Bursa Securities Sustainability Reporting Guide, the EMC assessed the significance of each sustainability matter to Kelington by using a rating approach. The materiality matrix below identifies Kelington's sustainability matters and the results of our materiality study. This guides us to report in line with the interests and needs of our stakeholders.

Materiality Matrix



Significance of Group's Economic, Environmental and Social Impacts

From the matrix above, we aspire to demonstrate our commitment to sustainability in the following areas:

Managing our Business
Our People
Focus Our Customer
Environmental Care & Protection

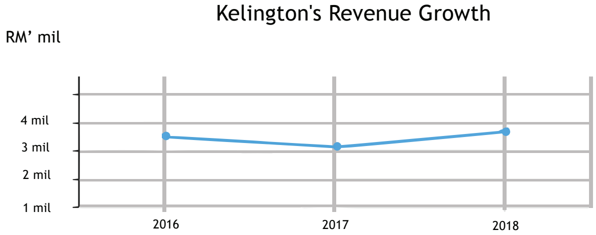
MATERIAL SUSTAINABILITY TOPICS

MANAGING OUR BUSINESS

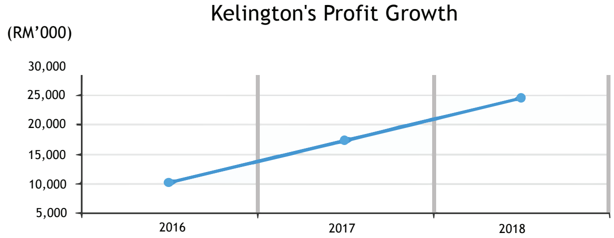
Growing the Business

Target : On-going growth of Revenue and Profit Performance :

Kelington's Revenue Growth



Kelington's Profit Growth



For more information on the Group's growth, please refer to the Management Discussion & Analysis and Financial Statements in this Annual Report.

We believe the collective effort of our employees working together as a team across our subsidiaries delivered strong performance for the Group since the inception of Kelington. We will continuously invest in our employees' welfare and nurture them into competent and highly skilled individuals who can support our business growth.

Corporate Governance and Compliance

We are guided by the Malaysian Code on Corporate Governance 2017 in ensuring the principles and best practices of good corporate governance is applied throughout our Group. Details of our corporate governance framework and practices are elaborated in the Corporate Governance Overview Statement of the Annual Report 2018 and the Corporate Governance Report 2018.

We have established effective standard operating policies and procedures, defined levels of authority and guidelines in our business operations to ensure compliance with internal controls, laws and regulations. These policies, procedures and guidelines are subjected to regular reviews and improvements; and have been communicated to all employees.

Anti-corruption and Anti-Bribery

We believe that all business dealings should be transparently performed and accurately reflected in accordance with the Group's Code of Ethics and Conducts. We uphold all laws relevant to countering bribery and corruption. We remain bound by the laws of Malaysia, including the Malaysian Anti- Corruption Commission Act 2018, in respect of our conduct both at home and abroad.

In 2018, no employee has been disciplined or dismissed due to non-compliance with our Code of Ethics and Conducts and no fines, penalties or settlements were imposed or made during the year.

Internal Process Efficiency

As part of our strategic management process, the EMC reviews the efficiency operations of all activities along the value chain, identifies key result areas, develops relevant key performance indicators, communicates and monitors business function's progress and performance in achieving the Company's strategic and operational goals.

OUR PEOPLE

Talent Development and Succession Planning

In line with our long term sustainability strategy, Kelington is now focus on attracting and retaining talent and then helping them to develop their skills to drive our Group's success. We aim to establish a strong pool of talent and lines of successors for the Group by year 2023.

MATERIAL SUSTAINABILITY TOPICS cont'd

OUR PEOPLE cont'd

Learning and continuous improvement

In a world of continual information flow, global competition and technological change, Kelington commits to build a workplace culture of continuous improvement and being productive.

Occupational Health and Safety ("OHS")

We have been practising strict compliance to all safety, health and environmental requirements in relation to the Occupational Safety and Health Act. We believe properly-trained worker can perform his or her job more efficiently, spot hazards and not take shortcuts, leading to fewer workplace injuries.

Kelington had established a Safety & Health Committee at the organisational as well as at each project site. The committees are tasked to organise and carry out various safety awareness, improvements and legally required training and activities such as basic firefighting, first aid competency course, safe chemical handling, chemical spill, emergency response, quarterly safety inspections and committee meetings, and annual location for fire drills.

On-Job training & daily tool box meetings are part of the awareness programme that we carried to ensure our workers aware of the OHS hazards/risk before they start work.

We encourage safety in the workplace. Our safety awards programme increases employee safety performance, reduce accidents and promote safework practices.

Employee Welfare

We understand that our employees need meaningful career development and skills improvement as well as competitive compensation and benefits to support their families and cope with rising cost of living. To do so, our Human Resource team regularly reviews compensation and benefits packages, monitors facilities and privileges, ensures equal opportunities in the workplace, develops skills and retains the best talents.

Alongside this, we are establishing a Training team to tailors a range of learning courses to cater for the needs of our employees from various functions and ensure they possess the appropriate skills and competencies.

MATERIAL SUSTAINABILITY TOPICS cont'd

OUR PEOPLE cont'd

Local Hire and Internships
We are committed to providing employment and career development opportunities to the local community where we operate.

FOCUS OUR CUSTOMER

Customer Satisfaction
We do our best to retain our value customers. We are proud of our team in Malaysia, Singapore and China who work consistently to realise our mission: To deliver quality services to meet our Customers' requirements safely and cost effectively.

Contractor Safety Award 2018

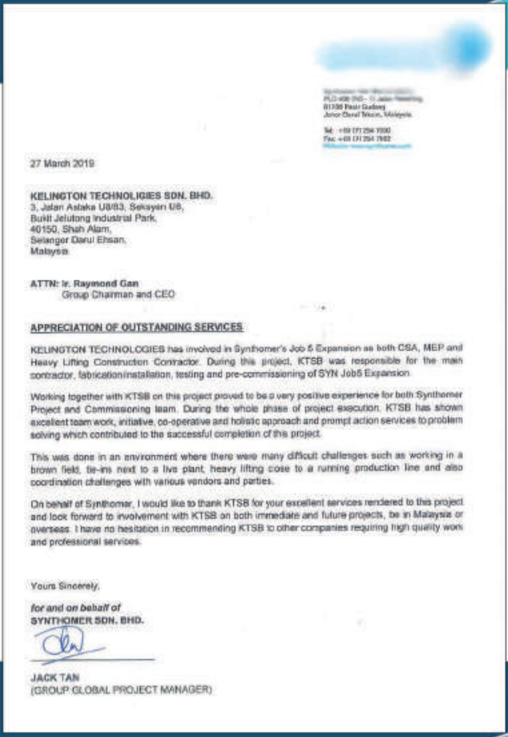
Safety Award

MATERIAL SUSTAINABILITY TOPICS cont'd

FOCUS OUR CUSTOMER cont'd

Excellent Supplier

Appreciation for 1,000,000 Safe Man-hours without LTI



27 March 2019

KELINGTON TECHNOLIGIES SDN. BHD.
3, Jalan Astaka U8/83, Seksyen U8,
Bukit Jelutong Industrial Park,
40150, Shah Alam,
Selangor Darul Ehsan,
Malaysia

ATTN: Ir. Raymond Gan
Group Chairman and CEO

APPRECIATION OF OUTSTANDING SERVICES

KELINGTON TECHNOLOGIES has involved in Synthomer's Job 5 Expansion as both CSA, MEP and Heavy Lifting Construction Contractor. During this project, KTSB was responsible for the main contractor, fabrication/installation, testing and pre-commissioning of SYN Job5 Expansion.

Working together with KTSB on this project proved to be a very positive experience for both Synthomer Project and Commissioning team. During the whole phase of project execution, KTSB has shown excellent team work, initiative, co-operative and holistic approach and prompt action services to problem solving which contributed to the successful completion of this project.

This was done in an environment where there were many difficult challenges such as working in a brown field, tie-ins next to a live plant, heavy lifting cose to a running production line and also coordination challenges with various vendors and parties.

On behalf of Synthomer, I would like to thank KTSB for your excellent services rendered to this project and look forward to involvement with KTSB on both immediate and future projects, be in Malaysia or overseas. I have no hesitation in recommending KTSB to other companies requiring high quality work and professional services.

Yours Sincerely,

for and on behalf of
SYNTHOMER SDN. BHD.

JACK TAN
(GROUP GLOBAL PROJECT MANAGER)

Appreciation letter

MATERIAL SUSTAINABILITY TOPICS cont'd

FOCUS OUR CUSTOMER cont'd

Certificate of Achievement

The Construction Industry Development Board Malaysia has awarded Kelington Technologies Sdn Bhd with the four-star SCORE rating (out of five-star) base on the rating criteria of Business Performance, Financial Capability, Technical Capability, Project Management & Procurement Management.

SMECORP MALAYSIA

CIDB MALAYSIA

Certificate of Achievement

This is to Certify that

KELINGTON TECHNOLOGIES SDN. BHD.
0120081216-SL121256
Grade Registered : G7

has been evaluated according to the SCORE criterias set by the Board and has achieved the rating of

(4 Star)

for the year
2018
(Valid until 29/08/2020)

Visionary leadership,efficient management And technical capabilities, compliance to best practices, innovative, very good integrated ICT system And project management, Able to export services to international market.

Ketua Eksekutif
Lembaga Pembangunan Industri Pembinaan Malaysia
30/08/2018

SB065435

ENVIRONMENTAL CARE & PROTECTION

Energy, Water & Waste Management

We remain committed to preserving the environment by implementing environmental friendly practices in our operations. We continuously worked towards reducing electricity and water consumption throughout the Group. In addition, the EMC is working out a new policy and procedures to manage usage of materials and reduce material waste.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Kelington remains committed in maintaining the highest standards of corporate governance within the Company and adhering to the principles and best practices of corporate governance, through observing and practising the core values of the Malaysian Code on Corporate Governance 2017 ("MCCG") issued by the Securities Commission and the Corporate Governance Guide issued by Bursa Malaysia Berhad. 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 three (3) key principles as set out in the MCCG and the extent to which the Company and the subsidiaries have complied with the principles and practices of the MCCG during the financial year under review.

This statement is prepared in compliance with the MMLR of Bursa Securities and it is to be read together with the Corporate Governance Report 2018 of the Company which is available on the Company's corporate 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 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 of Reference.

The Board Committees consist of Audit Committee, Nomination Committee and Remuneration Committee. The power delegated to the Board Committees are set out in the Terms of Reference of each of the committees as set out in the Board Charter.

1.2 Chairman

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

1.3 Separation of the Positions of the Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer 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 Chief Executive Officer as set out in the Board Charter.

All decisions of the Board are made unanimously or by consensus. To ensure balance of power and authority on the Board, the Board comprises a majority of Independent Directors. The Board is satisfied and assured that no individual or group of Directors has unfettered powers of decision that could create a potential conflict of interest.

1.4 Qualified and Competent Secretaries

In performing their duties, the Board is supported by two (2) suitably qualified Company Secretaries. The Company Secretary acts as a corporate governance counsel and ensures good information flow within the Board, Board Committees and Management. The Company Secretary attends all meetings of the Board and Board Committees and guides the Directors on the requirements encapsulated in the Company's Constitution and legislative promulgations such as the Companies Act 2016, MMLR, etc.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

Principle A : Board Leadership and Effectiveness

Part I – Board Responsibilities

1. Board's Leadership on Objectives and Goals

1.5 Access to Information and Advice

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

Schedule of Board and Committee 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 the Board's decision and that the Board papers for meetings will be circulated to the Board at least seven (7) days before the meeting. This is to ensure all Directors have sufficient time to obtain further explanation, where necessary, in order to be fully informed of the matters to be discussed during the meeting.

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

2. Demarcation of Responsibilities

2.1 Board Charter

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

The Board shall periodically review and update its charter to ensure it remains consistent with the Company's objectives and their responsibilities and the prevailing regulatory requirements.

The last review of the Board Charter was conducted on 26 February 2018 and a copy of which is available on the Company's corporate website.

3. Promoting Good Business Conduct and Corporate Structure

3.1 Code of Ethics and Conduct and Whistleblowing Policy

The Board is committed in maintaining a corporate culture which engenders ethical conduct. The ethical standard 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 act in good faith in the best interests of the Group and its shareholders.

In addition, the Board has adopted a whistleblowing policy for the Group as a measure to promote the highest standard of corporate governance. 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.

The Code of Ethics and Conducts and the Whistle Blowing Policy are incorporated in the Board Charter which are available on the corporate website of the Company.

Part II – Board Composition

4. Strengthen Board's Objectivity

4.1 Board Composition

The Board has 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 the MCCG as more than half of its members are Independent Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

Principle A : Board Leadership and Effectiveness

Part II – Board Composition

4. Strengthen Board's Objectivity

4.2 Tenure of Independent Director

The Nomination Committee carries out the evaluation of independence on each Independent Director annually.

Mr Chan Thian Kiat and Mr Tan Chuan Yong, the Independent Directors have served the Company for a cumulative term of more than nine (9) years. The Nomination Committee had undertaken a review and assessment of the level of independence of the two (2) Independent Directors during the financial year 2018 and concluded that they have fulfilled the criteria under the definition of Independent Director as stated in the MMLR, and thus, they would be able to function as good check and balance and bring an element of objectivity to the Board. The Independent Directors have also declared their independence to the Board and Management of the Group at a Board Meeting during the year.

Accordingly, the Board agreed with the above proposed re-appointment of Mr Chan Thian Kiat and Mr Tan Chuan Yong as Independent Directors of the Company and will seek shareholders' approval at the forthcoming 19th Annual General Meeting ("AGM") to retain them as Independent Directors of the Company.

4.3 Policy of Independent Director's Tenure

The Board has adopted a nine-year policy for Independent Non-Executive Directors. An Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. Otherwise, the Board will justify and seek shareholders' approval at the AGM in the event it retains the director as an Independent Director. If the Board continues to retain the Independent Director after 12th years, the Board would 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.

The Board has established a Diversity Policy where the Board will endeavor increase female representation on the Board and Senior Management if there are appropriate candidates available when vacancies arise.

4.5 Nomination Committee

The Nomination Committee 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

The Nomination Committee is responsible for assessing the adequacy and appropriateness of the board composition, identifying and recommending suitable candidates for Board membership and also for assessing the performance of the Directors on an ongoing basis. The Board will have the ultimate responsibility and final decision on the appointment. This process shall ensure that the Board membership accurately reflects the long-term strategic direction and needs of the Company and determine skills matrix to support strategic direction and needs of the Company.

The Nomination Committee evaluates the qualification and experience of the candidate against the Board's requirements, including its board diversity policy and where appropriate recommends to the Board for appointment.

The Terms of Reference of the Nomination Committee is set out in the Board Charter and is available on the Company's corporate website.

During the financial year 2018, the Nomination Committee held a meeting to assess performance of the Board, Board Committees and individual Directors. The Nomination Committee, in discharging its functions and duties, carried out the following activities during the financial year:-

- Reviewed and assessed the performance and effectiveness of the Board as a whole, Board Committees and contribution of each individual Director;
- Reviewed and assessed the independence of the Independent Directors;
- Reviewed and recommended to the Board, the re-election and re-appointment of the Directors who will be retiring at the forthcoming AGM of the Company;
- Reviewed and assessed the term of office and performance of the Audit Committee and each of its members;
- Reviewed and assessed the performance of the Chief Financial Officer;
- Reviewed the updated Terms of Reference of the Nomination Committee to be in line with the MMLR and MCCG; and
- Assessed the training needs of the Directors.

Principle A : Board Leadership and Effectiveness

Part II – Board Composition

4. Strengthen Board's Objectivity

4.6 Identification of New Candidates for Appointment of Directors

The Board has entrusted the Nomination Committee with the responsibility to consider, review and recommend the appointment of potential candidates to the Board proposed by 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 takes cognisance of utilising independent source to identify suitably qualified candidates as recommended by the MCCG when vacancies arise.

5. Overall Board Effectiveness

5.1 Annual Evaluation

The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis. The Board evaluation comprises a Board Assessment, an Individual Director 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 the individual Director,the assessment criteria include contribution to interaction,quality of input and understanding of roles.

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

Based on the annual assessment conducted, the Nomination Committee was satisfied with the existing Board composition and concluded that each Directors has the requisite competence to serve on the Board and had sufficiently demonstrated their commitment to the Company in terms of time and participation during the year under review, and recommended to the Board

5.2 Re-election of Retiring Director

In accordance with the Company's Constitution, one third of the Directors (with the exception of the Alternate Director) are subject to retirement by rotation annually and all Directors shall retire from office once at least every three years.

The Directors to retire each year are the Directors who have been longest in office since their last appointment on re-election. The Directors appointed during the financial year are subject to retirement at the next AGM held following their appointments in accordance with the Company's Constitution. All retiring Directors are eligible for re-election.

Pursuant to Clause 97 of the Constitution of the Company, Tan Chuan Yong and Soo Yuit Weng are subject to retirement by rotation at the forthcoming 19th AGM and they have expressed their willingness to seek for re-election at the 19th AGM.

5.3 Board Commitment

The Directors allocate sufficient time to discharge their responsibilities effectively and attend Board Meeting and Board Committee Meetings to deliberate on matters under their purview. Board Meeting and Audit Committee meeting are held at quarterly intervals with additional meetings convened when necessary. During the financial year, the Board has deliberated on business strategies and issues concerning the Group including business plan, annual budget, financial results, etc.

The attendance record of the Directors at Board of Directors and Board Committee meetings during the financial year under review is set out as follows:-

Meeting Attendance	Board	Audit Committee	Nomination Committee	Remuneration Committee	General Meetings
Gan Hung Keng	4/5	-	-	-	2/2
Ong Weng Leong	5/5	-	-	1/1	2/2
Chan Thian Kiat	5/5	5/5	-	-	2/2
Tan Chuan Yong	5/5	5/5	1/1	1/1	0/2
Vice Admiral (Retired) Datuk Haji Jamil Bin Haji Osman	4/5	-	1/1	1/1	0/2
Soo Yuit Weng	4/5	4/5	1/1	-	1/2

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

Principle A : Board Leadership and Effectiveness

Part II – Board Composition

5. Overall Board Effectiveness

5.3 Board Commitment

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

During the financial year ended 31 December 2018, all the Directors have attended trainings, seminars, conferences and exhibitions which they considered vital in keeping abreast with the changes in laws and regulation, business environment, and corporate government development, as detailed hereunder:-

Name of Director	Course Attended	Date
Gan Hung Keng	Asian 4.0 The future of business	01.03.2018
Ong Weng Leong	MACC Amendment Act 2018	22.11.2018
Chan Thian Kiat	Corporate Governance Briefing Sessions: MSSG Reporting & CG Guide	01.03.2018
	Breakfast Series: Companies of the Future – The Role of Boards	04.12.2018
	Breakfast Series: Non Financials Does it Matter?	05.12.2018
Tan Chuan Yong	SST 2.0 impacts on SME Businesses	29.08.2018
	MACC Amendment Act 2018	22.11.2018
	Breakfast Series : Non Financials Does it Matter?	05.12.2018
Vice Admiral (Retired)	Crisis & Spokesperson Training Workshop	11.22.2018
Datuk Haji Jamil bin Haji Osman	ISO 9001:2015 Quality Management System (QMS) Lead Auditor	08.06.2018
Soo Yuit Weng	MACC Amendment Act 2018	22.11.2018

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.

Part III - Remuneration

6. Level and Composition of Remuneration

6.1 Remuneration Committee

The Remuneration Committee is responsible for recommending the remuneration packages of Executive Directors to the Board for approval. Individual Directors shall abstain from decisions in respect of their individual remuneration.

The Remuneration Committee reviews annually the Directors' Remuneration (including non-executive 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 Committee comprises all Independent Non-Executive Directors, as follows:-

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

The Terms of Reference of the Remuneration Committee is set out in the Board Charter and is available on the Company's corporate website.

6.2 Remuneration Policy

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

7. Remuneration of Directors and Senior Management

7.1 Detailed Disclosure of Directors' Remuneration

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

Principle A : Board Leadership and Effectiveness

Part III – Remuneration

7. Remuneration of Directors and Senior Management

7.1 Detailed Disclosure of Directors' Remuneration

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

The Executive Directors are not entitled to the Director's fee and any meeting allowance for Board or Board Committee Meetings they attended. The remuneration package of the Executive Directors consists of monthly salary, bonus, allowance and benefits-in-kind such as company car.

Details of the Directors' remuneration (including benefits-in-kind) of each Director during the financial year 2018 are as follows:

	Salary (RM)	EPF (RM)	Fees (RM)	Bonus (RM)	Benefits in- kind (RM)	Share-based payment (RM)	Allowance (RM)	Total (RM)
Executive Directors*								
Ir. Gan Hung Keng	491,723	58,896	-	766,539	15,000	107,315	3,000	1,442,473
Ong Weng Leong	461,723	55,296	-	727,153	15,000	107,315	3,000	1,369,487
Total	953,446	114,192	-	1,493,692	30,000	214,630	6,000	2,811,960
Non-Executive Directors								
Chan Thian Kiat	-	-	42,000	-	-	4,360	1,200	47,560
Tan Chuan Yong	-	-	42,000	-	-	4,360	1,200	47,560
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	-	-	38,220	-	-	3,689	1,200	43,109
Soo Yuit Weng	-	-	42,000	-	-	3,689	1,200	46,889
Total	-	-	164,220	-	-	16,098	4,800	185,118
Total Directors' Remuneration	**953,446**	**114,192**	**164,220**	**1,493,692**	**30,000**	**230,728**	**10,800**	**2,997,078**

*The remuneration paid to the Executive Directors are in respect of their employment with the company.

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

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

In addition, the Board is of the view that the interest of the shareholders will not be prejudiced as a result of such non-disclosure of the top five Senior Management personnel who are not Directors.

Principle B : Effective Audit and Risk Management

Part I – Audit Committee

8. Audit Committee

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

Principle B : Effective Audit and Risk Management

Part I – Audit Committee

8. Audit Committee

The Audit Committee is chaired by a Senior Independent Non-Executive Director, who is distinct from the Chairman of the Board and all members of the Audit Committee are financially literate. The composition of the Audit Committee, including its roles and responsibilities as well as a summary of its activities carried out during the financial year 2018, are set out in the Audit Committee Report on pages 45 to 46 of this Annual Report.

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

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

The Audit Committee is empowered by the Board to review any matters concerning the appointment and re-appointment, resignations or dismissals of External Auditors and review and evaluate factors relating to the independence of the External Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the Audit Committee prior to submission to the Board for approval. Feedback based on the assessment areas is obtained from the Audit Committee, the Chief Financial Officer, the Internal Auditor and Senior Management.

The Audit Committee undertakes an annual assessment of the suitability and independence of the External Auditors in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants ("MIA"). Under this policy, only non-audit services which are able to provide clear efficiencies and value-added benefits to the Group and do not impede the External Auditors' audit works will be accepted by the Audit Committee.

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

In this regard, the Audit Committee had on 24 April 2019, assessed the independence of Messrs. Crowe Malaysia PLT ("Crowe") as External Auditors of the Company and reviewed the level of non-audit services rendered by Crowe to the Company for the financial year 2018. The Audit Committee was satisfied with Crowe's technical competency and audit independence and took note that the quantum of non-audit fee charged thereto was not material as compared to the total audit fees paid to Crowe. Details of statutory audit, audit-related and non-audit fees paid/payable in the for the financial year 2018 to the External Auditors are set out in the Additional Compliance Information of this Annual Report. Having satisfied itself with their performance and fulfilment of criteria as set out in the Non-Audit Services Policy as well as received the assurance from Crowe as stated above, the Audit Committee will recommend their reappointment to the Board, upon which the shareholders' approval will be sought at the 19th 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 Audit Committee 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 Audit Committee 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 Audit Committee Report and the Statement on Internal Control and Risk Management on pages 43 and 44 of this Annual Report.

Principle B : Effective Audit and Risk Management

Part II – Risk Management and Internal Control Framework

10. Governance, Risk Management and Internal Control Framework

The Board has outsourced the internal audit 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 Audit Committee.

To ensure that the responsibilities of internal auditors are fully discharged, the Company has formally adopted an Internal Audit Function Evaluation checklist to evaluate the performance of the Internal Auditors, including the review of the scopes, functions and competency to carry out the work.

The Statement on Risk Management and Internal Control as included on pages 43 and 44 of this Annual Report provides the overview of the internal control framework adopted by the Company during the financial year ended 31 December 2018.

Principle C : Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

Part I – Communication with Stakeholders

11. Continuous Communication Between company and Stakeholders

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

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

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

Part II – Conduct of General Meetings

12. Shareholder Participation at General Meetings

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

In line with good corporate governance practice, the notice of the AGM was issued at least 28 days before the AGM.

All the Directors shall endeavour to present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company the AGM. During the AGM, the Board encourages shareholders' participation in deliberating resolutions being proposed or on the Group's operation in general. The Directors, Chief Financial Officer and External Auditors will be in attendance to respond to the shareholders' queries.

All Directors of the Company attended the 18th AGM held on 13 June 2018 (except for Tan Chuan Yong and Vice Admiral (Retired) Datuk Haji Jamil Bin Haji Osman due to commitment that unable to change. The Directors, Chief Financial Officer and External Auditors were in attendance to answer questions raised by the shareholders.

The Board will continue to operationalise and enhance the corporate governance practices and instil a risk and governance awareness culture and mindset throughout the organisation in the best interest of all stakeholders.

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

This Corporate Governance Overview Statement together with the Corporate Governance Report was approved by the Board on 24 April 2019.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The 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 Kelington is pleased to present its Statement on Risk Management and Internal Control for the 2018, 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 Chief Financial officer 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 thus, 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 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 Audit Committee on 26 February 2018.

Internal Audit ("IA") Function

The Group's IA Function assists the Board and the Audit Committee by providing an independent assessment of the adequacy and effectiveness of the Group's internal control system. Further details of the IA Function are set out in the Audit Committee Report on pages 46 and 47 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 the Management teams. The heads of each operating subsidiary and department of the Group are empowered with the responsibility of managing their respective operations.

b) Strategic Business Plan and Annual Budget

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

Other Key Elements Of Internal Control (Cont'd)

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 the Company and its subsidiary 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 the Company and KTSB achieved the OHSAS 18001:2007 certification by Intertek since July 2014.

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

f) Internal Policies and Procedures

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

g) Related Party Transactions

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

Conclusion

Based on the various procedures and controls put in place by the Group, the work performed and the reports submitted by the Internal 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.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report. Their reviews were performed in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagement Other than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3 (AAPG 3): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. Based on their reviews, nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Guidelines and Practices 9.1 and 9.2 of the MCCG to be set out, nor is factually inaccurate.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors dated on 24 April 2019.

AUDIT COMMITTEE REPORT

The Board presents the Audit Committee ("AC") Report to provide insights on the discharge of the AC's functions for the Group in the year 2018.

COMPOSITION AND ATTENDANCE

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

The AC members and details of attendance of each member at the AC meetings held during the FY 2018 are as follows:

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

The AC Chairman, Chan Thian Kiat, is a fellow member of CPA Australia and an Associate of the Institute of Chartered Secretaries and Administrators. Accordingly, Kelington 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 the Company's website, thereby supporting the Board in ensuring appropriate Corporate Governance standards within the Group.

MEETINGS AND SUMMARY OF WORKS OF THE AUDIT COMMITTEE

The AC held five (5) meetings in the year 2018 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 2018 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 2018, 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.

The works carried out by the AC during the FY 2018 are summarised as follows:-

Ensuring Financial Statements Comply with Applicable Financial Reporting Standards:

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

(b) Reviewed the audited financial statements and the External Auditors' findings and recommendations for the financial year ended 31 December 2017. 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.

AUDIT COMMITTEE REPORT
cont'd

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.

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 Function

The Group's IA function is outsourced to Axcelasia Columbus Sdn. Bhd. The IA functions is independent of the activities and reports directly to the AC and assists the AC in the discharge of its duties and functions. Its role is to provide independent and objective reports to the Board on the organisation's management, operations, records, accounting policies, risk management framework and internal controls. The engagement Executive Director is Mr Mah Siew Hoong who has diverse professional experience in internal audits, 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 (United States) and has a Certification in Risk Management Assurance (United States).

The number of staff deployed for the IA reviews ranges from 4 to 5 staff per visit including the engagement Executive Director. The staff involved in the IA reviews possesses professional qualification and/or a university degree. Most of them are members of the 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. The IA were conducted using a risk based approach by focusing on key risk areas and was guided by the International Professional Practice Framework.

AUDIT COMMITTEE REPORT
cont'd

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

During the FY 2018, the outsourced IA function undertook review on the following business processes:-

Entity	Business Processes Reviewed
Kelington Engineering (Shanghai) Co. Ltd	Tendering & Contract Management Procurement of Contractors & Materials
Kelington Group Berhad	Strategic Planning & Investment 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 committed by Management pursuant to the recommendations highlighted in the IA reports.

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

The total cost incurred by the IA function is at RM37,000 for the FY 2018.

The AC Report is made in accordance with the resolution of the Board of Directors' Meeting held on 24 April 2019.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

During the FY 2018, the Company had via its private placement raised a total proceeds of RM17,839,712 and the status of utilisation of proceeds are as follows:-

Utilisation purposes	Intended Timeframe for the utilisation of proceeds (from the date of listing of Placement Shares)	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Balance (RM'000)	Deviation (RM'000)	%
To part finance the acquiring of carbon dioxide gas purification plant	Within 24 months	2,854	(2,854)	-	-	-
To part finance the subsequent phase of the construction of carbon dioxide gas purification plant, gas manufacturing facilities and gas delivery systems	Within 24 months	3,805	(2,086)	1,719	-	-
To part finance the acquisition of assets for the operations of the industrial gas business division	Within 24 months	6,522	(2,996)	3,526	-	-
General Working Capital	Within 24 months	4,279	(1,488)	2,791	-	-
Estimated expenses relating to the Proposed Private Placement	Upon completion	380	(362)	18	-	-
		17,840	(9,786)	8,054	0	0

2. AUDIT AND NON-AUDIT FEES

The auditors' remuneration including non-audit fees for the Company and the Group for the FY 2018 is as follows:-

Details of Auditors' Remuneration	Group (RM)	Company (RM)
-Statutory Audit Fees	432,306	128,784
-Non-Audit Fees	5,000	5,000
Total	437,306	133,784

3. LIST OF PROPERTIES

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

4. MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interest of the Directors, chief executive who is not a director or Major Shareholders either still subsisting as at 31 December 2018 or entered into since the end of the previous financial year.

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

The Company did not enter into any RRPT during the FY 2018.

6. EMPLOYEES' SHARE SCHEME ("ESS")

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

During the FY 2018, the Company has granted 1,282,170 shares under the ESS to the eligible Directors and employees.

Brief details on the number of ESS Shares offered, granted and outstanding since its commencement up to 31 December 2018 is set out in the table below:-

Total number of ESS Shares outstanding as at 1 January 2018	Total number of ESS Shares offered during the FY 2018	Total number of ESS Shares granted during the FY 2018	Total ESS Shares outstanding as at 31 December 2018
16,000,000	Nil	(1,282,170)	14,717,830

ESS Shares offered to Directors and Senior Management

	During the FY 2018	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 during the FY 2018 are as follows:

Name of Directors	Number of ESS Shares Offered	Number of ESS Shares Granted
Chan Thian Kiat	65,000	(6,500)
Tan Chuan Yong	65,000	(6,500)
Soo Yuit Weng	55,000	(5,500)
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	55,000	(5,500)
Total	240,000	(24,000)

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of providing engineering services, construction and general trading. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM'000	The Company RM'000
Profit after taxation for the financial year	18,315	9,557
Attributable to:-		
Owners of the Company	18,649	9,557
Non-controlling interests	(334)	-
	18,315	9,557

DIVIDENDS

Dividends paid or declared by the Company since 31 December 2017 are as follows:-

	RM'000
In respect of the financial year 31 December 2017	
A final tax-exempt dividend of 1.5 sen per ordinary share, approved by the shareholders at the Annual General Meeting held on 13 June 2018, paid on 25 July 2018	3,665
In respect of the financial year 31 December 2018	
An interim dividend of 1 sen per ordinary share, paid on 8 January 2019	2,655

On 24 April 2019, the Company declared second interim dividend of 0.8 sen per ordinary share amounting to approximately RM2,300,000 in respect of the current financial year, payable on 3 June 2019, to shareholders whose names appeared in the record of depositors on 15 May 2019. The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2019.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) the Company increased its issued and paid-up share capital from RM25,825,821 to RM50,421,667 by:-

(i) an issuance of 22,871,426 new ordinary shares for cash consideration pursuant to a private placement exercise at an issue price of RM0.78 per ordinary share;

(ii) an issuance of 1,282,170 new ordinary shares of RM0.30 each for cash pursuant to the shares offered under the Employee Share Scheme ("ESS"); and

(iii) an issuance of 13,465,300 new ordinary shares from the exercise of Warrants 2014/2019 at the exercise price of RM0.50 per warrant as disclosed in Note 15(d) to the financial statements which amounted to RM6,732,650.

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

DIRECTORS' REPORT *cont'd*

ISSUES OF SHARES AND DEBENTURES *cont'd*

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

TREASURY SHARES

There were no repurchase or resale of treasury shares during the financial year. The shares purchased are being held as treasury shares in accordance with Section 127(6) of the Companies Act 2016 and are presented as a deduction from equity.

As at 31 December 2018, the Company held a total of 1,119,900 treasury shares out of the total 267,453,062 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 14 to the financial statements.

WARRANTS

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

		Entitlement for Ordinary Shares			
	Exercise Price	At 1.1.2018	Exercised	Lapsed	At 31.12.2018
Warrant 2014/2019 of the Company	RM0.50	53,937,631	(13,465,300)	-	40,472,331

The salient terms of the Warrants 2014/2019 are disclosed in Note 15(e) 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 ESS.

EMPLOYEE SHARE SCHEME ("ESS")

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

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

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

DIRECTORS' REPORT *cont'd*

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS

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

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

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

Lim Seng Chuan
Cham Teck Kuang
Wan Siew Chuan
Joshua Kalinoe
Tommy Suhardjo
Roderick R.C. Salazar III
Lino Jose A. Equipilag
Ong Seng Heng
Bayani B. Loste
Soh Tong Hwa (Appointed on 1.3.2018)
Chong Ann Tsun (Appointed on 1.3.2018)
Alan Lim Chui Boon (Appointed on 1.3.2018)
Chang Chin Sia (Resigned on 1.5.2018)

DIRECTORS' REPORT *cont'd*

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares				
	At 1.1.2018	Bought	Exercise of ESS Offered	Sold	At 31.12.2018
Direct Interests					
Gan Hung Keng	1,946,666	700,000	160,000	(1,500,000)	1,306,666
Ong Weng Leong	1,946,000	149,900	160,000	(1,500,000)	755,900
Chan Thian Kiat	93,336	-	6,500	-	99,866
Tan Chuan Yong	266,666	-	6,500	-	273,166
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	84,000	-	5,500	-	89,500
Soo Yuit Weng	798,666	-	5,500	-	804,166
Indirect Interests					
Gan Hung Keng *	92,299,290	1,494,200	-	-	93,793,490
Ong Weng Leong *	92,299,290	1,494,200	-	-	93,793,490

	Number of Shares under ESS		
	At 1.1.2018	Offered	At 31.12.2018
Employee Share Scheme of the Company			
Direct Interests			
Gan Hung Keng	1,600,000	(160,000)	1,440,000
Ong Weng Leong	1,600,000	(160,000)	1,440,000
Chan Thian Kiat	65,000	(6,500)	58,500
Tan Chuan Yong	65,000	(6,500)	58,500
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	55,000	(5,500)	49,500
Soo Yuit Weng	55,000	(5,500)	49,500

	Entitlement For Ordinary Shares		
	At 1.1.2018	Sold	At 31.12.2018
Warrants of the Company			
Direct interest			
Gan Hung Keng	33	-	33
Indirect interests			
Gan Hung Keng *	18,306,872	(18,306,872)	-
Ong Weng Leong *	18,306,872	(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 38 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 scheme 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 29 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 THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 44 to the financial statements.

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 45 to the financial statements.

AUDITORS

The auditors, Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia which was previously known as Crowe Horwath), have expressed their willingness to continue in office.

The auditors' remuneration are disclosed in Note 29 to the financial statements.

Signed in accordance with a resolution of the directors dated 24 April 2019

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 62 to 148 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 2018 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 24 April 2019.

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 62 to 148 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 24th of April 2019

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 2018 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 62 to 148.

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 2018, 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.

Contract assets/(liabilities) and revenue recognition Refer to Notes 8 and 25 to the financial statements
Key Audit Matter

Construction contract accounting is inherently complex due to the contracting nature of the business, which involves significant judgements. This includes the determination of the total budgeted contract costs to complete the projects and the calculation of percentage of completion which affects the quantum of revenue and profit to be recognised.

In estimating the revenue to be recognised, the management considers past experience and work done certified by customers and/or independent third parties, where applicable.

In estimating the total budgeted contract costs to completion, the management considers the completeness and accuracy of its costs estimation, including its obligations to contract variations and claims. The total costs to completion are subject to a number of variables including the accuracy of designs, market conditions in respect of materials and sub-contractor cost and construction issues.

An error in the estimated profit on contracts could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period. The profit recognition on contract includes key judgements over the expected recovery of costs arising from variations and claims and assessment on liquidated and ascertained damages costs, where applicable. In addition, changes in judgements, and the related estimates, as contracts progress, can result in material adjustments to margin, which can be both positive and negative. The potential outcome for contracts can have an individually and collectively material impact on the financial statements, whether through error or management bias.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KELINGTON GROUP BERHAD

CONT'D

Key Audit Matters *Cont'd*

Contract assets/(liabilities) and revenue recognition *Cont'd* Refer to Notes 8 and 25 to the financial statements *Cont'd*
Key Audit Matter *Cont'd*
We determined this to be a key audit matter due to the complexity and judgemental nature of the budgeting of contract costs to completion, calculation of percentage of completion and the determination of revenue and profit to be recognised.
How our audit addressed the Key Audit Matter
Our procedures included, amongst others:- • Reviewed the contract value secured and projected budgeted costs; • Assessed the estimated total costs to complete through enquiries with management; • Inspected documentation to support cost estimates made including contract variations and cost contingencies; • Compared contract budgets to actual outcomes to assess the reliability of management; • Verified actual progress billings issued and actual costs incurred for the financial year; • Checked subsequent billings of contract assets; and • Recomputed profit recognised and the percentage of completion.

Recoverability of trade receivables Refer to Note 10 to the financial statements
Key Audit Matter
The balance of trade receivables amounted to approximately RM81.4 million of which approximately RM15.2 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.
How our audit addressed the Key Audit Matter

Our procedures included, amongst others:-
• Obtained an understanding of:-
    • the Group's control over the trade receivables collection process;
    • how the Group identifies and assesses the impairment of trade receivables; and
    • how the Group makes the accounting estimates for impairment.
• Reviewed the ageing analysis of receivables and tested its reliability;
• Reviewed subsequent cash collections for major receivables and overdue amounts;
• Made inquiries of management regarding the action plans to recover overdue amounts;
• Compared and challenged management's view on the recoverability of overdue amounts to historical patterns of collection;
• Examined other evidence including customers' correspondences, proposed or existing settlement plans and repayment schedules; and
• Evaluated the reasonableness and tested the adequacy of the impairment losses recognised for identified exposures on trade receivables by assessing the relevant assumptions and historical data from the Group's previous collection experience.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KELINGTON GROUP BERHAD
CONT'D

Key Audit Matters *Cont'd*

Goodwill impairment Refer to Note 7 to the financial statements
Key Audit Matter
Goodwill balance as at 31 December 2018 amounted to approximately RM6.3 million comprised mainly from a cash-generating unit ("CGU"). Management is required to conduct annual impairment assessment on the goodwill. For this purpose, management has estimated the recoverable amount of the CGU in which the goodwill is attached to, using the value in use approach. This is derived from the present value of the future cash flows from the cash-generating unit. This assessment of goodwill impairment is significant to our audit as it is highly subjective, involves significant judgement and is based on assumptions that may be affected by future market and economic conditions.
How our audit addressed the Key Audit Matter
Our procedures included, amongst others:- • Reviewed management's estimate of the recoverable amount and test of the cash flows forecast for their accuracy; • Reviewed the key business drivers underpinning the cash flows forecast prepared to support the recoverable amount; • Evaluated the appropriateness and reasonableness of the key assumptions by considering prior budget accuracy, comparison to recent performance and our understanding of the business, trend analysis, and historical results; • Performed sensitivity analysis over the key assumptions to understand the impact of changes over the valuation model; and • Reviewed the adequacy of the Group's disclosures.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KELINGTON GROUP BERHAD
CONT'D

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.

- 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KELINGTON GROUP BERHAD
CONT'D

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

OTHER MATTERS

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

Crowe Malaysia PLT	**Elvina Tay Choon Choon**
LLP0018817-LCA & AF 1018	03329/10/2019 J
Chartered Accountants	Chartered Accountant

24 April 2019

Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2018

		The Group		The Company	
		2018	**2017**	**2018**	**2017**
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	24,027	14,463
Property, plant and equipment	6	24,676	15,525	2,599	2,602
Goodwill	7	6,348	6,336	-	-
		31,024	21,861	26,626	17,065
CURRENT ASSETS					
Contract assets	8	46,390	53,049	1,198	1,742
Inventories	9	177	969	-	-
Trade receivables	10	81,410	70,996	4,639	7,288
Other receivables, deposits and prepayments	11	16,913	20,373	2,418	2,642
Amount owing by subsidiaries	12	-	-	11,171	11,931
Current tax assets		452	464	140	-
Fixed deposits with licensed banks	13	24,196	14,622	16,837	10,226
Cash and bank balances		42,914	47,540	12,816	10,977
		212,452	208,013	49,219	44,806
TOTAL ASSETS		243,476	229,874	75,845	61,871

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2018
Cont'd

		The Group		The Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	14	50,422	25,826	50,422	25,826
Treasury shares	14	(534)	(534)	(534)	(534)
Reserves	15	66,252	52,952	5,624	1,640
Equity attributable to the owners of the Company		116,140	78,244	55,512	26,932
Non-controlling interests	5	75	231	-	-
TOTAL EQUITY		116,215	78,475	55,512	26,932
NON-CURRENT LIABILITIES					
Deferred tax liabilities	16	92	157	-	65
Long-term borrowings	17	1,506	2,317	247	1,668
		1,598	2,474	247	1,733
CURRENT LIABILITIES					
Contract liabilities	8	22,247	21,826	502	320
Amount owing to subsidiaries	12	-	-	7,671	8,792
Trade payables	20	60,321	59,302	4,655	6,557
Other payables and accruals	21	17,469	34,288	2,196	1,681
Provisions	22	1,950	986	225	212
Short-term borrowings	23	15,614	27,948	2,182	15,557
Dividend payable	24	2,655	-	2,655	-
Current tax liabilities		5,407	4,575	-	87
		125,663	148,925	20,086	33,206
TOTAL LIABILITIES		127,261	151,399	20,333	34,939
TOTAL EQUITY AND LIABILITIES		243,476	229,874	75,845	61,871

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 2018

		The Group		The Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
REVENUE	25	350,023	313,333	12,214	28,193
COST OF SALES	26	(291,185)	(263,484)	(13,936)	(36,880)
GROSS PROFIT/(LOSS)		58,838	49,849	(1,722)	(8,687)
OTHER INCOME	27	909	2,021	20,476	15,539
		59,747	51,870	18,754	6,852
SELLING AND DISTRIBUTION EXPENSES	28	(1,150)	(1,123)	(220)	(225)
ADMINISTRATIVE EXPENSES	29	(27,097)	(25,176)	(6,249)	(5,949)
OTHER EXPENSES	30	(4,981)	(6,622)	(2,159)	(675)
FINANCE COSTS	31	(913)	(761)	(689)	(873)
NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS	32	(602)	(1,026)	(24)	40
PROFIT/(LOSS) BEFORE TAXATION		25,004	17,162	9,413	(830)
INCOME TAX EXPENSE	33	(6,689)	(5,621)	144	(152)
PROFIT/(LOSS) AFTER TAXATION		18,315	11,541	9,557	(982)
OTHER COMPREHENSIVE INCOME/ (EXPENSE)					
Item that Will be Reclassified Subsequently to Profit or Loss					
Foreign currency translation		160	(522)	58	510
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE FINANCIAL YEAR		18,475	11,019	9,615	(472)
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		18,649	11,785	9,557	(982)
Non-controlling interests		(334)	(244)	-	-
		18,315	11,541	9,557	(982)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) ATTRIBUTABLE TO:-					
Owners of the Company		18,813	11,284	9,615	(472)
Non-controlling interests		(338)	(265)	-	-
		18,475	11,019	9,615	(472)
EARNINGS PER SHARE (SEN)					
- Basic	34	7.6	5.2		
- Diluted	34	6.7	4.8		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

← Non-distributable → Distributable

The Group	Note	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Capital Reserve RM'000	Employee Share Option/ Scheme Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
Balance at 1.1.2017		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	36	-	-	-	-	-	-	(2,287)	(2,287)	-	(2,287)
- Acquisition of a subsidiary:											
-Hiti Engineering (M) Sdn. Bhd.	35	-	-	-	-	-	-	-	-	48	48
- Issuance of shares to non-controlling interests by a subsidiary		-	-	-	-	-	-	-	-	110	110
- Changes in ownership interests subsidiaries that do not result in a loss of control		-	-	-	-	-	-	-	-	(80)	(80)
-Employee share scheme 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 2018

Cont'd

				← Non-distributable			→	Distributable			
The Group	Note	**Share Capital** RM'000	**Treasury Shares** RM'000	**Share Premium** RM'000	**Capital Reserve** RM'000	**Employee Share Sceheme Reserve** RM'000	**Exchange Fluctuation Reserve** RM'000	**Retained Profits** RM'000	**Attributable to Owners of the Company** RM'000	**Non-controlling Interests** RM'000	**Total Equity** RM'000
Balance at 31.12.2017/ 1.1.2018		25,826	(534)	-	8,985	696	4,432	38,839	78,244	231	78,475
Profit after taxation for the financial year		-	-	-	-	-	-	18,649	18,649	(334)	18,315
Other comprehensive income for the financial year:											
- Foreign currency translation differences		-	-	-	-	-	164	-	164	(4)	160
Total comprehensive income/(expenses) for the financial year		-	-	-	-	-	164	18,649	18,813	(338)	18,475
Contributions by and distribution to owners of the Company:											
- Dividends	36	-	-	-	-	-	-	(6,320)	(6,320)	-	(6,320)
- Issuance of shares pursuant to private placement		17,840	-	-	-	-	-	-	17,840	-	17,840
- Issuance of shares to non-controlling interests by a subsidiary		-	-	-	-	-	-	-	-	300	300
- Changes in ownership interests in subsidiaries that do not result in a loss of control		-	-	-	-	-	-	118	118	(118)	-
- Employee share scheme reserve		-	-	-	-	1,073	-	-	1,073	-	1,073
- Employee share scheme offered		384	-	-	-	(384)	-	-	-	-	-
- Warrants exercised		6,733	-	-	-	-	-	-	6,733	-	6,733
- Expenses incurred pursuant to issuance of ordinary shares		(361)	-	-	-	-	-	-	(361)	-	(361)
-Transfer of non-distributable reserve funds by a subsidiary		-	-	-	232	-	-	(232)	-	-	-
Total transactions with owners		24,596	-	-	232	689	-	(6,434)	19,083	182	19,265
Balance at 31.12.2018		50,422	(534)	-	9,217	1,385	4,596	51,054	116,140	75	116,215

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
Cont'd

The Company	Note	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Capital Reserve RM'000	Employee Share Option/ Scheme Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
		← Non-distributable					→	Distributable	
Balance at 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	34	-	-	-	-	-	-	(2,287)	(2,287)
- Employee share scheme reserve		-	-	-	-	696	-	-	696
- Employees' share options 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 CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
Cont'd

The Company	Note	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Capital Reserve RM'000	Employees' Share Scheme Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
		← Non-distributable					→	Distributable	
Balance at 31.12.2017/1.1.2018		25,826	(534)	-	1,044	696	(394)	294	26,932
Profit after taxation for the financial year		-	-	-	-	-	-	9,557	9,557
Other comprehensive income for the financial year:									
- Foreign currency translation differences		-	-	-	-	-	58	-	58
Total comprehensive income for the financial year		-	-	-	-	-	58	9,557	9,615
Contributions by and distribution to owners of the Company:									
- Dividends	36	-	-	-	-	-	-	(6,320)	(6,320)
-Issuance of shares pursuant to private placement		17,840	-	-	-	-	-	-	17,840
- Employee share scheme reserve		-	-	-	-	1,073	-	-	1,073
- Employees' share scheme offered		384	-	-	-	(384)	-	-	-
- Warrants exercised		6,733	-	-	-	-	-	-	6,733
- Expenses incurred pursuant to issuance of ordinary shares		(361)	-	-	-	-	-	-	(361)
Total transactions with owners		24,596	-	-	-	689	-	(6,320)	18,965
Balance at 31.12.2018		50,422	(534)	-	1,044	1,385	(336)	3,531	55,512

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
Cont'd

	The Group		The Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit/(Loss) before taxation	25,004	17,162	9,413	(830)
Adjustments for:-				
Amortisation of development costs	-	17	-	-
Contract assets written off	794	635	-	635
Bad debts written off	1	2,082	-	269
Depreciation of property, plant and equipment	2,082	1,296	82	89
Property, plant and equipment written off	347	17	-	16
Impairment losses on financial assets and contract assets	1,089	1,110	24	-
Interest expense	913	761	689	873
(Gain)/Loss on disposal of property, plant and equipment	(21)	44	-	-
Provision for foreseeable loss	644	327	-	-
Provision for warranty costs	699	623	184	220
Provision for unutilised leave	23	8	-	-
Share-based payments	1,073	696	506	329
Dividend income	-	-	(16,666)	(11,562)
Reversal of impairment losses on financial assets and contract assets	(487)	(84)	-	(40)
Unwind of discount on advances to employees	-	(251)	-	-
Unrealised loss/(gain) on foreign exchange	15	2,529	462	(472)
Interest income	(675)	(389)	(381)	(265)
Reversal of provision for foreseeable losses	(213)	(503)	-	(503)
Reversal of provision for warranty costs	(5)	(112)	-	(13)
Reversal of provision for unutilised leave	(3)	-	-	-
Operating profit/(loss) before working capital changes	31,280	25,968	(5,687)	(11,254)
Decrease/(Increase) in inventories	770	(826)	-	-
Decrease/(Increase) in amount owing by/(to) subsidiaries	-	-	3,558	(1,982)
Decrease/(Increase) in contract asset/ (contract liability)	6,158	(3,679)	641	17,698
(Increase)/Decrease in trade and other receivables	(8,666)	(26,059)	2,870	1,046
(Decrease)/Increase in trade and other payables	(14,983)	28,910	(1,522)	(4,443)
CASH FROM/(FOR) OPERATIONS	14,559	24,314	(140)	1,065
Income tax paid	(5,946)	(752)	(146)	(221)
Interest paid	(913)	(761)	(689)	(873)
Interest received	675	389	381	265
NET CASH FROM/(FOR) OPERATING ACTIVITIES	8,375	23,190	(594)	236

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
Cont'd

		The Group		The Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Acquisition of a subsidiary	35	-	-	-	(303)
Additional investment in subsidiaries		-	(80)	(9,215)	(6,535)
Dividends received		-	-	16,666	11,562
Net cash outflow on acquisition of a subsidiary	35	-	(249)	-	-
Purchase of property, plant and equipment	37(a)	(10,622)	(8,352)	(81)	(67)
Proceeds from disposal of equipment		49	80	-	-
Proceeds from issuance of share to non-controlling interests		300	110	-	-
Advances to subsidiaries		-	-	(4,628)	(4,872)
Repayment from subsidiaries for employees' share options		-	-	218	4
Placement of fixed deposits pledged with licensed banks		(2,279)	(4,948)	(993)	(3,156)
Withdrawal of fixed deposits more than 3 months		500	-	-	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(12,052)	(13,439)	1,967	(3,367)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances from subsidiaries		-	-	-	7,392
Net repayment of hire purchase obligations	37(b)	(291)	(212)	-	-
Net repayment of bankers' acceptances	37(b)	-	(176)	-	-
Net (repayment)/drawdown of invoice financing	37(b)	(1,834)	4,001	-	-
Net (repayment)/drawdown of revolving credits	37(b)	(10,465)	7,000	(13,500)	7,000
Net (repayment)/drawdown of term loans	37(b)	(1,275)	2,044	(1,275)	2,044
Net repayment of trust receipts	37(b)	-	(6,907)	-	(5,052)
Proceeds from issuance of shares pursuant to:					
- Private placement, net of expenses		17,479	-	17,479	-
- Exercise of employees' share options		-	1,902	-	1,902
- Warrants		6,733	-	6,733	-
Resale of treasury shares		-	74	-	74
Dividend paid	36	(3,665)	(2,287)	(3,665)	(2,287)
NET CASH FROM FINANCING ACTIVITIES		6,682	5,439	5,772	11,073

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
Cont'd

		The Group		The Company	
		2018	**2017**	**2018**	**2017**
	Note	RM'000	RM'000	RM'000	RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,005	15,190	7,145	7,942
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		164	(518)	312	305
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		49,033	34,361	10,977	2,730
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	37(c)	52,202	49,033	18,434	10,977

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
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 24 April 2019.

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)

MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

MFRS 15 Revenue from Contracts with Customers

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

Amendments to MFRS 15: Effective Date of MFRS 15

Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'

Amendments to MFRS 140 – Transfers of Investment Property

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

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 other than the new classification of financial assets under MFRS 9 which is disclosed in Note 43.3 to the financial statements.

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:-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
Cont'd

3. **BASIS OF PREPARATION** ***Cont'd***

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	**Effective Date**
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
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 101 and MFRS 108: Definition of Material	1 January 2020
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 References to the Conceptual Framework in MFRS Standards	1 January 2020
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 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Group is currently assessing the financial impact that may arise from the adoption of this standard.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *CONT'D*

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *Cont'd*

Key Sources of Estimation Uncertainty *Cont'd*

(b) Impairment of Goodwill

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

(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) Impairment of Trade Receivables and Contract Assets

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables and contract assets. The carrying amounts of contract assets and trade receivables as at the reporting date are disclosed in Notes 8 and 10 to the financial statements.

(e) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period. The carrying amounts of other receivables and amounts owing by subsidiaries as at the reporting date are disclosed in Notes 11 and 12 to the financial statements.

(f) Revenue Recognition for Construction Contracts

The Group recognises construction revenue by reference to the construction progress based on the physical proportion of contract work certified by professional consultants. Significant judgement is required in determining the progress towards complete satisfaction of the performance obligation based on the contract work certified to date corroborated by the level of completion of the construction based on actual costs incurred to date over the estimated total contract costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists. The carrying amounts of contract assets and contract liabilities as at the reporting date is disclosed in Note 8 to the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *Cont'd*

Key Sources of Estimation Uncertainty *Cont'd*

(g) Income Taxes

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	RM'000	RM'000	RM'000
Current tax assets	452	464	140	-
Current tax liabilities	5,407	4,575	-	87

(h) 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.

(i) 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 35 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:-

Share-based Payments

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
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.

(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

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.2 BASIS OF CONSOLIDATION *Cont'd*

(d) Loss of Control *Cont'd*

(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 9 (2017 - 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 at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
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 (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion related to non-controlling interests is derecognised but is not reclassified to profit or loss.

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

4.5 FINANCIAL INSTRUMENTS

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

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as 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 (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 - Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.5 FINANCIAL INSTRUMENTS *Cont'd*

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirely at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

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

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Instruments

All equity investments are subsequent measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.5 FINANCIAL INSTRUMENTS *Cont'd*

(b) Financial Liabilities

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

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

(c) Equity Instruments

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

(i) Ordinary Shares

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

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

(ii) Treasury Shares

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

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

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

(d) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.5 FINANCIAL INSTRUMENTS *Cont'd*

(d) Derivative Financial Instruments *Cont'd*

Any derivative embedded in a financial asset is not accounted for separately. Instead, the entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

An embedded derivative is recognised separately from the host contract which is a financial liability as a derivative if, and only if, its risks and characteristics are not closely related to those of the host contract and the host contract is not measured at fair value through profit or loss.

(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 when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

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

(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 amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

<u>Accounting Policies Applied Until 31 December 2017</u>

The Group has applied MFRS 9 retrospectively with cumulative financial impacts recognised in the opening consolidated statement of financial position on 1 January 2018 (date of initial application of MFRS 9) and hence, the comparative information of its financial instruments is not restated. As a result, the comparative information of the Group's financial assets continues to be accounted for in accordance with the their previous accounting policies as summarised below:-

- Unquoted trade receivables and other receivables with fixed or determinable payments were classified as loans and receivables financial assets, measured at amortised cost using the effective interest method, less any impairment loss. Interest income was recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.6 INVESTMENTS IN SUBSIDIARIES

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

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

4.7 PROPERTY, PLANT AND EQUIPMENT

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

Subsequent to initial recognition, all property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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

Building	2%
Motor vehicles	10%
Office and computer equipment	10% - 20%
Plant, tools and equipment	6.67%-10%
Furniture, fittings and renovation	10%

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.8 LEASED ASSETS *Cont'd*

(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.

4.9 INVENTORIES

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

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

4.10 CONTRACT COSTS

(a) Incremental Costs of Obtaining A Contract

The Group recognises incremental costs of obtaining contracts with customers as an asset when the Group expects to recover these costs. When the amortisation period of the asset is one year or less, such costs are recognised as an expense immediately when incurred.

(b) Costs to Fulfil A Contract

The Group recognises costs that relate directly to a contract (or an anticipated contract) with customer as an asset when the costs generate or enhance resources of the Group, will be used in satisfying performance obligation in the future and are recovered.

The contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates.

An impairment loss is recognised in the profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Any impairment loss recovered shall be reversed to the extent of the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.11 CONTRACT ASSET AND CONTRACT LIABILITY *Cont'd*

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment requirements of MFRS 9 - Financial Instruments.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

4.12 CASH AND CASH EQUIVALENTS

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

4.13 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on trade receivables and contract assets, as well as on financial guarantee contracts.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivable and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

<u>Accounting Policies Applied Until 31 December 2017</u>

The Group has applied MFRS 9 retrospectively with cumulative financial impacts recognised in the opening consolidated statement of financial position on 1 January 2018 (date of initial application of MFRS 9) and hence, the comparative information of its financial instruments is not restated. As a result, the comparative information on the impairment of the Group's financial assets has been accounted for in accordance with its previous accounting policy as summarised below:-

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.13 IMPAIRMENT *Cont'd*

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

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset (or group of financial assets) was impaired. Impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event(s) had an impact on the estimated future cash flows of the financial asset (or group of financial assets) that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged

decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

(b) Impairment of Non-financial Assets

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

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

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

4.14 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

(a) Warranties

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.14 PROVISIONS *Cont'd*

(b) Onerous Contracts

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

4.15 EMPLOYEE BENEFITS

(a) Short-term Benefits

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

(b) Defined Contribution Plans

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

(c) Share-based Payment Transactions

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

4.16 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).

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.16 INCOME TAXES *Cont'd*

(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.

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

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

4.17 CONTINGENT LIABILITIES

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

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

4.18 OPERATING SEGMENTS

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

4.19 EARNINGS PER ORDINARY SHARE

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

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.20 BORROWING COSTS

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

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

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.

4.21 FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

4.22 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.22 REVENUE FROM CONTRACTS WITH CUSTOMERS *Cont'd*

(a) Construction Services

Revenue from construction services is recognised over time in the period in which the services are rendered using the input method, determined based the proportion of construction costs incurred for work performed to date over the estimated total construction costs. Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

(b) Sales of Goods

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(c) Rendering of Services

Revenue from providing services is recognised at a point in time in which the services are rendered. Following the rendered of services, the Group has a present right to payment for the services rendered and the customer has obtained the remaining benefits from the services.

4.23 OTHER OPERATING INCOME

(a) Interest Income

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

(b) Dividend Income

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

(c) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

(d) Management Fees

Management fee is recognised on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS
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5. INVESTMENTS IN SUBSIDIARIES

	The Company 2018 RM'000	The Company 2017 RM'000
Unquoted shares, at cost		
- in Malaysia	8,148	3,331
- outside Malaysia	16,049	11,302
	24,197	14,633
Accumulated impairment losses	(170)	(170)
	24,027	14,463
Unquoted shares, at cost:-		
At 1 January	14,633	7,431
Addition during the financial year:		
- in Malaysia	4,700	2,294
- outside Malaysia	4,515	4,544
Employee Share Option Scheme ("ESOS") granted to employees of subsidiaries:		
- ESOS repayment	-	(4)
Employee Share Scheme ("ESS") granted to employees of subsidiaries:		
- ESS offered	567	368
- ESS repayment	(218)	-
At 31 December	24,197	14,633

Included in the investments in subsidiaries is an amount of approximately RM981,000 (2017 - RM632,000) relating to the share options granted by the Company to the employees of the subsidiaries.

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2018 %	Percentage of Issued Share Capital Held by Parent 2017 %	Principal Activities
Subsidiaries of the Company				
Kelington Technologies Sdn. Bhd. ("KTSB")	Malaysia	100	100	Provision of engineering services.
Kelington Engineering (Shanghai) Co. Ltd. ("KESH") *	The People's Republic Of China ("PRC")	100	100	Provision of engineering services.
Kelington Engineering (S) Pte. Ltd. ("KESG") *	Singapore	100	100	Provision of engineering solutions on Ultra-High-Purity gas and chemical delivery system.
Kelington Energy Sdn. Bhd. ("KESB")	Malaysia	100	100	Providing engineering services and general trading. #

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
Cont'd

5. INVESTMENTS IN SUBSIDIARIES *CONT'D*

The details of the subsidiaries are as follows *Cont'd*:-

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2018 %	2017 %	Principal Activities
Subsidiaries of the Company (Cont'd)				
Kelington Nawik Sdn. Bhd. ("KNSB")	Malaysia	90	90	Providing engineering consultancy and services, construction, engineering process and installation. #
Kelington Analytical Services Sdn. Bhd. ("KASSB")	Malaysia	55	55	Provision of scientific and technical researches, laboratory testing service and experiments.
Ace Gases Sdn. Bhd. ("AGSB")	Malaysia	94	94	Construction of gas delivery system and manufacturing facilities, production, distribution, supply, import and trading of gases.
Hiti Engineering (M) Sdn. Bhd. ("HITI")	Malaysia	49	49	Provision of engineering services.
Subsidiaries of KTSB				
Kelington Technologies (Sarawak) Sdn. Bhd. ("KTSSB")	Malaysia	100	-	Providing turnkey engineering services from initial system design up to maintenance and servicing after completion. #
Subsidiaries of KESH				
Kelington Trading (Shanghai) Co. Ltd. ("KTSH") *	PRC	100	100	Trading of machinery equipment and related parts and components.
KE Integrated Facility Services (Suzhou) Co., Ltd. ("KESZ") *	PRC	100	-	Providing business of fabrication of air and liquid separation equipments, mechanical and semiconductor parts. #
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	90	Business of manufacturing, installation and trading of Ultra-High-Purity gas accessories.

NOTES TO THE FINANCIAL STATEMENTS
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Cont'd

5. INVESTMENTS IN SUBSIDIARIES *CONT'D*

The details of the subsidiaries are as follows *Cont'd*:-

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2018 %	2017 %	Principal Activities
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	Provision of engineering services. #
Subsidiaries of AGSB				
Ace Gases Marketing Sdn. Bhd. ("AGMSB")	Malaysia	75.2	100	Manufacturing of gas delivery system, repair of gas manufacturing activities, production, distribution supply, import and trading of gases.

Notes:-
* - These subsidiaries were audited by other firms of chartered accountants.
^ - The subsidiary is under Members' Voluntary Liquidation.
# - These subsidiaries has not carry on any business activities during the financial year.

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

	Effective Equity Interest 2018 %	2017 %	The Group 2018 RM'000	2017 RM'000
KNSB	10	10	(56)	(55)
KASSB	45	45	69	70
AGSB	6	6	266	102
HITI	51	51	12	16
PT Mitracon	20	20	93	37
KSP	10	10	57	61
AGMSB	24.8	N/A	(366)	-
			75	231

(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.

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(c) On 28 March 2018, AGSB, a subsidiary of the Company, disposed of 20% equity interests in AGMSB to its non-controlling interests for a cash consideration of RM2. Following the completion of the disposal, AGMSB became an 80%-owned subsidiary of AGSB.

(d) On 20 April 2018, KTSB, a wholly-owned subsidiary of the Company, incorporated a subsidiary known as KTSSB with an issued and paid-up capital of RM100 comprising 100 ordinary shares representing 100% of the total issued and paid-up capital of KTSSB.

(e) On 23 April 2018, AGSB, a subsidiary of the Company, increased its issued share capital from RM2,500,000 to RM7,500,000. The Company subscribed for its portion of the equity of 4,700,000 new ordinary shares and retained its 94% equity interests.

(f) On 20 August 2018, PT Mitracon, an 80% owned indirect subsidiary of the Company, commenced its Members' Voluntary Winding-up.

(g) On 26 November 2018, KESH, a wholly-owned subsidiary of the Company, incorporated a subsidiary known as KESZ with an issued and paid-up capital of RMB3,000,000 comprising 3,000,000 ordinary shares of RMB1 each.

(h) On 3 December 2018, KESG, a wholly-owned subsidiary of the Company, increased its issued share capital from SGD5,100,000 to SGD6,600,000 which was fully subscribed by the Company.

(i) In the previous financial year, the Company acquired 49% equity interest in HITI. The details of the acquisition are disclosed in Note 35 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.

6. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.1.2018 RM'000	Transfer to /(from) RM'000	Additions RM'000	Disposals RM'000	Written Off RM'000	Exchange Fluctuation Differences RM'000	Depreciation Charges RM'000	At 31.12.2018 RM'000
Carrying amount								
Freehold land	1,300	-	-	-	-	-	-	1,300
Building	980	-	-	-	-	-	(28)	952
Motor vehicles	1,308	-	2,106	(20)	-	(6)	(320)	3,068
Office and computer equipment	877	-	342	-	(30)	(4)	(271)	914
Plant, tools and equipment	5,569	5,294	2,541	(8)	(315)	(24)	(1,419)	11,638
Furniture, fittings and renovation	190	-	94	-	(2)	-	(44)	238
Capital work-in-progress	5,301	(5,294)	6,559	-	-	-	-	6,566
	15,525	-	11,642	(28)	(347)	(34)	(2,082)	24,676

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Cont'd

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

The Group	At 1.1.2017 RM'000	Additions RM'000	Disposals 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
Building	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
Plant,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 Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
2018			
Freehold land	1,300	-	1,300
Building	1,400	(448)	952
Motor vehicles	3,958	(890)	3,068
Office and computer equipment	2,484	(1,570)	914
Plant, tools and equipment	17,739	(6,101)	11,638
Furniture, fittings and renovation	1,346	(1,108)	238
Capital work-in-progress	6,566	-	6,566
	34,793	(10,117)	24,676
2017			
Freehold land	1,300	-	1,300
Building	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

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Cont'd

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

The Company	At 1.1.2018 RM'000	Additions RM'000	Exchange Fluctuation Differences RM'000	Depreciation Charges RM'000	At 31.12.2018 RM'000
Carrying Amount					
Freehold land	1,300	-	-	-	1,300
Building	980	-	-	(28)	952
Motor vehicles	28	-	-	(5)	23
Office and computer equipment	137	1	(1)	(33)	104
Tools and equipment	119	-	(1)	(6)	112
Furniture, fittings and renovation	38	80	-	(10)	108
	2,602	81	(2)	(82)	2,599

The Company	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
Carrying Amount						
Freehold land	1,300	-	-	-	-	1,300
Building	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

The Company	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
2018			
Freehold land	1,300	-	1,300
Building	1,400	(448)	952
Motor vehicles	153	(130)	23
Office and computer equipment	438	(334)	104
Tools and equipment	668	(556)	112
Furniture, fittings and renovation	608	(500)	108
	4,567	(1,968)	2,599

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

The Company	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
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

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

Included in the property, plant and equipment of the Group at the end of the reporting period were motor vehicles with a total carrying amount of approximately RM2,716,000 (2017 - RM1,096,000), which were acquired under hire purchase terms. These leased assets have been pledged as security for the related hire purchase payables of the Group as disclosed in Note 18 to the financial statements.

7. GOODWILL

	The Group 2018 RM'000	2017 RM'000
At 1 January	6,336	6,479
Foreign exchange adjustments	12	(143)
At 31 December	6,348	6,336

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

	The Group 2018 RM'000	2017 RM'000
PTS		
- provision of engineering services in clean energy system	6,118	6,106
Other cash-generating units without significant goodwill	230	230
	6,348	6,336

(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:-

7. GOODWILL *Cont'd*

Budgeted Gross Margin 2018	Budgeted Gross Margin 2017	Growth Rates 2018	Growth Rates 2017	Discount Rate 2018	Discount Rate 2017
15%	18%	-3% to 5%	-5% to 5%	8.76%	8.55%

(i) Budgeted gross margin	Management determines budgeted gross margin based on past performance and its expectations of market development.
(ii) Growth rates	Based on the expected projection of the engineering services segment.
(iii) Discount rate (pre-tax)	Management estimates discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risk specific to the CGU. The rate used to discount the forecasted cash flows reflects specific risks and expected returns relating to the industry.

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

No impairment testing is done on other cash-generating units which are considered immaterial to the Group.

(c) The directors believe that there is no reasonable possible change in the above key assumptions applied that is likely to materially cause the respective cash-generating unit carrying amounts to exceed its recoverable amounts.

8. CONTRACT ASSETS/(LIABILITIES)

	The Group 2018 RM'000	The Group 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
Contract Assets				
Contract assets relating to construction contracts	46,506	53,049	1,198	1,742
Allowance for impairment losses	(116)	-	-	-
	46,390	53,049	1,198	1,742
Allowance for impairment losses:-				
At 1 January	-	-	-	-
Addition during the financial year (Note 32)	(116)	-	-	-
At 31 December	(116)	-	-	-
Contract Liabilities				
Contract liabilities relating to construction contracts	(22,247)	(21,826)	(502)	(320)

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8. **CONTRACT ASSETS/(LIABILITIES)** *Cont'd*

(a) The contract assets primarily relate to the Group's right to consideration for construction work completed on construction contracts but not yet billed as at the reporting date. This balance will be billed progressively in the future upon the fulfillment of contractual milestones.

Contract assets of the Group and of the Company amounting to RM10,198,000 and RM74,000, respectively were presented as part of trade receivables as 'unbilled receivables' in the last financial year and a reclassification has been made to conform with the current financial year's presentation.

Included in contract assets of the Group are retention sum receivables amounting to RM5,674,000 (2017 - RM4,164,000) respectively. The retention sums are to be collected in accordance with the term of the respective contracts.

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

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Direct contract costs	260,686	234,291	12,989	34,443
Depreciation of property, plant and equipment	1,042	705	26	38
Rental of equipment	4,909	5,737	84	-
Staff costs:				
- salaries, wages, bonus, allowances and others	19,967	19,161	802	2,287
- defined contribution plans	2,440	2,099	35	112
Total contract costs (Note 26)	289,044	261,993	13,936	36,880

9. **INVENTORIES**

	The Group	
	2018 RM'000	2017 RM'000
Materials for contracts	177	969
Recognised in profit or loss		
Inventories recognised as cost of sales	1,833	616

10. TRADE RECEIVABLES

	The Group		The Company	
	2018 RM'000	**2017** RM'000	**2018** RM'000	**2017** RM'000
Trade receivables	88,767	78,014	4,704	7,364
Allowance for impairment losses	(7,357)	(7,018)	(65)	(76)
	81,410	70,996	4,639	7,288
Allowance for impairment losses:-				
At 1 January	(7,018)	(6,102)	(76)	(117)
Additions during the financial year (Note 32)	(973)	(1,110)	(24)	-
Reversal during the financial year (Note 32)	487	84	-	40
Written off during the financial year	35	-	35	-
Effect of foreign exchange translation	112	110	-	1
At 31 December	(7,357)	(7,018)	(65)	(76)

(a) The Group's normal trade credit terms range from 30 to 120 (2017 - 30 to 120) days. Other credit terms are assessed and approved on a case-by-case basis.

(b) Included in the trade receivables of the Group and of the Company at the end of the reporting period is an amount of approximately RM4,788,000 and RM1,912,000 (2017 - RM2,963,000 and RM2,056,000), being project retention sums to be received from customers in accordance with the terms of respective contracts.

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

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Cont'd

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

		The Group		The Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Other receivables:-					
Third parties		4,530	1,752	13	501
Advances paid to a supplier	(a)	6,108	-	-	-
Advances to employees	(b)	559	652	-	-
Goods and services tax ("GST") recoverable		1,687	974	171	121
		12,884	3,378	184	622
Deposits		2,716	13,211	1,611	1,277
Prepayments		1,313	3,784	623	743
		16,913	20,373	2,418	2,642
Other receivables:-					
Third parties		4,530	6,179	13	4,928
Allowance for impairment losses:-					
At 1 January					
- Amount reported under MFRS 9 (2017 - MFRS 139)		(4,427)	(4,505)	(4,427)	(4,505)
Written off during the financial year		4,427	-	4,427	-
Effect of foreign exchange translation		-	78	-	78
At 31 December		-	(4,427)	-	(4,427)
		4,530	1,752	13	501

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11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS ***Cont'd***

	The Group		The Company	
	2018 RM'000	**2017** RM'000	**2018** RM'000	**2017** RM'000
Advances to employees	559	652	-	-
Imputed interest, at amortised cost				
At 1 January	-	(250)	-	-
Unwind of discount, under other income	-	251	-	-
Effect of foreign exchange translation	-	(1)	-	-
At 31 December	-	-		
Allowance for impairment losses:-				
At 1 January	-	(232)	-	-
Written off during the financial year	-	233	-	-
Effect of foreign exchange translation	-	(1)	-	-
At 31 December	-	-	-	-
	559	652	-	-

(a) The advances paid to a supplier is unsecured and interest-free. The amount owing will be offset against future purchases from the supplier.

(b) The advances to employees of the Group is unsecured, repayable in 12 (2017 - 12) months and bear an interest rate of 2% (2017 - 1.5% to 2%) per annum.

12. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	The Company	
	2018 RM'000	**2017** RM'000
Amount owing by:-		
Non-trade balance:		
- interest-free	2,136	7,524
- interest bearing at 4.48% - 5.80% (2017 - 5.27% - 5.80%)	9,500	4,872
	11,636	12,396
Allowance for impairment losses	(465)	(465)
	11,171	11,931
Amount owing to:-		
Non-trade balance:		
- interest-free	(7,671)	(1,400)
- interest bearing at 3.30%	-	(7,392)
	(7,671)	(8,792)

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
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13. FIXED DEPOSITS WITH LICENSED BANKS

	The Group		The Company	
	2018	2017	2018	2017
Weighted average effective interest rate (%)	2.83	2.74	2.99	2.55
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 RM14,908,000 and RM11,219,000 (2017 - RM12,629,000 and RM10,226,000) respectively which have been pledged to licensed banks as security for banking facilities granted to the Group and to the Company.

14. SHARE CAPITAL AND TREASURY SHARES

Share capital

	The Group/The Company			
	2018	2017	2018	2017
	Number Of Shares		RM'000	RM'000
Issued And Fully Paid-Up				
Ordinary shares				
At 1 January	229,834,166	222,375,331	25,826	22,238
Issuance of new shares for cash:				
- private placement	22,871,426	-	17,840	-
- Employee Share Option Scheme ("ESOS") (Note 15(d)(i))	-	7,458,835	-	2,273
- Employee Share Scheme ("ESS") (Note 15(d)(ii))	1,282,170	-	384	-
- Warrants (Note 15(e))	13,465,300	-	6,733	-
Expenses incurred pursuant to issuance of ordinary shares	-	-	(361)	-
	267,453,062	229,834,166	50,422	24,511
Transfer from share premium account (Note 15(a))	-	-	-	1,315
At 31 December	267,453,062	229,834,166	50,422	25,826

(a) During the financial year, the Company undertook the following issuance of shares:-

(i) an issuance of 22,871,426 new ordinary shares pursuant to a private placement exercise at an issue price of RM0.78 per ordinary share;

(ii) an issuance of 1,282,170 new ordinary shares at an issue price of RM0.30 per ordinary share for cash pursuant to the exercise of share options under the ESS; and

(iii) an issuance of 13,465,300 new ordinary shares from the exercise of Warrants 2014/2019 at the exercise price of RM0.50 per warrant amounting to RM6,732,650.

(b) The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

(c) 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.

14. SHARE CAPITAL AND TREASURY SHARES *Cont'd*

<u>Share capital</u> *Cont'd*

(d) On 31 January 2017, the concepts of authorised share capital and par value of share capital was 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.

Included in share capital is share premium amounting approximately to RM954,000 (2017 - RM1,315,000) that is available to be utilised in accordance with Section 618(3) of the Companies Act 2016 on or before 30 January 2019 (twenty-four (24) months from the commencement of Section 74 of the Companies Act 2016).

<u>Treasury shares</u>

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

Of the total 267,453,062 issued and fully paid-up ordinary shares at the end of the reporting period, 1,119,900 ordinary shares are held as treasury shares by the Company. None of the treasury shares were resold during the financial year.

In the previous 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.

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

15. RESERVES

		The Group		The Company	
		2018	**2017**	**2018**	**2017**
		RM'000	RM'000	RM'000	RM'000
Non-distributable reserves:-	Note				
Share premium	(a)	-	-	-	-
Capital reserve	(b)	9,217	8,985	1,044	1,044
Exchange fluctuation reserve	(c)	4,596	4,432	(336)	(394)
Employees' share option reserve	(d)	1,385	696	1,385	696
		15,198	14,113	2,093	1,346
Distributable reserve:-					
Retained profits		51,054	38,839	3,531	294
		66,252	52,952	5,624	1,640

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15. RESERVES *Cont'd*

(a) Share Premium

	The Group/The Company	
	2018	**2017**
	RM'000	RM'000
At 1 January	-	1,315
Transfer to share capital upon implementation of the Companies Act 2016 (Note 14)	-	(1,315)
At 31 December	-	-

(b) Capital Reserve

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	RM'000	RM'000	RM'000
Capital reserve is represented by:-				
Transfer of non-distributable reserve funds by a subsidiary	971	739	-	-
Bonus shares issued by:				
- branch	1,044	1,044	1,044	1,044
- subsidiaries	7,202	7,202	-	-
	9,217	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 allocations to the dedicated capital. Such allocations are reflected in the subsidiary's statement of financial position under equity. The allocations will not be available for distribution to shareholders once allocated, but may be used to set off losses or be converted into paid-up capital.

(c) Exchange Fluctuation Reserve

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

(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.

15. RESERVES *Cont'd*

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

(i) ESOS *Cont'd*

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 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; and

   b) the allocation to a director of the Company or eligible employee of the Group who, either singly or collectively through persons connected with the said director or eligible employee holds 20% or more of the issued and paid-up capital of the Company, must not exceed 10% of the total number of the Company shares to be issued under the ESOS;

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

4. The price at which the option holder is entitled to subscribe for each new ordinary share of the Company may be at a discount of not more than 10% from the 5 days weighted average market price of ordinary shares as at the offer date provided that the subscription price shall in no event be less than the par value of the ordinary shares;

5. The ESOS shall be administered by the Option Committee appointed by the board of directors to administer the ESOS; and

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

The 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

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15. RESERVES *Cont'd*

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

(i) ESOS *Cont'd*

In the previous financial year, the exercise price and the details in the movement of the options granted were as follows:-

		Number of Share Options Over Ordinary Shares				
Date Of Offer	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) 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 main features of ESS are as follows:-

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

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

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

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

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

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

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

15. RESERVES *Cont'd*

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

(ii) ESS *Cont'd*

	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	1,073	506

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

Date Of Offer ("Offer Date")	Exercise Price	Number of Share Options Over Ordinary Shares At 1.1.2018	Alloted	At 31.12.2018
20 June 2017	Not applicable	16,000,000	(1,282,170)	14,717,830

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

Performance Conditions	Allocation	Estimated fair value per share
Achieve a share price of Offer Date closing share price + 10% between the Offer Date to 30 June 2020	10%	RM0.30
Achieve a share price of Offer Date closing share price + 30% between the Offer Date to 30 June 2020	20%	RM0.18
Achieve a share price of Offer Date closing share price + 40% between the Offer Date to 30 June 2020	70%	RM0.18

(e) Warrants

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

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15. RESERVES *Cont'd*

(e) Warrants *Cont'd*

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

		Entitlement for Ordinary Shares			
	Exercise Price	At 1.1.2018	Exercised	Lapsed	At 31.12.2018
Warrant 2014/2019	RM0.50	53,937,631	(13,465,300)	-	40,472,331

At the end of the reporting period, 40,472,331 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.

The main features of the warrants are as follows:-

1. Each warrant will entitle the registered holder to subscribe for one (1) new ordinary share in the Company at an exercise price of RM0.50 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	
	2018 RM'000	**2017** RM'000	**2018** RM'000	**2017** RM'000
At 1 January	157	158	65	66
Recognised in profit or loss (Note 33)	(64)	-	(64)	-
Effect of foreign exchange	(1)	(1)	(1)	(1)
At 31 December	92	157	-	65

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Accelerated capital allowances	92	92	-	-
Contract assets	-	65	-	65
	92	157	-	65

17. LONG-TERM BORROWINGS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Hire purchase payables (Note 18)	1,259	649	-	-
Term loans (Note 19)	247	1,668	247	1,668
	1,506	2,317	247	1,668

18. HIRE PURCHASE PAYABLES

	The Group	
	2018 RM'000	2017 RM'000
Minimum hire purchase payments:		
- not later than one year	398	225
- later than one year and not later than five years	1,377	622
- later than five years	60	119
	1,835	966
Less: Future finance charges	(259)	(130)
Present value of hire purchase payables	1,576	836
Analysed by:-		
Current liabilities (Note 23)	317	187
Non-current liabilities (Note 17)	1,259	649
	1,576	836

(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 have tenure between 3 to 6 (2017 - 4 to 7) 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% (2017 - 4.83% to 5.36%). The interest rates are fixed at the inception of the hire purchase arrangements.

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19. TERM LOANS

	The Group/The Company	
	2018	2017
	RM'000	RM'000
Current liabilities (Note 23)	2,182	2,057
Non-current liabilities (Note 17)	247	1,668
	2,429	3,725

(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;
viii. a personal guarantee of a key management personnel of the Company; and
ix. a personal guarantee of a director 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	
	2018	2017
	%	%
Floating rates term loans:-		
Effective interest rates	3.30 - 7.29	5.60 - 6.90

20. TRADE PAYABLES

The normal trade credit terms granted to the Group and the Company range from 30 to 60 (2017 - 30 to 60) days.

21. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Other payables	3,170	19,106	164	216
Accruals	14,296	13,379	2,029	1,450
GST payables	3	1,803	3	15
	17,469	34,288	2,196	1,681

22. PROVISIONS

	Note	The Group 2018 RM'000	The Group 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
Provision for foreseeable losses:-	(a)				
At 1 January		327	495	-	495
Addition during the financial year		644	327	-	-
Reversal during the financial year		(213)	(503)	-	(503)
Effect of foreign exchange translation		(8)	8	-	8
At 31 December		750	327	-	-
Provision for warranty costs:-	(b)				
At 1 January		651	150	212	12
Addition during the financial year		699	623	184	220
Utilised during the financial year		(170)	-	(170)	-
Reversal during the financial year		(5)	(112)	-	(13)
Effect of foreign exchange translation		(3)	(10)	(1)	(7)
At 31 December		1,172	651	225	212
Provision for unutilised leave:-					
At 1 January		8	-	-	-
Addition during the financial year		23	8	-	-
Reversal during the financial year		(3)	-	-	-
At 31 December		28	8	-	-
		1,950	986	225	212

(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. It is expected that most of these costs will be incurred in the next financial year.

23. SHORT-TERM BORROWINGS

	The Group 2018 RM'000	The Group 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
Hire purchase payables (Note 18)	317	187	-	-
Term loans (Note 19)	2,182	2,057	2,182	2,057
Revolving credits	3,035	13,500	-	13,500
Invoice financing	10,080	12,204	-	-
	15,614	27,948	2,182	15,557

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23. SHORT-TERM BORROWINGS *Cont'd*

(a) The revolving credits 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	
	2018	2017	2018	2017
	%	%	%	%
Revolving credits	4.50	4.48 - 5.80	-	4.48 - 5.80
Invoice financing	5.85	4.45 - 5.75	-	-

(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 of the Company.

24. DIVIDEND PAYABLE

	The Group/The Company	
	2018	2017
	RM'000	RM'000
Interim dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2018	2,655	-

25. REVENUE

	The Group		The Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Contract revenue	344,783	311,424	12,214	28,193
Services	504	398	-	-
Sale of goods	4,736	1,511	-	-
	350,023	313,333	12,214	28,193

25. REVENUE *Cont'd*

(a) The information on the disaggregation of revenue is disclosed in Note 40 to the financial statements.

(b) The transaction price allocated to the remaining performance obligations that are unsatisfied or partially unsatisfied as at the end of the reporting period are summarised below (other than contracts for original periods of one year or less);-

	The Group		
	2019 RM'000	**2020** RM'000	**Total** RM'000
Construction contracts	166,215	67,500	233,715

	The Company		
	2019 RM'000	**2020** RM'000	**Total** RM'000
Construction contracts	5,694	725	6,419

Comparative information is not presented by virtue of the exemption given in MFRS 15.C5(d).

26. COST OF SALES

	The Group		The Company	
	2018 RM'000	**2017** RM'000	**2018** RM'000	**2017** RM'000
Contract costs (Note 8)	289,044	261,993	13,936	36,880
Depreciation of property, plant and equipment	17	17	-	-
Others	2,124	1,474	-	-
	291,185	263,484	13,936	36,880

27. OTHER INCOME

	The Group		The Company	
	2018 RM'000	**2017** RM'000	**2018** RM'000	**2017** RM'000
Dividend income	-	-	16,666	11,562
Management fees	-	-	3,097	1,624
Gain on foreign exchange:				
- unrealised	-	-	-	472
- realised	-	828	-	1,555
Gain on disposal of equipment	25	-	-	-
Interest income:				
- financial institutions	675	389	341	234
- a subsidiary	-	-	40	31
- unwind of discount on advances to employees	-	251	-	-
Rental charge to subsidiaries	-	-	230	-
Others	209	553	102	61
	909	2,021	20,476	15,539

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28. SELLING AND DISTRIBUTION EXPENSES

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Entertainment	528	760	65	61
Travelling expenses	622	273	155	159

29. ADMINISTRATIVE EXPENSES

Included in administrative expenses are the following items:-

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Auditors' remuneration:				
- audit fees:				
- Crowe Malaysia PLT:				
- statutory audit for the financial year	209	196	102	102
- underprovision in the previous financial year	16	13	-	8
- overseas affiliates of Crowe Malaysia PLT	27	35	27	28
- other auditors:				
- statutory audit for the financial year	181	157	-	-
- overprovision in the previous financial year	-	(17)	-	-
- non-audit fees:				
- auditor of the Company	5	5	5	5
Directors' remuneration:				
- Directors' fee	164	156	164	156
- Directors' non-fee emoluments*:				
- salaries, wages, bonus, allowances and others	2,458	1,849	2,458	1,849
- defined contribution plan	114	97	114	97
- share-based payments	231	150	231	150
Provision for unutilised leave	23	8	-	-
Reversal of provision for unutilised leave	(3)	-	-	-
Staff costs**:				
- salaries, wages, bonus, allowances and others	15,383	13,535	1,386	1,446
- defined contribution plans	1,345	1,749	91	98
- share-based payments	842	546	275	179
Rental of office	1,100	437	-	-

* *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 (2017 - RM30,000).*

** *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 RM10,000 (2017 - RM12,000) and RM9,000 (2017 - RM9,000) respectively.*

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30. OTHER EXPENSES

Included in other expenses are the following items:-

	The Group 2018 RM'000	The Group 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
Amortisation of development costs	-	17	-	
Bad debts written off	1	2,082	-	269
Contract assets written off	794	635	-	635
Depreciation of property, plant and equipment	1,023	574	56	51
Loss on disposal of property, plant and equipment	4	44	-	-
Loss on foreign exchange:				
- unrealised	15	2,529	462	-
- realised	1,660	-	1,444	-
Property, plant and equipment written off	347	17	-	16
Provision for foreseeable loss	644	327	-	-
Provision for warranty costs	699	623	184	220
Reversal of provision for foreseeable loss	(213)	(503)	-	(503)
Reversal of provision for warranty costs	(5)	(112)	-	(13)

31. FINANCE COSTS

	The Group 2018 RM'000	The Group 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
Interest expense:				
- bank overdraft	12	33	1	22
- from a subsidiary	-	-	-	266
- hire purchase	62	24	-	-
- invoice financing	93	70	-	-
- revolving credits	326	350	286	346
- term loans	157	122	157	122
- trust receipts	-	5	-	-
- others	263	157	245	117
	913	761	689	873

32. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS AND CONTRACT ASSETS

	The Group 2018 RM'000	The Group 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
Impairment losses during the financial year:				
- Individually impaired under MFRS 139 (Note 10)	-	1,110	-	-
- Additions under MFRS 9 (Notes 8 and 10)	1,089	-	24	-
Reversal of impairment losses (Note 10)	(487)	(84)	-	(40)
	602	1,026	24	(40)

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33. INCOME TAX EXPENSE

	The Group 2018 RM'000	The Group 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
Income tax:				
- Malaysian tax	2,879	2,308	128	137
- Foreign tax	4,064	2,851	-	-
	6,943	5,159	128	137
(Over)/Underprovision in the previous financial year:				
- Malaysian tax	(481)	17	(208)	15
- Foreign tax	291	445	-	-
	(190)	462	(208)	15
	6,753	5,621	(80)	152
Deferred tax (Note 16):				
- Overprovision of deferred tax in the previous financial year	(64)	-	(64)	-
	6,689	5,621	(144)	152

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

	The Group 2018 RM'000	The Group 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
Profit/(Loss) before taxation	25,004	17,162	9,413	(830)
Tax at Malaysian statutory tax rate of 24%	6,001	4,119	2,259	(199)
Tax effects of:-				
Differential in tax rates	(2,024)	(1,403)	186	-
Non-deductible expenses	3,800	3,599	1,116	675
Non-taxable gains	(2,020)	(3,603)	(4,000)	(2,775)
(Over)/Underprovision of current tax in the previous financial year	(190)	462	(208)	15
Overprovision of deferred tax in the previous financial year	(64)	-	(64)	-
Deferred tax assets not recognised during the current financial year	1,239	2,467	567	2,436
Utilisation of deferred tax assets not recognised in the previous financial year	(53)	(20)	-	-
Tax expense for the financial year	6,689	5,621	(144)	152

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.

For years of assessment 2017 and 2018, the Malaysian statutory tax rate will be reduced by 1% to 4%, based on the prescribed incremental percentage of chargeable income from business, compared to that of the immediate preceding year of assessment.

33. INCOME TAX EXPENSE *Cont'd*

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

	The Group		The Company	
	2018 RM'000	**2017** RM'000	**2018** RM'000	**2017** RM'000
Deferred tax assets:				
- unabsorbed capital allowances	2,675	381	317	305
- unutilised tax losses	9,101	5,917	4,738	2,836
- depreciation in excess of capital allowances	4	6	-	-
- provision of bonus	3,403	2,955	1,589	1,021
- others	1,512	938	135	18
	16,700	10,197	6,779	4,180
Deferred tax liabilities:				
- accelerated capital allowances	(3,453)	(1,854)	(61)	(62)
- others	(263)	(301)	(248)	-
	(3,716)	(2,155)	(309)	(62)
	12,984	8,042	6,470	4,118

In the previous financial year, a subsidiary of the Group was granted MSC Malaysia status, which qualifies the subsidiary 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 subsidiary cover the period from 28 May 2007 to 27 May 2017.

With effect from year of assessment 2019, unused tax losses in a year of assessment can only be carried forward for a maximum period of 7 consecutive years of assessment immediately following that year of assessment.

34. EARNINGS PER SHARE

	The Group	
	2018	**2017**
Profit attributable to owners of the Company (RM'000)	18,649	11,785
Number of shares in issue as of 1 January	229,834,166	222,375,331
Effects through:		
- share options exercised	639,328	5,534,607
- share issue pursuant to private placement	15,359,048	-
- warrants exercised	2,058,733	-
- treasury shares	(1,119,900)	(1,119,900)
Weighted average number of ordinary shares for basic earnings per share computation	246,771,375	226,790,038
Effects of dilution - ESS	14,717,830	8,547,945
Effects of dilution - warrants	17,560,452	9,233,363
Weighted average number of ordinary shares for diluted earnings per share computation	279,049,657	244,571,346

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34. EARNINGS PER SHARE *CONT'D*

	The Group 2018	The Group 2017
Basic earnings per ordinary share attributable to owners of the Company (sen)	7.6	5.2
Diluted earnings per ordinary share attributable to owners of the Company (sen)	6.7	4.8

35. ACQUISITION OF A SUBSIDIARY

In the previous financial year, the Company entered into a Sale and Purchase Agreement of Shares for the acquisition of 3,528,000 ordinary shares of RM0.01 each, representing 49% of the total issued and paid-up capital of HITI.

The following summarises the 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

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 previous financial year, the Group's revenue and profit after taxation would have been approximately RM313,333,000 and RM11,252,000 respectively.

36. DIVIDENDS

	The Group/The Company 2018 RM'000	2017 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 1.5 sen per ordinary share in respect of the financial year ended 31 December 2017	3,665	-
	3,665	2,287
Payable:-		
Interim dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2018	2,655	-
	6,320	2,287

On 24 April 2019, the Company declared second interim dividend of 0.8 sen per ordinary share amounting to approximately RM2,300,000 in respect of the current financial year, payable on 3 June 2019, to shareholders whose names appeared in the record of depositors on 15 May 2019. The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2019.

37. CASH FLOW INFORMATION

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

	The Group 2018 RM'000	The Group 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
Cost of property, plant and equipment purchased (Note 6)	11,642	8,695	81	67
Amount financed through hire purchase (Note (b) below)	(1,020)	(343)	-	-
Cash disbursed for purchase of property, plant and equipment	10,622	8,352	81	67

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37. CASH FLOW INFORMATION *Cont'd*

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

	Hire Purchase RM'000	Invoice Financing RM'000	Revolving Credit RM'000	Term Loans RM'000	Total RM'000
The Group					
2018					
At 1 January	836	12,204	13,500	3,725	30,265
Changes in Financing Cash Flows					
Proceeds from drawdown	-	26,130	6,635	-	32,765
Repayment of borrowing principal	(291)	(27,964)	(17,100)	(1,275)	(46,630)
	(291)	(1,834)	(10,465)	(1,275)	(13,865)
Non-cash Changes					
Foreign exchange adjustments	11	(290)	-	(21)	(300)
New hire purchase (Note (a) above)	1,020	-	-	-	1,020
	1,031	(290)	-	(21)	720
At 31 December	1,576	10,080	3,035	2,429	17,120

37. CASH FLOW INFORMATION *Cont'd*

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

	Hire Purchase RM'000	Invoice Financing RM'000	Revolving Credits RM'000	Term Loans RM'000	Bankers' Acceptances RM'000	Trust Receipts RM'000	Total RM'000
The Group							
2017							
At 1 January	705	8,501	6,500	1,779	176	6,900	24,561
Changes in Financing Cash Flows							
Proceeds from drawdown	-	12,502	13,500	2,044	-	-	28,046
Repayment of borrowing principal	(212)	(8,501)	(6,500)	-	(176)	(6,907)	(22,296)
	(212)	4,001	7,000	2,044	(176)	(6,907)	5,750
Non-cash Changes							
Foreign exchange adjustments	-	(298)	-	(98)	-	7	(389)
New hire purchase (Note (a) above)	343	-	-	-	-	-	343
	343	(298)	-	(98)	-	7	(46)
At 31 December	836	12,204	13,500	3,725	-	-	30,265

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37. CASH FLOW INFORMATION ***Cont'd***

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

	Trust Receipts RM'000	Revolving Credit RM'000	Terms Loans RM'000	Total RM'000
The Company				
2018				
At 1 January	-	13,500	3,725	17,225
Changes in Financing Cash Flows				
Proceeds from drawdown	-	-	747	747
Repayment of borrowing principal	-	(13,500)	(2,022)	(15,522)
	-	(13,500)	(1,275)	(14,775)
Non-cash Changes				
Foreign exchange adjustments	-	-	(21)	(21)
At 31 December	-	-	2,429	2,429
The Company				
2017				
At 1 January	5,052	6,500	1,779	13,331
Changes in Financing Cash Flows				
Proceeds from drawdown	-	18,000	4,351	22,351
Repayment of borrowing principal	(5,052)	(11,000)	(2,307)	(18,359)
	(5,052)	7,000	2,044	3,992
Non-cash Changes				
Foreign exchange adjustments	-	-	(98)	(98)
At 31 December	-	13,500	3,725	17,225

37. CASH FLOW INFORMATION *Cont'd*

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed deposits with licensed banks	24,196	14,622	16,837	10,226
Cash and bank balances	42,914	47,540	12,816	10,977
	67,110	62,162	29,653	21,203
Less: Fixed deposits pledged to licensed banks (Note 13)	(14,908)	(12,629)	(11,219)	(10,226)
Less: Fixed deposits with original maturity of more than 3 months	-	(500)	-	-
	52,202	49,033	18,434	10,977

38. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive direcctors 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(a) Directors of the Company:-				
Short-term employee benefits:				
- fee	164	156	164	156
- salaries, bonuses and other benefits	2,458	1,849	2,458	1,849
Defined contribution benefits	114	97	114	97
Share-based payments	231	150	231	150
Benefits-in-kind	30	30	30	30
	2,997	2,282	2,997	2,282
(b) Other key management personnel:-				
Short-term employee benefits:				
- fee	239	224	-	-
- salaries, bonuses and other benefits	3,259	2,790	599	578
Defined contribution benefits	141	116	44	52
Share-based payments	176	114	47	30
Benefits-in-kind	10	12	9	9
	3,825	3,256	699	669

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39. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Significant Related Party Transactions and Balances

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

	The Group		The Company	
	2018 RM'000	**2017** RM'000	**2018** RM'000	**2017** RM'000
Dividend from subsidiaries	-	-	16,666	11,562
Management fees from subsidiaries	-	-	3,097	1,624
Interest charged from a subsidiary	-	-	-	266
Interest charged to a subsidiary	-	-	40	31
Rental charged to subsidiaries	-	-	230	-
Entities having the substantial shareholders:				
- progress billings	-	7,508	-	1,573

(c) Outstanding balances

	The Group		The Company	
	2018 RM'000	**2017** RM'000	**2018** RM'000	**2017** RM'000
Entities having the substantial shareholders:				
- trade receivables	-	1,704	-	46

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.

40. OPERATING SEGMENTS

The business 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.

40. 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 current tax assets, current tax liabilities and deferred tax liabilities.

40.1 GEOGRAPHICAL INFORMATION

	Geographical segment							Reportable segment
	Malaysia RM'000	Singapore RM'000	Taiwan RM'000	China RM'000	Indonesia RM'000	Philippines RM'000	Elimination RM'000	Total RM'000
2018								
Revenue								
External revenue	114,452	111,504	12,634	111,204	260	(31)	-	350,023
Inter-segment revenue	3,760	21,085	-	-	-	-	(24,845)	-
Total revenue	118,212	132,589	12,634	111,204	260	(31)	(24,845)	350,023

	Geographical segment						Reportable segment
	Malaysia RM'000	Singapore RM'000	Taiwan RM'000	China RM'000	Indonesia RM'000	Philippines RM'000	Total RM'000
2018							
Represented by:-							
Revenue recognised at a point of time							
- Rendering of services	504	-	-	-	-	-	504
- Sales of goods	2,573	-	-	2,163	-	-	4,736
Revenue recognised over time							
- Construction services	115,135	132,589	12,634	109,041	260	(31)	369,628
Total revenue	118,212	132,589	12,634	111,204	260	(31)	374,868
Consolidation adjustments							(24,845)
							350,023

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40. OPERATING SEGMENTS *Cont'd*

40.1 GEOGRAPHICAL INFORMATION *Cont'd*

	Geographical segment							Reportable segment
	Malaysia RM'000	Singapore RM'000	Taiwan RM'000	China RM'000	Indonesia RM'000	Philippines RM'000	Elimination RM'000	Total RM'000
2018								
Results								
Segment profit/ (loss)	8,071	15,558	(4,438)	5,860	245	(54)	-	25,242
Interest income								675
Finance costs								(913)
Profit before taxation								25,004
Income tax expense								(6,689)
Profit after taxation								18,315
2018								
Assets								
Property,plant and equipment	19,765	2,852	239	1,820	-	-	-	24,676
Goodwill	230	6,118	-	-	-	-	-	6,348
Current assets	140,907	71,394	9,694	45,172	307	578	(56,052)	212,000
Unallocated assets								452
Consolidated total assets								243,476
Liabilities								
Segment liabilities	71,797	38,287	34,015	36,487	35	14	(58,873)	121,762
Unallocated liabilities								5,499
Consolidated total liabilities								127,261
Other Information								
Capital expenditure	8,172	2,187	-	1,283	-	-	-	11,642
Depreciation	1,246	324	41	471	-	-	-	2,082
Other non-cash items:								
- income	25	281	-	-	1	-	-	307
- expenses	271	163	920	2,259	-	-	-	3,613

40. OPERATING SEGMENTS *Cont'd*

40.1 GEOGRAPHICAL INFORMATION *Cont'd*

	Geographical segment							Reportable segment
	Malaysia RM'000	Singapore RM'000	Taiwan RM'000	China RM'000	Indonesia RM'000	Philippines RM'000	Elimination RM'000	Total 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 taxation								17,162
Income tax expense								(5,621)
Profit after taxation								11,541

The information on the disaggregation of revenue is not presented for the comparative periods as the Group has applied MFRS 15 using the modified retrospective application.

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40. OPERATING SEGMENTS *Cont'd*

40.1 GEOGRAPHICAL INFORMATION *Cont'd*

	Geographical segment							Reportable segment
	Malaysia RM'000	Singapore RM'000	Taiwan RM'000	China RM'000	Indonesia RM'000	Philippines RM'000	Elimination RM'000	Total RM'000
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
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

40.2 MAJOR CUSTOMERS

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

	The Group	
	2018 RM'000	**2017** RM'000
Customer 1	43,231	-
Customer 2	45,092	-
Customer 3	-	47,907
Customer 4	-	40,796
Customer 5	-	34,023

41. CAPITAL COMMITMENTS

	The Group	
	2018	**2017**
	RM'000	RM'000
Purchase of plant and equipment	31,552	1,267

42. 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	
	2018	**2017**
	RM'000	RM'000
Not more than 1 year	109	183
Later than 1 year and not later than 5 years	-	69
	109	252

43. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

43.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in 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.

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43. FINANCIAL INSTRUMENTS *Cont'd*

43.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(a) Market Risk *Cont'd*

(i) Foreign Currency Risk *Cont'd*

Foreign currency exposure

	RMB RM'000	USD RM'000	NTD RM'000	SGD RM'000	IDR RM'000	PESO RM'000	Others RM'000
The Group **2018**							
Financial Assets							
Trade receivables	21,208	8,919	4,639	20,449	-	-	-
Other receivables	1,681	-	1	2,450	167	75	-
Cash and bank balances	13,052	911	1,484	10,415	28	1	11
Fixed deposits with licensed banks	-	2,537	-	3,182	-	-	-
	35,941	12,367	6,124	36,496	195	76	11
Financial Liabilities							
Hire purchase payables	-	-	-	(938)	-	-	-
Term loans	-	-	(2,360)	-	-	-	-
Revolving credits	-	-	-	(3,035)	-	-	-
Invoice financing	(10,080)	-	-	-	-	-	-
Trade payables	(13,696)	(8,131)	(4,118)	(11,864)	-	-	(49)
Other payables and accruals	(3,092)	-	(113)	(7,103)	(30)	(14)	-
	(26,868)	(8,131)	(6,591)	(22,940)	(30)	(14)	(49)
Net financial assets/ (liabilities)	9,073	4,236	(467)	13,556	165	62	(38)
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(9,881)	-	467	(9,592)	(165)	(62)	(9)
Net currency exposure	(808)	4,236	-	3,964	-	-	(47)

43. FINANCIAL INSTRUMENTS *Cont'd*

43.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(a) Market Risk *Cont'd*

(i) Foreign Currency Risk *Cont'd*

Foreign currency exposurev Cont'd

	RMB RM'000	USD RM'000	NTD RM'000	SGD RM'000	IDR RM'000	PESO RM'000	Others RM'000
The Group							
2017							
Financial Assets							
Trade receivables	20,100	3,929	7,362	21,664	-	-	-
Other receivables	914	201	484	203	174	77	-
Cash and bank balances	15,422	2,853	1,907	20,441	388	9	12
Fixed deposits with licensed banks	-	2,537	-	-	-	-	-
	36,436	9,520	9,753	42,308	562	86	12
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	(3,002)	(6,422)	-	24,421	533	74	(110)
Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	3,002	-	-	(18,534)	(533)	(74)	(10)
Net currency exposure	-	(6,422)	-	5,887	-	-	(120)

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43. FINANCIAL INSTRUMENTS *Cont'd*

43.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(a) Market Risk *Cont'd*

(i) Foreign Currency Risk *Cont'd*

Foreign currency exposure Cont'd

The Company	USD RM'000	NTD RM'000	SGD RM'000
2018			
Financial Assets			
Trade receivables	-	4,639	-
Other receivables	-	1	-
Amount owing by subsidiaries	-	-	208
Cash and bank balances	132	1,484	3,763
Fixed deposits with licensed banks	2,537	-	601
	2,669	6,124	4,572
Financial Liabilities			
Amount owing to subsidiaries	(7,271)	-	-
Term loans	-	(2,360)	-
Trade payables	(537)	(4,118)	-
Other payables and accruals	-	(113)	-
	(7,808)	(6,591)	-
Net financial (liabilities)/assets	(5,139)	(467)	4,572
Less: Net financial assets denominated in the entity's functional currency	-	467	-
Net currency exposure	(5,139)	-	4,572
2017			
Financial Assets			
Trade receivables	-	7,362	-
Other receivables	-	484	-
Amount owing by subsidiaries	-	-	4,324
Cash and bank balances	94	1,907	5,777
Fixed deposits with licensed banks	2,537	-	-
	2,631	9,753	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)	-	10,101
Less: Net financial assets denominated in the entity's functional currency	-	-	-
Net currency exposure	(5,285)	-	10,101

NOTES TO THE FINANCIAL STATEMENTS
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43. FINANCIAL INSTRUMENTS *Cont'd*

43.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(a) Market Risk *Cont'd*

(i) Foreign Currency Risk *Cont'd*

Foreign currency risk sensitivity analysis

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	RM'000	RM'000	RM'000
Effects on profit after taxation/equity				
RMB				
- strengthened by 10%	(81)	-	-	-
- weakened by 10%	81	-	-	-
USD				
- strengthened by 10%	424	(642)	(514)	(529)
- weakened by 10%	(424)	642	514	529
SGD				
- strengthened by 10%	396	589	457	1,010
- weakened by 10%	(396)	(589)	(457)	(1,010)
Others				
- strengthened by 10%	(5)	(12)	-	-
- weakened by 10%	5	12	-	-

(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 43.1(c) to the financial statements.

Interest rate risk sensitivity analysis

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	RM'000	RM'000	RM'000
Effects on profit after taxation/equity				
Increase of 100 basis points	(155)	(294)	(243)	(172)
Decrease of 100 basis points	155	294	243	172

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43. FINANCIAL INSTRUMENTS *Cont'd*

43.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(a) Market Risk *Cont'd*

(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 Company's exposure to credit risk arises principally from loans and advances to subsidiaries, and corporate guarantee given to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit Risk Concentration Profile

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

	2018	2017
The Group		
Major concentration of credit risk	26%	27%
Number of customers	2	2
The Company		
Major concentration of credit risk	11%	5%
Number of customers	3	2

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

	The Group		The Company	
	2018 RM'000	**2017** RM'000	**2018** RM'000	**2017** RM'000
Malaysia	26,207	22,273	-	-
PRC	28,826	18,465	-	-
Singapore	20,890	21,661	-	-
Taiwan	4,639	7,720	4,639	7,288
Middle East	842	853	-	-
Indonesia	6	24	-	-
	81,410	70,996	4,639	7,288

43. FINANCIAL INSTRUMENTS *Cont'd*

43.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(b) Credit Risk *Cont'd*

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries as disclosed under the "Maturity Analysis" of item (c) below, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material.

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost, contract assets are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

Trade Receivables and Contract Assets

The Group and the Company applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group and the Company concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group and the Company considers any receivables having financial difficulty or with significant balances outstanding for more than 12 months, are deemed credit impaired.

The expected loss rates are based on the payment profiles of sales over a period of 12 months from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

For construction contracts, the Group and the Company assessed the expected credit loss of each customer individually based on their financial information and past trends of payments as there are only a few customers. All of these customers have low risk of default as they have a strong capacity to meet their debts.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract assets are summarised below:-

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43. FINANCIAL INSTRUMENTS *Cont'd*

43.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(b) Credit Risk *Cont'd*

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract assets are summarised below (Cont'd):-

The Group	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
2018			
Current (not past due)	66,384	(135)	66,249
Less than 3 months past due	7,825	(181)	7,644
3 to 6 months past due	1,088	(82)	1,006
More than 6 months past due	567	(27)	540
More than 1 year past due	12,903	(459)	12,444
	88,767	(884)	87,883
Credit impaired:			
- individually impaired	-	(6,473)	(6,473)
Trade receivables	88,767	(7,357)	81,410
Contract assets	46,506	(116)	46,390
	135,273	(7,473)	127,800
The Company			
2018			
Current (not past due)	893	-	893
Less than 3 months	978	-	978
3 to 6 months	-	-	-
More than 6 months	559	-	559
More than 1 year	2,274	-	2,274
	4,704	-	4,704
Credit impaired:			
- individually impaired	-	(65)	(65)
Trade receivables	4,704	(65)	4,639
Contract assets	1,198	-	1,198
	5,902	(65)	5,837

43. FINANCIAL INSTRUMENTS *Cont'd*

43.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(b) Credit Risk *Cont'd*

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

In the last financial year, the loss allowance on trade receivables was calculated under MFRS 139. The ageing of trade receivables is as follows:-

The Group	Gross Amount RM'000	Collective Impairment RM'000	Carrying Amount RM'000
2017			
Not past due	55,113	(42)	55,071
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
	78,014	(7,018)	70,996
The Company			
Not past due	4,639	(41)	4,598
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
	7,364	(76)	7,288

The movements in the loss allowances in respect of trade receivables and contract assets are disclosed in Notes 8 and 10 to the financial statements respectively.

Other Receivables

Other receivables are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Amount Owing By Subsidiaries

The Company applies the 3-stage general approach to measure expected credit losses for all inter-company balances. Generally, the Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advance in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

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43. FINANCIAL INSTRUMENTS *Cont'd*

43.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(b) Credit Risk *Cont'd*

(iii) Assessment of Impairment Losses (Cont'd)

Amount Owing By Subsidiaries Cont'd

The Company determines the probability of default for these loans and advances individually using internal information available.

Financial Guarantee Contracts

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to.

Accordingly, no loss allowances were identified based on 12-month expected credit losses.

(c) Liquidity Risk

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

Maturity Analysis

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

	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
The Group					
2018					
Non-derivative Financial Liabilities					
Hire purchase payables	1,576	1,835	398	1,377	60
Term loans	2,429	2,444	2,087	357	-
Revolving credits	3,035	3,172	3,172	-	-
Invoice financing	10,080	10,670	10,670	-	-
Trade payables	60,321	60,321	60,321	-	-
Other payables and accruals	17,466	17,466	17,466	-	-
	94,907	95,908	94,114	1,734	60

43. FINANCIAL INSTRUMENTS *Cont'd*

43.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

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

	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years 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	59,302	59,302	59,302	-	-
Other payables and accruals	32,485	32,485	32,485	-	-
	122,052	122,904	121,384	2,401	119

	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000
The Company				
2018				
Non-derivative Financial Liabilities				
Term loans	2,429	2,444	2,087	357
Amount owing to subsidiaries	7,671	7,671	7,671	-
Trade payables	4,655	4,655	4,655	-
Other payables and accruals	2,193	2,193	2,193	-
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	-	29,263	29,263	-
	16,948	46,226	45,869	357

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43. FINANCIAL INSTRUMENTS *Cont'd*

43.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

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

	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000
The Company				
2017				
Non-derivative Financial Liabilities				
Term loans	3,725	3,980	2,201	1,779
Revolving credits	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	-
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	-	13,128	13,128	-
	34,240	48,339	46,560	1,779

43.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and 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.

43. FINANCIAL INSTRUMENTS *Cont'd*

43.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	2018	
	The Group RM'000	The Company RM'000
Financial Asset		
Amortised Cost		
Trade receivables	81,410	4,639
Other receivables	5,089	13
Amount owing by subsidiaries	-	11,171
Fixed deposits with licensed banks	24,196	16,837
Cash and bank balances	42,914	12,816
	153,609	45,476
Financial Liability		
Amortised Cost		
Hire purchase payables	1,576	-
Term loans	2,429	2,429
Revolving credits	3,035	-
Invoice financing	10,080	-
Amount owing to subsidiaries	-	7,671
Trade payables	60,321	4,655
Other payables and accruals	17,466	2,193
	94,907	16,948

	2017	
	The Group RM'000	The Company RM'000
Financial Asset		
Loans and Receivables Financial Assets		
Trade receivables	70,996	7,288
Other receivables	2,404	501
Amount owing by subsidiaries	-	11,931
Fixed deposits with licensed banks	14,622	10,226
Cash and bank balances	47,540	10,977
	135,562	40,923
Financial Liability		
Other Financial Liabilities		
Hire purchase payables	836	-
Term loans	3,725	3,725
Revolving credits	13,500	13,500
Invoice financing	12,204	-
Amount owing to subsidiaries	-	8,792
Trade payables	59,302	6,557
Other payables and accruals	32,485	1,666
	122,052	34,240

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43. FINANCIAL INSTRUMENTS *Cont'd*

43.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	2018 The Group RM'000	2018 The Company RM'000
Financial Asset		
<u>Amortised Cost</u>		
Net gains/(losses) recognised in profit or loss by:		
- Bad debts written off	(1)	-
- Interest income	675	381
- Impairment losses on trade receivables and contract assets	(1,089)	(24)
- Reversal of impairment losses on trade receivables	487	-
Financial Liability		
<u>Amortised Cost</u>		
Net losses recognised in profit or loss by:		
- Interest expense	913	689

	2017 The Group RM'000	2017 The Company RM'000
Financial Asset		
<u>Loans and Receivables Financial Assets</u>		
Net gains/(losses) recognised in profit or loss by:		
- Bad debts written off	(2,082)	(269)
- Interest income	640	265
- Impairment losses on financial assets and contract assets	(1,110)	-
- Reversal of impairment losses on financial assets and contract assets	84	40
Financial Liability		
<u>Financial Liabilities Measured at Amortised Cost</u>		
Net losses recognised in profit or loss by:		
- Interest expense	761	873

43.5 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial 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.

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43. FINANCIAL INSTRUMENTS *CONT'D*

43.5 FAIR VALUE INFORMATION *CONT'D*

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	RM'000	RM'000
The Group								
2018								
Financial Liabilities								
Hire purchase payables	-	-	-	-	1,567	-	1,567	1,576
Term loans	-	-	-	-	2,429	-	2,429	2,429
2017								
Financial Liabilities								
Hire purchase payables	-	-	-	-	855	-	855	836
Term loans	-	-	-	-	3,725	-	3,725	3,725
The Company								
2018								
Financial Liabilities								
Term loans	-	-	-	-	2,429	-	2,429	2,429
2017								
Financial Liabilities								
Term loans	-	-	-	-	3,725	-	3,725	3,725

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	
	2018 %	**2017** %	**2018** %	**2017** %
Hire purchase payables	2.38 - 5.01	4.98	-	-
Term loans	3.30 - 5.67	5.71	3.30 - 5.67	5.71

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44. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) 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.

(b) On 28 March 2018, AGSB, a subsidiary of the Company, disposed of 20% equity interests in AGMSB to its non-controlling interests for a cash consideration of RM2. Following the completion of the disposal, AGMSB became an 80%-owned subsidiary of AGSB.

(c) On 20 April 2018, KTSB, a wholly-owned subsidiary of the Company, incorporated a subsidiary known as KTSSB with an issued and paid-up capital of RM100 comprising 100 ordinary shares which representing 100% of the total issue and paid-up capital of KTSSB.

(d) On 23 April 2018, AGSB, a subsidiary of the Company, increased its issued share capital from RM2,500,000 to RM7,500,000. The Company subscribed for its portion of the equity of 4,700,000 new ordinary shares and retained its 94% equity interests.

(e) On 20 August 2018, PT Mitracon, an 80% owned indirect subsidiary of the Company, commenced its Members' Voluntary Winding-up.

(f) On 26 November 2018, KESH, a wholly-owned subsidiary of the Company, had incorporated a subsidiary known as KESZ with an issued and paid-up capital of RMB3,000,000 comprising 3,000,000 ordinary shares of RMB1 each.

(g) On 3 December 2018, KESG, a wholly-owned subsidiary of the Company, had increased its issued share capital from SGD5,100,000 to SGD6,600,000 which was fully subscribed by the Company.

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

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

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

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

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

44. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR *Cont'd*

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

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

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

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

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

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

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

(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.

We noted no further developments during the current financial year.

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44. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR ***Cont'd***

(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.

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

(ii) 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) 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.

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44. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR ***Cont'd***

(j) 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.

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.

45. SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR

(a) On 12 February 2019, the Company acquired 51% equity interests in HITI from its non-controlling interests with no consideration. Following the completion of the transfer, HITI became a wholly-owned subsidiary of the Company.

(b) On 26 February 2019, HITI, a wholly-owned subsidiary of the Company, increased its issued share capital from RM72,000 to RM750,000 by the allotment of 678,000 new ordinary shares. The Company subscribed for the additional equity in HITI to retain its 100% equity interest.

(c) On 15 March 2019, AGSB, a subsidiary of the Company, increased its issued share capital from RM7,500,000 to RM25,500,000 by the allotment of 18,000,000 new ordinary shares. The Company subscribed for the additional 17,733,000 ordinary shares. Following the subscription, AGSB became a 97.2% owned subsidiary of the Company.

(d) On 1 April 2019, KESH, a wholly-owned subsidiary of the Company, had incorporated a subsidiary known as Kelington Engineering System Integration (ChuZhou) Co., Ltd with a registered capital of RMB50,000,000. The registered capital is required to be paid up within 20 years from its date of incorporation.

46. COMPARATIVE FIGURES

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

	The Group		The Company	
	As Restated RM'000	As Previously Reported RM'000	As Restated RM'000	As Previously Reported RM'000
Statements of Financial Position (Extract):-				
Contract assets	53,049	-	1,742	-
Contract liabilities	(21,826)	-	(320)	-
Trade receivables	70,996	81,194	7,288	7,362
Trade payables	(59,302)	(59,322)	-	-
Amount owing by contract customers	-	42,851	-	1,668
Amount owing to contract customers	-	(21,806)	-	(320)
Reserves	52,952	52,418	1,640	1,106
Treasury shares	(534)	-	(534)	-

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46. COMPARATIVE FIGURES ***Cont'd***

The following figures have been reclassified to conform with the presentation of the current financial year (Cont'd):-

	The Group		The Company	
	As Restated RM'000	As Previously Reported RM'000	As Restated RM'000	As Previously Reported RM'000
Statement of Profit or Loss and Other Comprehensive Income (Extract):-				
Cost of sales	(263,484)	(263,308)	(36,880)	(36,377)
Other income	2,021	2,105	15,539	15,579
Other expenses	(6,622)	(7,908)	(675)	(1,178)
Net impairment of financial assets and contract assets	(1,026)	-	40	-
Statement of Cash Flows (Extract):-				
Net cash from operating activities	-	-	236	2,218
Net cash (for)/from investing activities	-	-	(3,367)	2,636
Net cash from financing activities	-	-	11,073	3,088

ANALYSIS OF SHAREHOLDINGS AS AT 22 MARCH 2019

Total number of issued shares : 288,254,527 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	142	5.81	5,863	0
100-1,000	346	14.15	205,775	0.07
1,001-10,000	1,212	49.57	6,279,467	2.19
10,001-100,000	554	22.66	19,219,108	6.69
100,001- less than 5%	189	7.73	155,933,091	53.92
5% and above	2	0.08	106,611,223	37.13
TOTAL	**2,445**	**100**	**288,254,527***	**100**

*Including 1,119,900 treasury shares.

LIST OF SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 22 MARCH 2019

Names	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Palace Star Sdn. Bhd.	86,793,490	30.23	-	-
Sun Lead International Limited	19,817,733	6.90	-	-
Gan Hung Keng	1,306,666	0.46	86,793,490 (1)	30.23 (1)
Ong Weng Leong	755,900	0.26	86,793,490 (1)	30.23 (1)
Cham Teck Kuang	-	-	86,793,490 (1)	30.23 (1)
Hu Keqin	-	-	86,793,490 (1)	30.23 (1)
Fortune Dragon Holding Inc.	-	-	19,817,733 (2)	6.90 (2)
Lien Hwa Industrial Corp.	-	-	19,817,733 (3)	6.90 (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.

LIST OF DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 22 MARCH 2019

Names	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Gan Hung Keng(1)	1,306,666	0.46	86,793,490 (1)	30.23 (1)
Ong Weng Leong(1)	755,900	0.26	86,793,490 (1)	30.23 (1)
Chan Thian Kiat	99,866	0.03	-	-
Tan Chuan Yong	273,166	0.10	-	-
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	5,500	0.00	-	-
Soo Yuit Weng	804,166	0.28	-	-

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 ESS Shares of Employees' Share Scheme maintained pursuant to the Companies Act 2016)

Directors	No. of ESS Shares Offered
Gan Hung Keng	1,440,000
Ong Weng Leong	1,440,000
Chan Thian Kiat	58,500
Tan Chuan Yong	58,500
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	49,500
Soo Yuit Weng	49,500

ANALYSIS OF SHAREHOLDINGS AS AT 22 MARCH 2019 cont'd

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 22 MARCH 2019
(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.	86,793,490	30.23%
2	SUN LEAD INTERNATIONAL LIMITED	19,817,733	6.90%
3	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND	12,068,800	4.20%
4	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT SHARIAH PROGRESSFUND	11,930,000	4.15%
5	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)	11,267,500	3.92%
6	AMANAHRAYA TRUSTEES BERHAD PMB SHARIAH AGGRESSIVE FUND	7,950,000	2.77%
7	LEE BEE SENG	5,769,300	2.01%
8	HSBC NOMINEES (TEMPATAN) SDN. BHD. HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT PROGRESS FUND (4082)	5,012,700	1.75%
9	FEDERLITE HOLDINGS SDN BHD	4,390,966	1.53%
10	AMANAHRAYA TRUSTEES BERHAD PB ISLAMIC SMALLCAP FUND	3,935,200	1.37%
11	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN HWNG SM CF)	3,393,100	1.18%
12	AMANAHRAYA TRUSTEES BERHAD PMB SHARIAH GROWTH FUND	3,300,000	1.15%
13	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD TA ISLAMIC FUND	2,670,200	0.93%
14	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG GROWTH FUND	2,246,500	0.78%
15	AMANAHRAYA TRUSTEES BERHAD AFFIN HWANG GROWTH FUND	1,970,000	0.69%
16	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (PF)	1,949,900	0.68%
17	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG DIVIDEND FUND	1,800,000	0.63%
18	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. CIMB ISLAMIC TRUSTEE BERHAD FOR PMB SHARIAH MID-CAP FUND	1,750,000	0.61%
19	TASEC NOMINEES (TEMPATAN) SDN. BHD. [EXEMPT AN FOR TA INVESTMENT MANAGEMENT BERHAD (CLIENTS)]	1,652,000	0.58%
20	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD (ORDPSA)	1,639,600	0.57%
21	RHB NOMINEES (TEMPATAN) SDN. BHD. [PLEDGED SECURITIES ACCOUNT FOR KOH KIN LIP]	1,600,000	0.56%
22	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. CN CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA GROWTH FUND SERIES 2	1,511,500	0.53%
23	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD KENANGA ISLAMIC FUND	1,474,000	0.51%
24	CARTABAN NOMINEES (ASING) SDN. BHD. [EXEMPT AN FOR BARCLAYS CAPITAL SECURITIES LTD (SBL/PB)]	1,439,000	0.50%
25	ONG SENG HENG	1,413,700	0.49%
26	HSBC NOMINEES (ASING) SDN. BHD. MORGAN STANLEY & CO. INTERNATIONAL PLC (FIRM A/C)	1,371,200	0.48%
27	AMANAHRAYA TRUSTEES BERHAD AFFIN HWANG AIIMAN EQUITY FUND	1,339,300	0.47%
28	CHIA ZHEN CONG	1,182,000	0.41%
29	TAN KA LIAN	1,127,800	0.39%
30	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. CIMB COMMERCE TRUSTEE BERHAD FOR TA DANA OPTIMIX	1,113,900	0.39%

ANALYSIS OF WARRANT HOLDINGS AS AT 22 MARCH 2019

Type of Securities : Warrants 2014/2019
Date of Expiry : 5 years (expiring on 13 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 shareholdings	No. of Holders	Percentage (%)	No. of Warrant	Percentage (%)
Less than 100	162	32.73	7,366	0.04
100-1,000	82	16.57	47,070	0.28
1,001-10,000	117	23.64	599,217	3.51
10,001-100,000	109	22.02	3,799,431	22.24
100,001- less than 5%	20	4.04	4,509,216	26.39
5% and above	5	1.01	8,122,366	47.54
TOTAL	**495**	**100.00**	**17,084,666**	**100.00**

LIST OF DIRECTORS' WARRANT HOLDINGS AS PER THE REGISTER OF DIRECTORS' WARRANTS HOLDINGS AS AT 22 MARCH 2019

Names	Direct Interest		Indirect Interest	
	No. of Warrant	%	No. of Warrant	%
Gan Hung Keng	33	0.00	-	-
Ong Weng Leong	-	-	-	-
Chan Thian Kiat	-	-	-	-
Tan Chuan Yong	-	-	-	-
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	-	-	-	-
Soo Yuit Weng	-	-	-	-

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 22 MARCH 2019
(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name of Warrant Holders	No. of Warrant	%
1	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. [PLEDGED SECURITIES ACCOUNT FOR NG HONG MING (MARGIN)]	3,000,000	17.56
2	CHIA HIANG NOOI	1,980,000	11.59
3	ENG CHONG HIM	1,080,000	6.32
4	FEDERLITE HOLDINGS SDN. BHD.	1,040,166	6.09
5	CHIA MOI LING	1,022,200	5.98
6	CHIA ZHEN CONG	709,400	4.15
7	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD TA ISLAMIC FUND	400,000	2.34
8	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. [PLEDGED SECURITIES ACCOUNT FOR SOH TONG HWA (STF)]	312,700	1.83
9	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD TA DANA FOKUS	300,000	1.76
10	AMSEC NOMINEES (TEMPATAN) SDN. BHD. [PLEDGED SECURITIES ACCOUNT FOR CHIA GEK TEE]	279,000	1.63
11	ENG CHONG HIM	248,000	1.45
12	SOH WOEI JUAN	215,000	1.26
13	GOH CHIN CHOON	203,300	1.19
14	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. [CIMB COMMERCE TRUSTEE BERHAD FOR TA DANA OPTIMIX]	200,000	1.17
15	LEE BEE SENG	199,600	1.17
16	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. [PLEDGED SECURITIES ACCOUNT FOR SOH WEI JIAN (STF)]	171,000	1.00
17	CHUA ENG KIAT	170,200	1.00
18	CHIN HOOK HATT	150,000	0.88
19	JOSEPH LING YEO KONG	150,000	0.88
20	AMSEC NOMINEES (TEMPATAN) SDN. BHD. [PLEDGED SECURITIES ACCOUNT FOR CHEW SIOW GEOK]	144,516	0.85

ANALYSIS OF WARRANT HOLDINGS AS AT 22 MARCH 2019 cont'd

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 22 MARCH 2019 cont'd
(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name of Warrant Holders	No. of Warrant	%
21	CHIA GEK TEE	140,000	0.82
22	NEOH LAY CHENG	140,000	0.82
23	LEE CHOOI YOKE	138,400	0.81
24	SOH CHIN SENG	120,000	0.70
25	POH YIN FOO	118,100	0.69
26	GOH CHENG CHAI	100,000	0.59
27	HEE LIN RUEY JEAN	100,000	0.59
28	LEE HENG PUI	100,000	0.59
29	TEOH WEI CHAN	100,000	0.59
30	JAMES CHAN HOCK JIN	80,000	0.47

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Nineteenth Annual General Meeting ("19th AGM") of **Kelington Group Berhad** ("KGB" or "Company") will be held at Function Room 7, Setia City Convention Centre, No. 1, Persiaran Setia Dagang AG U13/AG, Setia Alam Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan on Thursday, 13 June 2019 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 2018 together with the Reports of the Directors and the Auditors thereon. **(Refer to Explanatory Note (a))**

2. To re-elect the following Directors who are retiring in accordance with the Clause 97 of the Company's Constitution, and being eligible, have offered themselves for re-election:

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

3. To approve the payment of Directors' remuneration payable to the Board of the Company amounting to RM247,200 for the period from 1 July 2019 until 30 June 2020. **(Ordinary Resolution 3)**

4. To re-appoint Messrs. Crowe Malaysia PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and authorise the Directors to fix their remuneration. **(Ordinary Resolution 4)**

Special Business

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

5. **Continuing in Office as Independent Non-Executive Directors**

   (i) "THAT approval be and is hereby given to Chan Thian Kiat who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company." **(Ordinary Resolution 5)**

   (ii) "THAT approval be and is hereby given to Tan Chuan Yong who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company." **(Ordinary Resolution 6)**

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 7)**

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 8)**

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

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

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

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

(i) the conclusion of the next Annual General Meeting ("AGM") at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

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

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

BY ORDER OF THE BOARD

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

Company Secretaries

Kuala Lumpur
Dated this 30th day of April,2019

Notes:

1. *A member may appoint up to two (2) proxies to attend, participate, speak and vote at the meeting. If a member appoints more than one (1) proxy, he shall specify the proportions of his holdings to be represented by each proxy, failing which the appointment shall be valid. A proxy may, but need not, be a member of the Company and there shall be no restriction as to the qualification of the proxy.*

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

3. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*

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

5. *The appointment of proxy may be made in hard copy or in electronic form. The instrument appointing a proxy must be submitted in the following manners, at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof:-*

   (i) In hard copy form
   To be deposited at the Company's Share Registrar's office at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor or

   (ii) By electronic means
   To be sent via e-mail to :
   Martini.Matsom@boardroomlimited.com
   Khairul.Iqram@boardroomlimited.com
   BSR.Helpdesk@boardroomlimited.com

6. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Clause 62 of the Constitution of the Company, a Record of Depositors as at 3 June 2019 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 2018.

   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 19th AGM on the Directors' remuneration in Resolution 3 on payment of Directors' remuneration for the period from 1 July 2019 until 30 June 2020 ("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	-	*234,000*
Meeting allowance	-	*13,200*
Total	-	*247,200*

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

Payment of Directors' remuneration will be made by the Company on a monthly basis and/or as and when incurred if the proposed Resolution 3 has been passed at the 19th AGM. The Board is of the view that it is just and equitable for the Directors to be paid such payment on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the Relevant Period.

3. *Ordinary Resolutions 5 & 6*
   Continuing in Office as Independent Non-Executive Directors

   The Board has assessed the independence of Chan Thian Kiat and Tan Chuan Yong, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine years, and recommended them to continue act as an Independent Non-Executive Directors of the Company based on the following justifications:-

   (a) they fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, they would able to function as a check and balance, bring an element of objectivity to the Board;
   (b) they have been with the Company for more than 9 years and were familiar with the Company's business operations;
   (c) they have devoted sufficient time and attention to their professional obligations for informed and balanced decision making; and
   (d) they have exercised their due care during their tenure as Independent Non-Executive Directors of the Company and carried out their professional duties in the interest of the Company and shareholders.

   The Board considered Chan Thian Kiat and Tan Chuan Yong to be independent based on the above justifications and recommended them to be retained as Independent Non-Executive Directors of the Company.

4. *Ordinary Resolution 7*
   Authority to Issue and Allot Shares

   The proposed Ordinary Resolution 7, if passed, will give flexibility to the Directors to issue shares to such persons at any time in their absolute discretion without convening a general meeting. This authorisation will expire at the conclusion of next Annual General Meeting of the Company.

   This is the renewal of the mandate obtained from the members at the last Annual General Meeting ("the previous mandate"). The previous mandate was not utilised and accordingly no proceeds were raised.

   The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

5. *Ordinary Resolution 8*
   Proposed Renewal of Authority for Purchase of Own Shares by the Company

   The proposed Ordinary Resolution 8, if approved, will empower the Company to purchase and/or hold up to ten per centum (10%) of the 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 2019.

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FORM OF PROXY

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

CDS Account No.	Numbers of Shares Held

* I/We ____ NRIC No./Passport No./Company No______________________________of____

being a Member(s) of KELINGTON GROUP BERHAD (501386-P), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)
***And/or (delete as appropriate)**			

or failing him/her, #THE CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us on *my/our behalf at the Nineteenth Annual General Meeting of the Company to be held at Function Room 7, Setia City Convention Centre, No. 1, Persiaran Setia Dagang AG U13/AG, Setia Alam Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan on Thursday, 13 June 2019 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:

	Ordinary Resolutions	For	Against
1	To re-elect Mr Tan Chuan Yong as Director		
2	To re-elect Mr Soo Yuit Weng as Director		
3	To approve the payment of Directors' remuneration payable to the Board of the Company for the financial period from 1 July 2019 until 30 June 2020		
4	To re-appoint Messrs Crowe Malaysia PLT as Auditors of the Company		
	Special Business		
5	To approve the continuing in office for Chan Thian Kiat as an Independent Non-Executive Director		
6	To approve the continuing in office for Tan Chuan Yong as an Independent Non-Executive Director		
7	Authority to Issue and Allot Shares		
8	Proposed Renewal of Authority for purchase of own shares by the Company		

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

\# If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "The Chairman of the Meeting" and insert the name(s) of the person(s) desired.
* Delete if not applicable.

Signed this__________day of ____________________2019

____
Signature / Common Seal of Shareholder

Notes:

1. *A member may appoint up to two (2) proxies to attend, participate, speak and vote at the meeting. If a member appoints more than one (1) proxy, he shall specify the proportions of his holdings to be represented by each proxy, failing which the appointment shall be valid. A proxy may, but need not, be a member of the Company and there shall be no restriction as to the qualification of the proxy.*
2. *The instrument appointing a proxy shall be in writing, under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.*
3. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.*
5. *The appointment of proxy may be made in hard copy or in electronic form. The instrument appointing a proxy must be submitted in the following manners, at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof:-*
   (i) In hard copy form
   To be deposited at the Company's Share Registrar's office at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, or
   (ii) By electronic means
   To be sent via e-mail to :
   Martini.Matsom@boardroomlimited.com
   Khairul.Iqram@boardroomlimited.com
   BSR.Helpdesk@boardroomlimited.com
6. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Clause 62 of the Constitution of the Company, a Record of Depositors as at 3 June 2019 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

Boardroom Share Registrars Sdn Bhd
(formerly known as Symphony Share Registrars Sdn Bhd)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor

1st Fold Here