KELINGTON GROUP BERHAD

[Registration No. 199901026486 (501386-P)]

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

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

ANNUAL REPORT 2022

CONTENTS

OVERVIEW

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

23RD ANNUAL GENERAL MEETING

Broadcast Venue:

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

Meeting Platform:

Dvote Online website at
https://www.dvote.my

Date:

21 June 2023

Time:

Wednesday, 10:00 am

www.kelington-group.com

This Annual Report can be downloaded at
https://kelington-group.com/report-presentation/

ABOUT US

Originally founded in 1999, Kelington Group Berhad ("KGB" or the "Company") commenced operations as one of the leading providers of Ultra High Purity ("UHP") gas and chemical delivery solutions for the high technology industry.

Over the years, the Group has increased its engineering capabilities and expanded its service offering to cater to a diverse range of clients.

The Group is positioned as a one-stop facility solution provider of turnkey engineering services from the initial system design up to maintenance and servicing after completion.

In addition to that, the Group is involved in the Industrial Gases business, mainly providing on-site gas supply as well as manufacturing Liquid Carbon Dioxide ("LCO2").

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

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

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

RM1.85 Billion

All-Time High New Order secured in FY2022

3.3%

Semiconductor industry had a remarkable run as worldwide semiconductor industry sales stood at US$574.1 billion

Kelington remains a constituent of the FTSE4Good Bursa Malaysia Index and FTSE4Good Bursa Shariah Index with a

3-Star ESG rating

Liquid Carbon Dioxide ("LCO") plant had risen to 80% of around

50,000

tonnes per annum capacity

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 an office in Singapore

2007

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

2008

- Secured the 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 the Main Market of Bursa Malaysia Securities Berhad
- Expanded business offerings by acquiring Puritec Technologies (S) Pte. Ltd. in Singapore

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
- Secured our FIRST **military** project in Taiwan

2015

- Set up subsidiary in Philippines
- Secured large value project for a wafer fabrication facility in Singapore

2016

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

2017

- Secured our FIRST 10-year industrial gas supply contract in Malaysia
- Signed a 15-year agreement with PETRONAS to purchase Carbon Dioxide (CO_2) waste gas for our manufacturing of liquid CO_2 gas business

2018

- Achieved a record high in terms of net profit and new order secured

2019

- Secured a large value contract to provide turnkey construction and engineering services in Singapore for one of the world's largest gas companies
- Commencement of Operation of the new Carbon Dioxide Recovery Plant
- Commencement of Operation of the new Dry Ice Plant
- Commencement of Operation of the new UHP fabrication facility in China

2020

- Secured the largest gas hook-up contracts thus far for KGB from the largest semiconductor foundry company in China
- Achieved a new record high for new orders secured in FY2020 at RM490 million
- First full year operation of our new liquid CO_2 plant and started exporting liquid CO_2 products

2021

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

2022

- New LCO2 plant in Kerteh, Terengganu with 70,000 tonnes/yr capacity, expected to be completed in 4Q 2023
- Achieved a new record high for new orders secured in FY2022 at RM1.85 billion
- Received a Silver award for "most improved performance over three years" in the Edge ESG Awards 2022 for companies with RM300 million-RM800 million market capitalisation

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

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

Soo Yuit Weng
Senior Independent Non-Executive Director

Ng Lee Kuan
Independent Non-Executive Director

Soh Tong Hwa
Non-Independent Non-Executive Director

Cham Teck Kuang
Non-Independent Non-Executive Director

Hu Keqin
Non-Independent Non-Executive Director

Ng Meng Kwai
Independent Non-Executive Director

Rahima Beevi Binti Mohamed Ibrahim
Independent Non-Executive Director

AUDIT COMMITTEE

Soo Yuit Weng
Chairman
Senior Independent Non-Executive Director

Ng Lee Kuan
Member
Independent Non-Executive Director

Ng Meng Kwai
Member
Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE

Ng Lee Kuan
Chairperson
Independent Non-Executive Director

Soh Tong Hwa
Member
Non-Independent Non-Executive Director

Cham Teck Kuang
Member
Non-Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE (CON'T)

Hu Keqin
Member
Non-Independent Non-Executive Director

REMUNERATION COMMITTEE

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

Soo Yuit Weng
Member
Senior Independent Non-Executive Director

Rahima Beevi Binti Mohamed Ibrahim
Member
Independent Non-Executive Director

NOMINATION COMMITTEE

Soo Yuit Weng
Chairman
Senior Independent Non-Executive Director

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

Rahima Beevi Binti Mohamed Ibrahim
Member
Independent Non-Executive Director

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTORS

Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman
jamil6145@yahoo.com.my

Soo Yuit Weng
williamsooipoh@gmail.com

COMPANY SECRETARIES

Teo Mee Hui
MAICSA 7050642
SSM PC No. 202008001081

Zeenath Begum Binti Mohamed Mastan
LS 0009462
SSM PC No. 202008002974

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-3-7, Block B
Plaza Ativo, Jalan PJU 9/1
Damansara Avenue
Bandar Sri Damansara
52200 Kuala Lumpur
Tel: +603 6262 5777
Email: meilynn@capitalfront.biz

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd (199601006647 (378993-D))

11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya, Selangor
Tel: +603-7890 4700 [Helpdesk]
Fax: +603-7890 4670
Website: www.boardroomlimited.com
Email: BSR.Helpdesk@boardroomlimited.com

AUDITORS

Messrs. Crowe Malaysia PLT (201906000005 (LLP0018817-LCA & AF1018))
Chartered Accountants
Level 16, Tower C
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia
Tel : +603-2788 9999
Fax : +603-2788 9998

PRINCIPAL BANKER

HSBC Bank Malaysia Berhad (198401015221 (127776-V))
No.2 Leboh Ampang
50100 Kuala Lumpur, Malaysia
Tel : +603-2075 3000

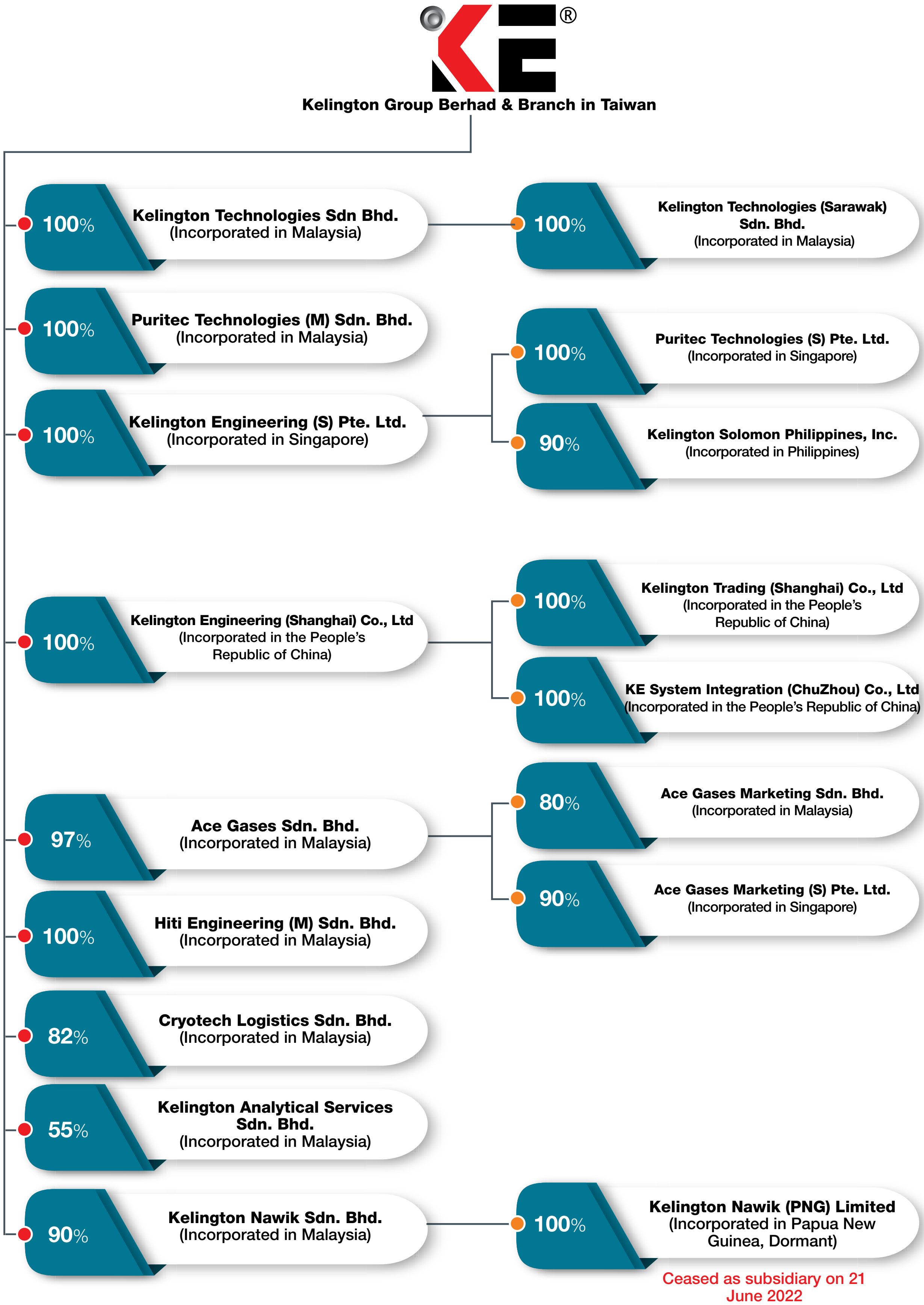
STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

<u>Ordinary Shares</u>
Stock Name : KGB
Stock Code : 0151

<u>Warrants B</u>
Stock Name : KGB-WB
Stock Code : 0151WB

CORPORATE STRUCTURE



OUR STRATEGIC INTENTS

OUR VISION

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

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

OUR MISSION

Everything we do is inspired by our enduring mission.

We strive to build KGB as a profitable organisation that is continuously investing in new technology, delivering world class quality services to meet our customers' requirements without unnecessary harm, safely and cost effectively.

OUR CORE VALUES

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

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

FINANCIAL HIGHLIGHTS

	Financial Year Ended 31 December				
	2018	2019	2020	2021	2022
Revenue (RM'000)	350,023	379,768	394,599	514,554	1,278,837
Profit Before Taxation (RM'000)	25,004	31,579	20,945	35,694	74,391
Profit After Taxation (RM'000)	18,315	23,920	17,591	29,700	58,506
Shareholders' Funds (RM'000)	116,215	155,534	168,329	192,747	243,115
Total Assets (RM'000)	243,476	303,055	350,343	403,968	1,055,641
Net Assets Per Share (RM)*	0.22	0.25	0.26	0.30	0.38
Basic Earning Per Share (RM'Cent)*#	4.24	5.19	3.67	6.0	8.67
Dividend per share (RM'Cent)	1.8	2	1.5	1.5	2.5
Number of Shares in Issue ('000)*#	532,666	620,678	643,007	643,007	643,007
Share Price (RM)*^	0.535	0.61	0.831	1.72	1.37
Market Capitalisation (RM'000)#^	284,976	378,614	534,339	1,105,972	880,920

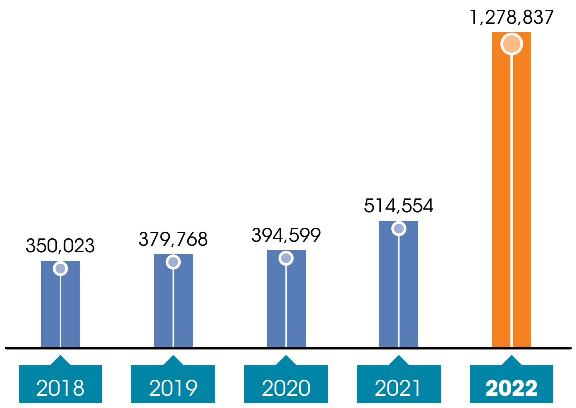
* The comparative net assets per share, basic earnings per share, number of shares in issue and share price have been restated to reflect the effect of bonus issue on the basis of one new ordinary share for every one existing ordinary share which was completed on 2 July 2021.

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

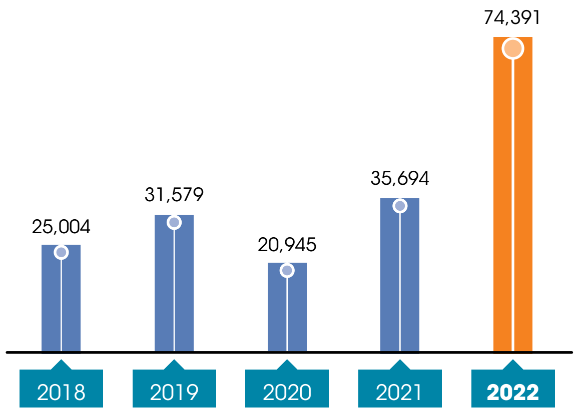
^ As at the last trading day of the financial year.

FINANCIAL HIGHLIGHTS

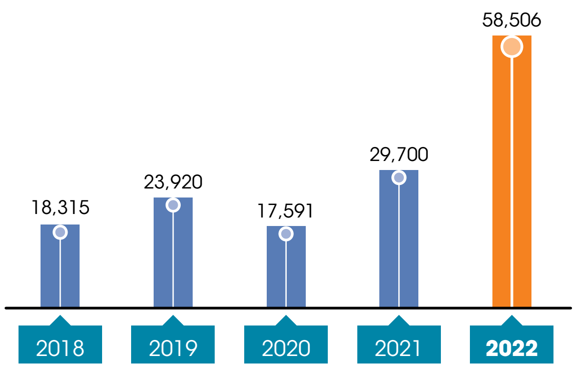
REVENUE
(RM'000)



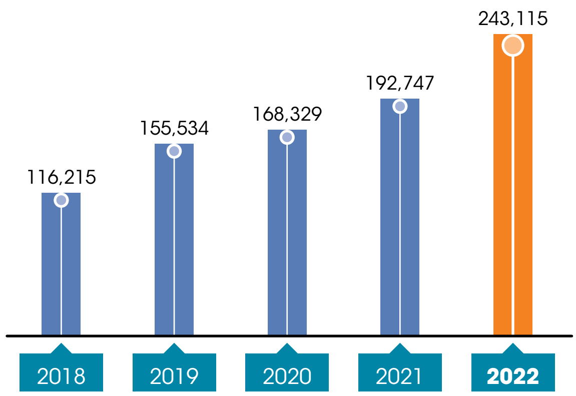
PROFIT BEFORE TAXATION
(RM'000)



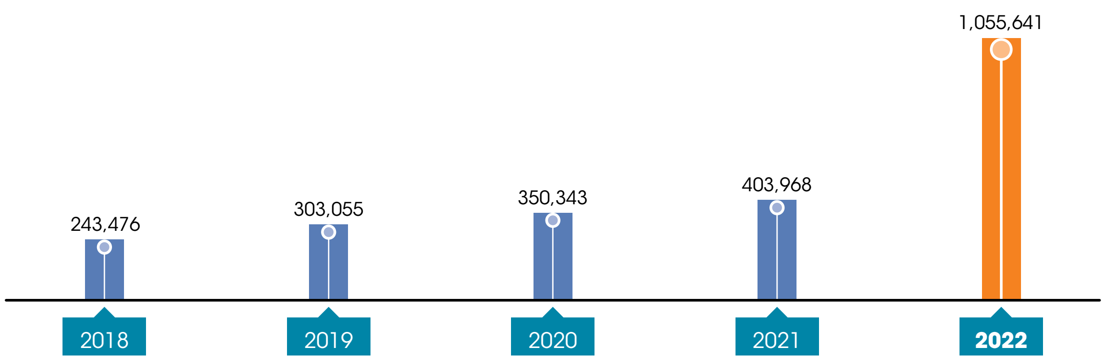
PROFIT AFTER TAXATION
(RM'000)



SHAREHOLDERS' FUNDS
(RM'000)



TOTAL ASSET
(RM'000)



MANAGEMENT DISCUSSION AND ANALYSIS

GROUP'S BUSINESS AND OPERATIONS

Established in 1999 and subsequently listed on Bursa Malaysia in 2009, Kelington offers a comprehensive range of integrated engineering services across diverse sectors. Our expertise spans the entire spectrum, from the initial design phase to fabrication and maintenance services, providing end-to-end turnkey solutions to our clients.

In addition to our engineering services, Kelington operates an Industrial Gases division that specializes in the manufacturing and trading of industrial and specialty gases.

With a dedicated workforce of approximately 691 professionals, we maintain regional offices in Malaysia, Singapore, China, and Taiwan, enabling us to serve our clients efficiently across multiple locations.

ENGINEERING BUSINESS

INDUSTRIAL GASES

ULTRA HIGH PURITY	PROCESS ENGINEERING	GENERAL CONTRACTING	MANUFACTURING OF LIQUID CARBON DIOXIDE ("LCO2") AND DRY ICE	TRADING OF SPECIALITY GASES	ON-SITE GAS SUPPLY
We engineer solutions that ensure safe handling of the delivery and distribution of ultra-high purity gases and chemicals all the way from source to equipment to waste disposal. (ie. wafer fabrication).	We engineer and construct mechanical and electrical systems that support industrial processes across many sectors. We offer custom integrated process skid fabrications all the way up to large scale constructions.	We provide general contracting works encompassing, civil and mechanical and engineering services to construct specialized facilities such as clean rooms and Research & Development ("R&D") centers	We manufacture and distribute liquid carbon dioxide and dry ice to various users.	We distribute specialty gases via portable high-pressure gas storage tanks to various users.	We invest, operate and maintain on site gas generators via supply scheme contracts to various users.
We serve: Semiconductor players, Electronic manufacturers, Gas Plants, etc.	We serve: Oil and gas, petrochemicals, industrial plants, etc.	We serve: Manufacturing facilities and Industrial plants.	We serve: Resellers, Food & Beverages sector, etc.	We serve: Semiconductor players, Electronic manufacturers, etc.	We serve: Semiconductor players, Electronic manufacturers, etc.

A Stellar Record Performing Year

Despite the unprecedented geopolitical and macroeconomic challenges faced by the world in 2022, such as the Russia-Ukraine war, escalating US-China tensions, and rising interest rates by central banks worldwide, the global semiconductor industry experienced robust growth, driven by increased demand for technology products. According to the Semiconductor Industry Association, global semiconductor industry sales achieved its highest ever-annual sales total of US$574.1 billion, representing a 3.3% rise from 2021.

Meanwhile, in Malaysia, the gross domestic product ("GDP") rebounded to a growth rate of 8.7%, which is the highest annual growth recorded since 2000. This achievement was due to the easing of COVID-19 restrictions, which led to a surge in private consumption and an increase in exports, buoyed by rising world commodity prices and growth in manufacturing exports.

RM1.85 BILLION

ALL-TIME HIGH NEW ORDER SECURED IN FY2022

In FY2022, Kelington accomplished its most successful year to date, breaking new records in terms of financial performance and the value of new contracts secured. We are thrilled that our revenue has exceeded RM1.2 billion for the first time, marking a significant milestone in the Group's history. Additionally, we secured new contracts valued at RM1.85 billion, the largest ever secured in a year, which has further solidified our leading market position in the industry.

FTSE4Good

FTSE4Good
Inclusion in FTSE4Good Bursa Malaysia Index since December 2021.

The Edge ESG Awards 2022
"Most improved performance over three years"

In addition to our financial accomplishments, we have made significant progress in the ESG space, enhancing our reputation and demonstrating our commitment to sustainable business practices. We are proud to remain a constituent of the FTSE4Good Bursa Malaysia Index and FTSE4Good Bursa Shariah Index since December 2021, and have been awarded a 3-Star rating according to the FTSE Russell ESG Ratings Methodology in the December 2022 review.

Additionally, Kelington won the Silver award in the "most improved performance over three years" category for companies with market capitalisation between RM300 million to RM800 million at the Edge ESG Awards 2022. Our inclusion in these indices and receipt of this award underscores our unwavering commitment and efforts to uphold sustainable practices across all of our operations.

Going forward, we will continue to prioritise ESG considerations in our decision-making activities and pursue sustainable practices that create value for our stakeholders while minimising our impact on the environment. We will also uphold our commitment to responsible business practices, attract and retain top talent, and contribute to the well-being of our communities.

Our sustainability efforts are further elaborated in the Sustainability Statement of the Annual Report.

As we reflect on the past year, it is clear that Kelington's resilience and commitment to excellence enabled us to navigate a challenging operating environment and emerge stronger. This remarkable feat highlights our exceptional technical capabilities and extensive track record of delivering exceptional output to our customers in a timely and efficient manner.

REVIEW OF FINANCIAL AND OPERATIONAL PERFORMANCE

In FY2022, Kelington delivered its highest ever top and bottom line financial performance in its history. Revenue soared by 149% to RM1,278.8 million in FY2022, surpassing the previous year's figure of RM514.6 million. This remarkable growth is mainly attributable to the larger number of projects undertaken in the Ultra High Purity ("UHP") and General Contracting segments as well as the surge in demand for Industrial Gases.

Record-Breaking Revenue and PAT

Revenue
RM1,278.8 million
+149% YoY

Profit after Taxation
RM58.5 million
+97% YoY

Revenue by Business segment	FY2021 (RM' mil)		FY2022 (RM' mil)		Change %
UHP	339.9	66%	813.1	64%	139%
General Contracting	72.5	14%	350.3	27%	383%
Process Engineering	62.0	12%	51.0	4%	(18%)
Manufacturing & Trading – Industrial Gases	34.5	7%	62.4	5%	81%
Manufacturing & Trading – Equipment and materials	4.6	1%	0.7	0%	(85%)
Service segment	1.1	0%	1.3	0%	18%
Total	**514.6**	**100%**	**1,278.8**	**100%**	

UHP segment has been a major contributor to the Group's revenue growth, accounting for 64% of total revenue in FY2022. This segment has seen a remarkable year-on-year ("YoY") increase of 139% to RM813.1 million, compared to RM339.9 million in FY2021, largely due to increased project contributions from Singapore, China, and Malaysia.

Additionally, the General Contracting segment's revenue increased by 383% YoY, reaching RM350.3 million compared to RM72.5 million in the previous year. This growth can be attributed to the recognition of a major contracting job in Malaysia secured during the third quarter of 2021.

Our Industrial Gases segment also experienced significant YoY growth in FY2022, with revenue increasing by 81% to RM62.4 million compared to RM34.5 million in FY2021. This strong performance was mainly driven by an increase in sales of LCO2 and other gases, as our LCO2 had expanded to countries like Indonesia & the Philippines as well as the Oceania countries e.g. Australia, New Zealand and Pacific Islands.

Notably, the revenue contribution from this segment has grown over seven times from RM8.0 million since FY2019, which marked the first year of operation of the LCO2 plant. Demand for our LCO2 has grown steadily over the years and in FY2022, utilisation rate has reached 80% of the annual capacity of 50,000 tonnes. Hence, we have announced a new investment of RM45 million to construct an additional LCO2 plant with a capacity of 70,000 tonnes per year, located adjacent to our existing plant.

Revenue by Geographical segment	FY2021 (RM'mil)		FY2022 (RM'mil)		Change %
Malaysia	199.1	39%	571.6	45%	187%
Singapore	169.5	33%	477.6	37%	182%
China	129.2	25%	179.0	14%	39%
Taiwan	13.4	2%	33.6	2%	151%
Indonesia	–	–	2.1	0%	–
Philippines	3.4	1%	7.2	1%	112%
Others	–	–	7.7	1%	–
Total	**514.6**	**100%**	**1,278.8**	**100%**	

Kelington's key operating markets are concentrated in Malaysia, Singapore, and China, which together accounted for approximately 96% of the total group revenue in FY2022.

It's worth noting that the Malaysia and Singapore markets experienced significant growth in revenue contribution, which can be attributed to a major general contracting job secured in Malaysia and increased revenue from UHP projects awarded in Singapore. The gross profit increased by 74% YoY, to RM148.1 million in FY2022 from RM85.2 million earlier. However, the gross profit margin ("GP margin") declined to 11.6% in FY2022 compared to 16.6% in FY2021, primarily due to the a change in revenue mix driven by a higher contribution from the General Contracting segment. In FY2022, revenue from the General Contracting segment accounted for 27% of total revenue, as compared to 14% in the previous year. Other expenses stood higher at RM14.4 million in FY2022 compared to RM6.3 million in FY2021, primarily due to derivative fair value adjustment of forward contracts used to hedge against the USD. Moreover, finance costs doubled to RM5.4 million from RM2.6 million in the previous year, due to the higher level of borrowings undertaken to finance the larger number of projects executed during the year.

While these higher expenses have impacted the Group's financial performance, it's worth noting that they were incurred as a result of our strategic decisions to mitigate foreign exchange risk and finance our growth initiatives. In line with the top-line growth, profit before tax ("PBT") increased to RM74.4 million from RM35.7 million in FY2022, representing 108% year-over-year growth. In tandem with the lower GP margin, the PBT margin decreased to 5.8% from 6.9% earlier. Total taxation for the year under review amounted to RM15.9 million, an increase from RM6.0 million in the previous year. As a result, the effective tax rate in FY2022 rose to 21.2% from 16.8% in FY2021. The lower tax expense in FY2021 was mainly due to the recognition of tax credits arising from carried forward tax losses and R&D incentives at some of its subsidiaries.

However, the effective tax rate of the Group in FY2022 is lower than the statutory tax rate due to lower taxation and/or tax exemption in some of the countries where the Group operates.

Profit after taxation ("PAT") and Profit distributable to shareholders ("net profit") almost doubled from the previous year, and reached RM58.5 million and RM55.8 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

	FY2021 (RM'mil)	FY2022 (RM'mil)	Change %
Total Assets	404.0	1,055.6	161%
Total Liabilities	211.2	812.5	285%
Total Equity	192.7	243.1	26%

As at 31 December 2022, the Group's total assets amounted to RM1.1 billion, reflecting a 161% increase from the previous year's RM404.0 million. The rise was primarily attributed to an increase in property, plant and equipment, trade and other receivables, and cash balance.

Meanwhile, the increase in total liabilities was due to a rise in total borrowings and lease liabilities, contract liabilities, and trade and other payables. As at 31 December 2022, the Group's gearing level increased to 1.01 times, compared to 0.29 times as at 31 December 2021 due to higher borrowing undertaken to finance increasing job flows, the majority of which are short-term in nature.

Net cash
RM15.0 million

Gearing level
1.01 times

Nonetheless, the Group's balance sheet remained robust, maintaining a net cash position of RM15.0 million. The total cash balance reached RM260.0 million, exceeding the total borrowings and lease liabilities of RM245.0 million. Total equity also increased by 26%, reaching RM243.1 million, primarily driven by higher retained earnings.

In FY2022, the Group generated a positive net cash from operating activities of RM34.3 million and recorded a net cash used in investing activities of RM42.8million, primarily due to additional investments made in the Industrial Gases division.

This includes the Group’s construction of its second LCO2 plant in Kerteh, Terrengganu, which is expected to begin operations in 4Q2023. This new plant will more than double the Group's capacity by an additional 70,000 tonnes per year, enabling it to meet the increasing demand from customers efficiently.

In addition, Kelington is also building a new on-site gas supply scheme to provide hydrogen, nitrogen, and oxygen to an optoelectronics semiconductor giant in Kulim, Kedah. This supply scheme is expected to begin operations in 4Q2023 and generate recurring revenue over a 10-year period through fixed facility fees and gas sales.

These initiatives reflect the Group's commitment to diversifying its revenue streams and securing stable and recurring sources of income.

At Kelington, we remain steadfast in our commitment to driving excellence, innovation, and customer focus in all our projects. We will continue to invest in our people, processes, and technology to deliver high-quality outcomes for our stakeholders and maintain our position as a trusted partner in the semiconductor industry.

This has allowed us to expand our reach and broaden our portfolio of services, while maintaining our commitment to delivering high-quality outcomes for our customers.

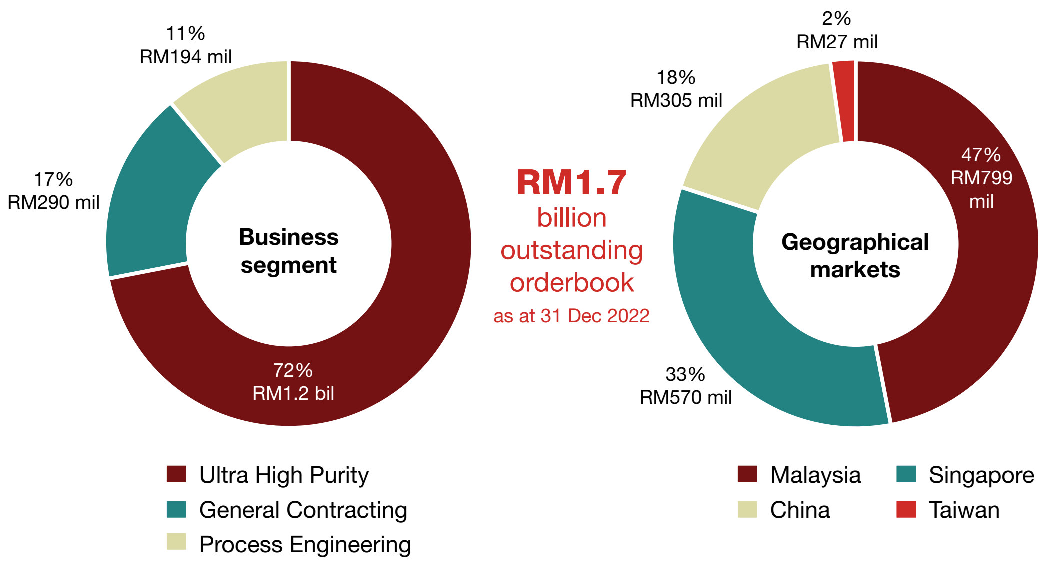
REWARDS TO SHAREHOLDERS

Kelington remains committed to rewarding its shareholders every year and aims to maintain this track record moving forward. The Group has been distributing dividends since its listing, demonstrating its ability to consistently deliver commendable growth in performance while creating shareholder value. We remain grateful for our shareholders' continuous support and confidence in the Group, and we are dedicated to upholding our commitment to shareholder rewards. In FY2022, the Board declared a total dividend of 2.5 sen per share. The Group paid the first interim tax-exempt dividend of 1.0 sen per ordinary share, amounting to RM6.4 million on 22 September 2022. Subsequently, the Board declared a second interim dividend of 1.5 sen per share, amounting to RM9.6 million, which is payable on 21 April 2023. The total dividend payout for the year under review amounted to approximately RM16.1 million, representing a dividend payout ratio of 29%. This exceeded our dividend policy of distributing at least 25% of the Group's net profit.

2023 OUTLOOK AND PROSPECTS

Kelington is optimistic about the future opportunities that lie ahead. The long-term demand for semiconductor chips, driven by the increasing use of IT, 5G, and artificial intelligence, provides a positive outlook for our UHP segment. As semiconductor players expand their capacities, our UHP segment will benefit.

Whilst SEMI has predicted that global sales of total semiconductor manufacturing equipment are expected to contract in 2023 followed by a rebound in 2024, Kelington's performance for the coming year will be sustained by our current outstanding order book of RM1.7 billion as at 31 December 2022.



UHP projects represent a significant portion of our orderbook, accounting for 72% or RM1.2 billion. The General Contracting segment makes up 17% or RM290 million, while the Process Engineering segment accounts for the remaining 11% or RM194 million. The high proportion of UHP projects is encouraging as they typically carry higher profit margins compared to other segments.

In addition to fulfilling our current orderbook, we plan to actively pursue new engineering projects across our key markets in the upcoming year. We are confident of doing so because of our strong reputation in the industry and our team's expertise and experience in delivering successful projects. Our recent success in securing a significant RM170 million contract in Kuching, Malaysia, in early January 2023 is a further testament to our technical expertise and reaffirms our position as a market leader.

Given our strong market presence in China, we are well-positioned to benefit from the surge in semiconductor activities in China resulting from the recent chip ban. As we continue to expand and diversify our capabilities, we remain committed to capitalizing on these opportunities and further expanding our business in that region.

In the meantime, our Industrial Gases segment is set to receive a significant boost with the commencement of our second LCO2 plant and second on-site gas supply scheme in 4Q2023.

As part of our ongoing efforts to diversify our revenue streams and expand our market presence, we are taking measures to increase our export of industrial gases to Southeast Asian markets, thus broadening our customer base and geographic reach. In addition, we are actively pursuing long-term contracts for the supply of industrial gases, which will enhance earnings sustainability and optimize plant capacity utilization.

These developments will enable us to secure and deliver long-term value to our customers while creating a new recurring revenue stream, which increases our earning visibility. Through these efforts, we remain committed to strengthening our position as a leading industrial gas supplier in the region.

In summary, we remain confident in our ability to navigate the challenges and capitalize on the opportunities in the semiconductor and industrial gases markets. Our continued focus on delivering high-quality products and services, expanding our capabilities, and strengthening our position in key markets will position us for sustained growth and success in the future.

RISK FACTORS

UNCERTAINTY IN LONG-TERM CONTRACTUAL AGREEMENTS

The performance of the Group's engineering service and industrial gases segments holds significant influence over the operation and financial results of the Group.

Our engineering service business is reliant on project-based contracts, which typically span between 6 to 12 months. Although there is inherent uncertainty in replenishing our order book, we maintain our commitment to delivering high-quality engineering service solutions, ensuring elevated levels of customer satisfaction and cultivating long-term business relationships to promote continuity and growth.

At our Industrial Gases segment, our primary clientele consists of distributors and manufacturers on a purchase order basis. While there may be inconsistencies in purchase orders, we mitigate uncertainties by pursuing long-term gas supply contracts that serve to bolster earnings sustainability. Although we cannot guarantee securing long-term contracts in the future, we remain optimistic in our ability to establish strong partnerships and provide value-added services to our customers.

TECHNICAL PROFESSIONAL AVAILABILITY DEPENDENCY

The Group's operations center around complex technical businesses, which rely heavily on our human capital to drive success. Our employees are integral to delivering exceptional services, and we recognize the importance of providing them with a safe and secure working environment.

In this regard, we remain committed to implementing a comprehensive human resource strategy that encompasses career planning and development, diversity, mobility, learning, recruitment, and employee well-being. Our objective is to cultivate our employees' professional competencies, enhance engagement, and empower them to reach their full potential.

Moreover, we offer annual enhancement programs that aim to facilitate continuous professional development, improve employee engagement, and foster optimal performance. As a responsible corporate entity, we strive to provide an environment that empowers our employees and contributes to the success of the Group.

CHANGES IN POLITICAL, ECONOMIC OR SOCIAL CONDITIONS

Kelington operates across multiple countries, including Malaysia, Singapore, China, and Taiwan. As a result, any changes in the political, economic, or social climate in these operating countries may significantly affect our business operations and financial performance. These changes may include shifts in political leadership, variations in economic conditions, fluctuations in interest rates, alterations in regulatory conditions, currency exchange rate fluctuations, and other factors.

To mitigate any potential impact, the Group maintains a vigilant approach by continuously monitoring new developments and changes in policies to ensure compliance. Additionally, we proactively engage with relevant authorities and business associations to remain abreast of the latest industry developments. Our focus on these strategies enables us to mitigate any potential impact of changes in the political, economic, or social landscape of our operating countries, thus safeguarding our business operations and financial performance.

CYCLICAL NATURE OF THE INDUSTRY

Our UHP division is an integral part of the cyclical semiconductor and electronics industry, rendering it vulnerable to potential downturns in this industry. As a result, there is a possibility of reduced order flows and lower revenue contributions, which may potentially impact the Group’s financial performance.

In order to minimize this cyclical risk, the Group is actively pursuing the growth of its other business segments, namely Process Engineering, General Contracting, and Industrial Gases division. This strategic move towards diversification aims to mitigate the risk of excessive dependence on the semiconductor and electronics industry.

COMPETITION RISK

The Group operates in a highly competitive industry, both domestically and internationally. As such, aggressive pricing strategies from competitors pose a potential risk of margin compression and loss of market share. Furthermore, the Group is exposed to formidable competition from larger industry players with greater access to capital and resources.

To mitigate these risks, the Group will leverage its established technical capabilities, extensive experience, and proven track record in the industry to reinforce its competitive position. The Group is committed to continually enhancing its service offerings to deliver greater value in terms of cost competitiveness, service quality, product quality, and reliability to its customers. Our extensive experience in serving international leaders also strengthens our competitive standing among market players.

APPRECIATION

As we close another successful year, I would like to take this opportunity to express my heartfelt appreciation to everyone who has contributed to the growth and success of Kelington.

First and foremost, I would like to extend my gratitude to our dedicated and talented employees. Your adaptability, commitment, and hard work have been the driving force behind our achievements. It is an honor to work alongside such a talented team, and I am grateful for your unwavering dedication to our success.

I also want to express my sincere appreciation to my esteemed fellow Board members, whose guidance and insights have been invaluable in shaping our strategic direction. Additionally, I would like to acknowledge the regulatory bodies and associations that have created a conducive business environment, enabling us to operate sustainably and safely.

Furthermore, I would like to thank our stakeholders, including shareholders, clients, business partners, associates, and suppliers, for their continuous trust and confidence in us. Your unwavering support has been critical to our achievements, even during challenging times.

Looking ahead, we are excited about the opportunities that lie ahead and remain focused on building resilience and generating sustainable value for our stakeholders and shareholders. We will continue to build on our achievements and strive for excellence in all that we do.

Thank you.

IR. Gan Hung Keng

Chairman and CEO of Kelington

DIRECTOR'S PROFILE

IR. GAN HUNG KENG

Chairman/CEO

Age

59

Nationality

Gender

Length of Service
23 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 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.

He is a corporate representative of Palace Star Sdn. Bhd. ("Palace Star"), a major shareholder of the Company.

He is also a director of a few subsidiaries of the Company.

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

ONG WENG LEONG

Executive Director/COO

Age	Nationality	Gender
55		

Length of Service
18 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 graduated in 1992 with a Bachelor of Chemical Engineering degree from Universiti Teknologi Malaysia, Malaysia. He also received a Master in Business Administration from the University of Bath, United Kingdom in 2002. He is also a fellow member of Malaysian Institute of Management and was elected as a General Council member of the Institution from 2015 – 2016.

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

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

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

He is also a Director of MIM Education Sdn. Bhd., a subsidiary of Institute Pengurusan Malaysia.

DIRECTOR'S PROFILE

VICE ADMIRAL (RETIRED)

DATUK HAJI JAMIL BIN HAJI OSMAN

Senior Independent Non-Executive Director

Age	Nationality	Gender
65	Malaysian flag	Male

Length of Service
10 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 and identified as a Senior Independent Non-Executive Director on 27 February 2023. He is the Chairman of the Remuneration Committee and a member of the Nomination Committee.

He is a highly decorated navy officer who opted for an early retirement from the Royal Malaysian Navy ("RMN") in March 2012. Prior to his retirement, he was the RMN Fleet Commander in charge of the marine operations and responsible for the sovereignty of Malaysia Maritime Area. Before that, he has been assigned to several leadership positions namely, Chief of Staff at the Malaysian Armed Forces Joint Force Headquarters, and a Commander Officer responsible for peace keeping operations under the United Nations banner, and special missions in aid of disasters struck areas in the region.

He also attended various professional and career courses locally and abroad. Among them were Executive MBA, Ohio University and University Technology Mara in 1998 and Masters in Defense and Strategic Studies at Deakin University Australia in December 2002.

He is a Senior General Manager of Business Development Department for System Consultancy Services Sdn. Bhd., and he does not hold any other directorships of public companies and listed issuers.

SOO YUIT WENG

Senior Independent Non-Executive Director

Mr Soo Yuit Weng was appointed as an Independent Non-Executive Director on 1 February 2013 and identified as a Senior Independent Non-Executive Director on 27 February 2023. He is the Chairman of the Nomination Committee and Audit Committee. He is also a member of the Remuneration Committee.

He holds a Bachelor of Economics from Monash University, Australia majoring in Accounting. He is a member of Malaysian Institute of Accountants (MIA) and a fellow of Chartered Tax Institute of Malaysia (CTIM). He 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, the panel member for Advocates & Solicitors Disciplinary Board of the Malaysian Bar and also an Industry Advisor for Faculty of Business and Finance in Universiti Tunku Abdul Rahman (UTAR).

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

Age	Nationality	Gender
55		

Length of Service
10 years & 3 months

DIRECTOR'S PROFILE

NG LEE KUAN

Independent Non-Executive Director

Age	Nationality	Gender
57		

Length of Service
3 years & 6 months

Ms Ng Lee Kuan was appointed as an Independent Non-Executive Director of the Company on 1 November 2019. She is the Chairman of Risk Management Committee which was set up on 26 February 2020 and also a member of Audit Committee.

She graduated in 1990 with a Bachelor of Management Degree (First Class) from Universiti Sains Malaysia, Malaysia. She also obtained her professional qualification from the Chartered Institute of Management Accountants (CIMA) in 1994.

She has held various managerial roles in Linde Malaysia ("Linde") (formerly known as MOX) and has accumulated more than 25 years of experience in the industrial gas business.

She was promoted to the Planning Manager role in 1996, subsequently assumed the Management & Financial Accounting Manager role in 1999 and then Process System & Planning Manager role for South & South East Asia in 2002. She was appointed as Head of Marketing of Linde in 2009 and has held this position until 2017. As a key member in the leadership team, she led the country strategic planning process, drove strategic investments, pursued new business development opportunities and spearheaded best commercial practices.

She is also a director of a private limited company and she does not hold any other directorships of public companies and listed issuers.

SOH TONG HWA

Non-Independent Non-Executive Director

Age
70

Nationality

Gender

Length of Service
3 years & 6 months

Mr Soh Tong Hwa was appointed as a Non-Independent Non-Executive Director of the Company on 1 November 2019. He is also a member of the Risk Management Committee.

He was appointed as director of Ace Gases Sdn. Bhd. since year 2018. Mr Soh's strength lies in his in-depth technical knowledge of gas plant operation and managing of the bulk and on-site plant business.

He held various managerial roles beginning with MOX in year 1979. He served in MOX for 24 years before moving to Air Liquide Indonesia as Managing Director in year 2007. He then set up a new subsidiary for Air Liquide in Malaysia in 2009 and took the position as Managing Director of Air Liquide Malaysia till year 2016.

He is also a director of a few subsidiaries of the Company and he does not hold any other directorships of public companies and listed issuers.

DIRECTOR'S PROFILE

CHAM TECK KUANG

Non-Independent Non-Executive Director

Age	Nationality	Gender
66		

Length of Service
3 years & 6 months

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

He graduated with a B.Sc (Hons) Mechanical Engineering from University of Portsmouth, Britain. He started his career in building services and thereafter spent the next 22 years in the semiconductor field particularly in wafer fabs in a leading industrial gas manufacturer in Singapore. He rose from the rank of a Project Engineer, Project Manager, Senior Manager, Departmental Head, General Manager and the last position held being the Director of Project Engineering and Services and Director of E&I, South and South East Asia. He is instrumental for the completion of many of the wafer fab gas system projects in Singapore and the region. His strength lies in his in-depth technical knowledge of wafer fabs' gas and chemical system engineering work including equipment manufacturing, project execution and system commissioning. He also has strong leadership strengths in managing companies.

He joined Kelington Engineering (S) Pte Ltd in 2012 and is currently the Executive Director of Kelington Engineering (S) Pte Ltd and a few subsidiaries of the Company.

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

HU KEQIN

Non-Independent Non-Executive Director

Age

62

Nationality

Gender

Length of Service
3 years & 6 months

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

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

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

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

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

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

DIRECTOR'S PROFILE

NG MENG KWAI

Independent Non-Executive Director

Age	Nationality	Gender
71		

Length of Service
5 months

Mr Ng Meng Kwai was appointed as an Independent Non-Executive Director of the Company on 1 November 2022. He is also a member of the Audit Committee.

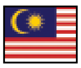
He is a fellow member of the Association of Chartered Certified Accountants, United Kingdom, and also a member of the Malaysian Institute of Accountants and Chartered Tax Institute of Malaysia.

He has accumulated over 40 years of public accounting experience and has extensive experience in audit and financial advisory services as well as risk management matters. He began his career in 1973 with Deloitte Malaysia and moved up the ranks until his retirement from Deloitte Malaysia in 2013. Since then, he joined Robert Mengkwai & Loo PLT, an accounting firm, as a partner, a position he holds until to date.

He is an Independent Non-Executive Director of Eversafe Rubber Berhad, a public listed company.

RAHIMA BEEVI BINTI MOHAMED IBRAHIM

Independent Non-Executive Director

Age	Nationality	Gender
70		

Length of Service
2 months

Puan Rahima Beevi Binti Mohamed Ibrahim was appointed as an Independent Non-Executive Director of the Company on 1 March 2023. She is also members of the Remuneration Committee and Nomination Committee.

She graduated in 1998 with a Master of Science Degree in Human Resources ("HR") Management from University of Portsmouth, United Kingdom. She also obtained various International Professional certificates.

She was the Vice Chairman of Malaysian Institute of Management ("MIM") from 2019 to 2022 and was a Committee Member for HR of Federation of Malaysian Manufacturing. She was also the Vice President of Education of Malaysian Employers Federation Toastmasters Club. She is the Chairman of HR Committee, and a Fellow Member and director of MIM. She is also a Committee & Life Member of Malaysian Institute of HR.

She has held various managerial roles in different organisations, beginning with Siemens VDO Components MY Sdn Bhd as a HR Manager in year 1998 until year 2004 and has accumulated more than 25 years of experience in the HR industry. She then joined Siemens Malaysia Sdn Bhd from year 2004 to year 2016 as a Vice President Head of HR, HR Business Partner for Energy Sector ASEAN and also Regional Compliance Officer. Subsequently in year 2010, she was promoted as the Senior Vice President Head of HR.

She is the Chief Executive Officer & Executive Director of Resolute Ingress Learning Consultancy Sdn Bhd since year 2016, and she does not hold any other directorships of public companies and listed issuers.

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 120 of this Annual Report.

Shareholdings
The details of Directors' shareholdings are set out in the Analysis of Shareholding(s) and Analysis of Warrant Holding(s) on page 258 and page 261 respectively, of this Annual Report.

KEY SENIOR MANAGEMENT'S PROFILE

JONG YU HUAT

Age 52, 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 55, Singaporean, Male

Since 1 September 2009, **Mr Lim Seng Chuan** is the Senior Vice President, Singapore for our Company. He graduated with a Master of Science from Tokyo Institute of Technology (TIT) in Japan in 1999. Prior to joining KGB, he was attached to Singapore Oxygen Air Liquide Pte Ltd ("SOXAL").

Throughout his ten (10) years in SOXAL, he has held various positions such as QA/QC Manager, Project Manager, Business Development Manager in UHP related technologies for Semiconductor, photovoltaic, pharmaceutical and LCD industries. He is currently responsible for the daily management of our Group's Singapore operations as well as neighbouring regions such as Philippines and Indonesia.

In the course of carrying out engineering and costing for UHP gas systems, where he utilises his expertise in detailed engineering of all UHP specialty gas delivery and bulk gas distribution systems for the Semiconductor industry, he is also responsible in project management which includes project execution and management.

ONG SENG HENG

Age 44, Malaysian, Male

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

SOO WEI KEONG

Age 47, Malaysian, Male

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

CHONG ANN TSUN

Age 46, 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 41, 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 optimisation in industrial gas plants operations, strategy management, plant optimisation and efficiency evaluation. In his current position, he is responsible for industrial gas system design, project implementation, operations management and technical support.

Notes to the Key Senior Management's Profile:

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

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

Conviction of Offences
None of the key senior management has been convicted for any offences (other than traffic offences) within the past 5 years.

There were no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

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

SUSTAINABILITY STATEMENT

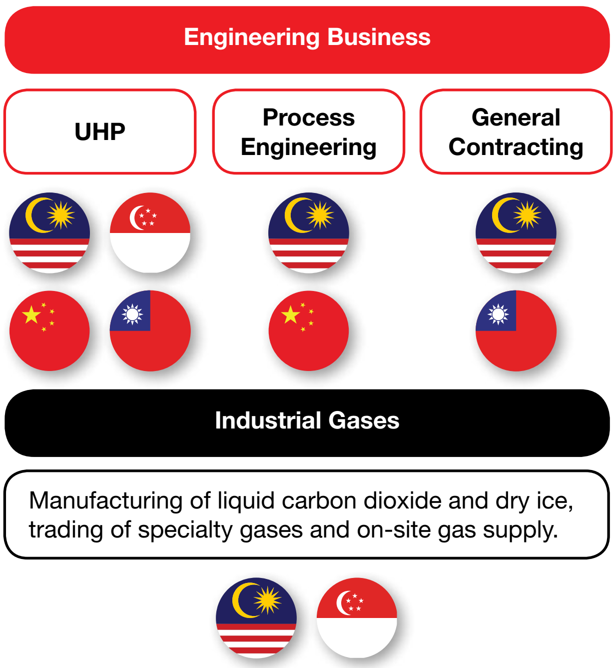
WHAT SUSTAINABILITY MEANS TO US

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

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

REPORTING PERIOD AND SCOPE

This Sustainability Report covers the non-financial performance of the Group's operating units during the period from 1 January 2022 to 31 December 2022:



REPORTING FRAMEWORK

The disclosure of our sustainability performance is guided by the following Malaysia and global reporting frameworks and benchmarks:-

Principal Guidelines

- Bursa Malaysia Sustainability Reporting Guidelines 3rd Edition
- Task Force on Climate-related Financial Disclosures ("TCFD") Recommendations

Supplementary Guidelines

- FTSE4Good Bursa Malaysia Index Rating Guide
- Global Reporting Initiative ("GRI") Standards

Commitment

- Sustainability Development Goals ("SDGs")
- United Nations Global Compact ("UNGC") Principles

ACCESSIBILITY & FEEDBACK

This report, which is available in HTML & PDF format is available at our corporate website at https://kelington-group.com/sustainability-2/

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

1.0 SUSTAINABILITY FRAMEWORK

Care for Business	Care for Environment	Care for People	Care for Society

Our Commitment

Strive to contribute and become part of the solution as we build a sustainable society for future generations.

Value We Created

Care for Business	Care for Environment	Care for People	Care for Society
Value Engineering through innovation and collaboration; Be an effective, accountable and transparent organisation	Protecting the environment	Building a thriving workplace for employees	Improve access to education for underprivileged
SI 9, SI 11, SI 12, SI 13, SI 14	SI 1, SI 2, SI 3, SI 4	SI 5, SI 6, SI 7, SI 8	SI 10

Supporting Sustainable Development Goals

16 Peace, Justice and Strong Institutions; 8 Decent Work and Economic Growth	13 Climate Action	5 Gender Equality	4 Quality Education

Alignment with United Nations Global Compact

Principles 1, 9, 10	Principles 7, 8, 9	Principles 2,4,5,6	Principle 1

The 10 Principles of UNGC

Human Rights
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.

Environment
Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Labour
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and
Principle 6: the elimination of discrimination in respect of employment and occupation.

Anti-Corruption
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

We Manage Sustainability Issues

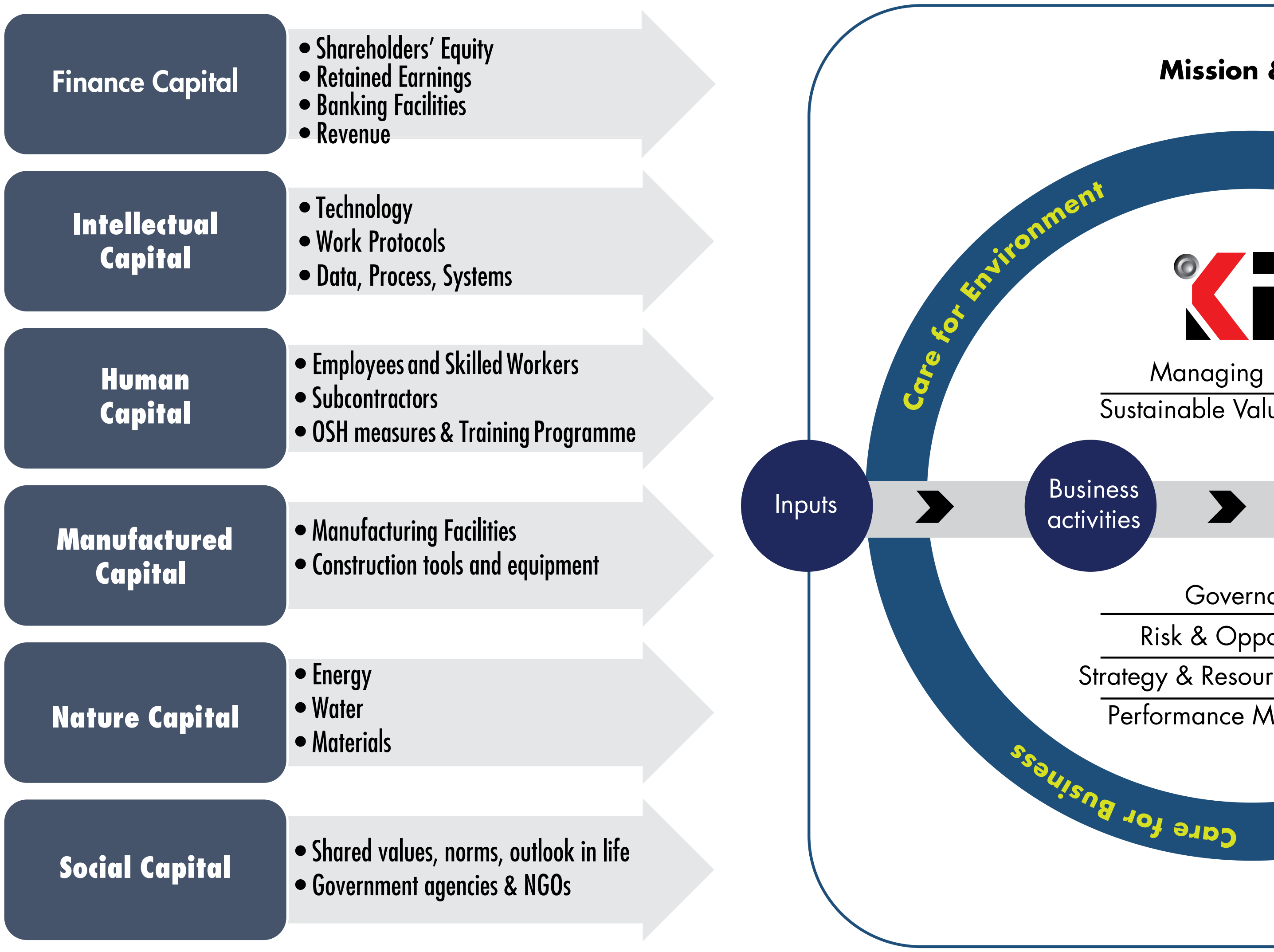
SI 1: Preventing Climate Change
SI 2: Pollution and Waste Management
SI 3: Resources Management
SI 4: Support Biodiversity
SI 5: Occupational Safety & Health
SI 6: Talent Management & Development
SI 7: Diverse and Inclusive Workplace
SI 8: Respect Human Rights
SI 9: Sustainable Supply Chain
SI 10: Community Investment
SI 11: Governance & Ethics
SI 12: Economic Growth & Profitability
SI 13: Quality Products & Services
SI 14: Technology & Operational Innovation

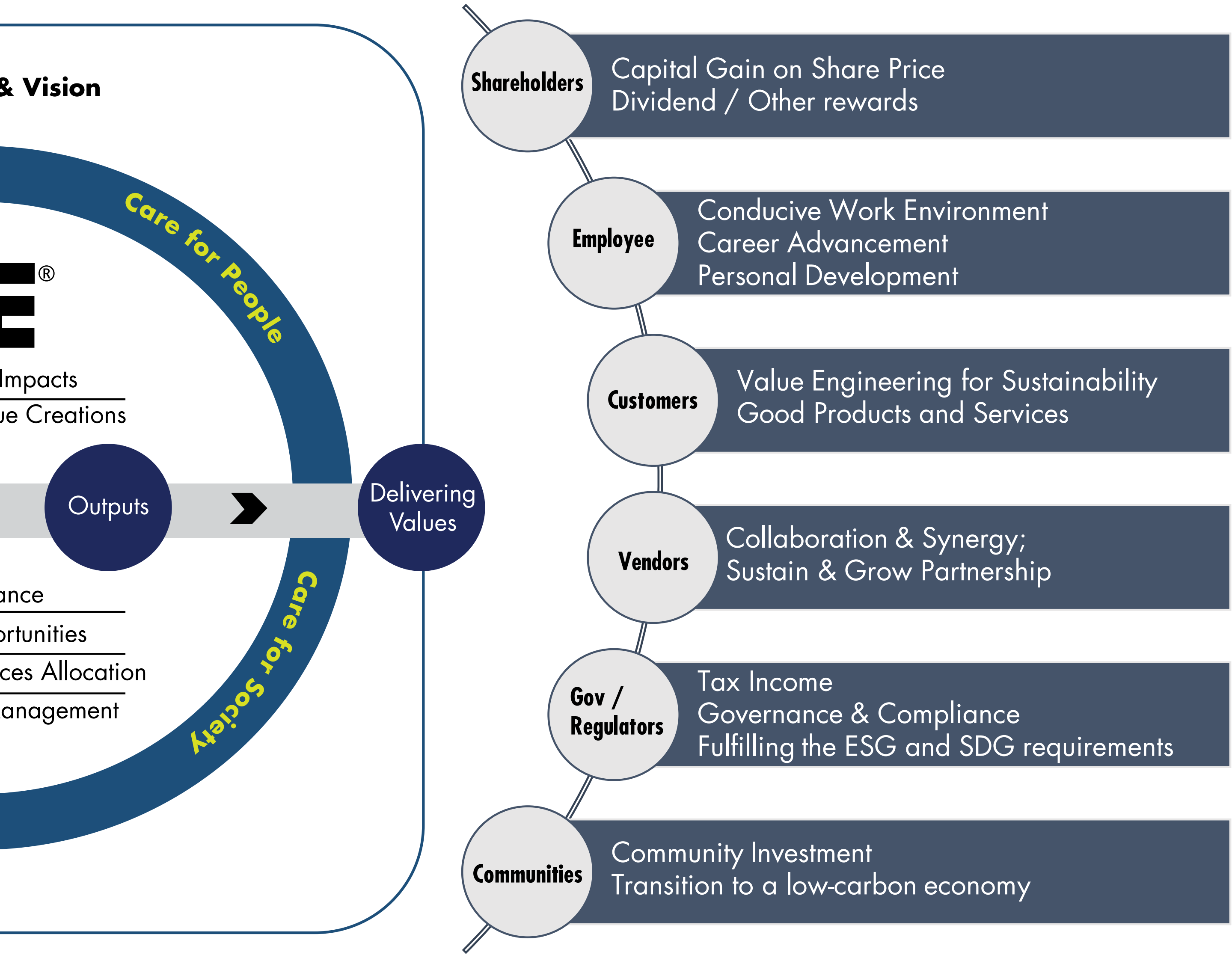
RECOGNITIONS

FTSE4Good

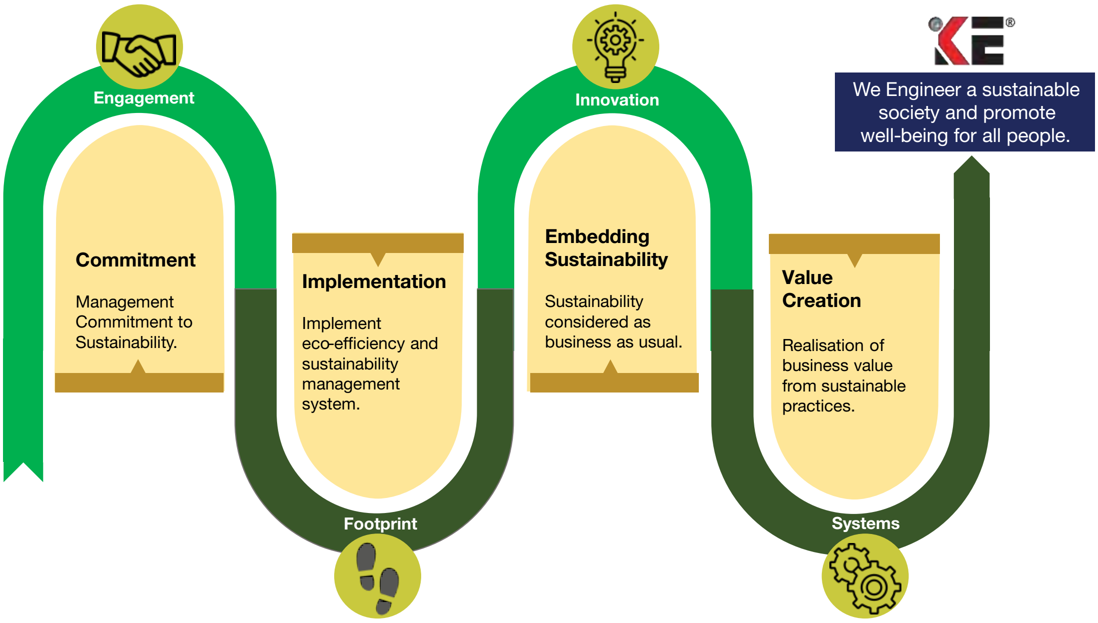
FTSE4Good
Inclusion in FTSE4Good Bursa Malaysia Index and FTSE4Good Bursa Shariah Index since December 2021.

SUSTAINABILITY STATEMENT




& Vision
Care for People
Impacts
ue Creations
Outputs
Delivering Values
ance
ortunities
ces Allocation
anagement
Care for Society
Shareholders
Capital Gain on Share Price
Dividend / Other rewards
Employee
Conducive Work Environment
Career Advancement
Personal Development
Customers
Value Engineering for Sustainability
Good Products and Services
Vendors
Collaboration & Synergy;
Sustain & Grow Partnership
Gov / Regulators
Tax Income
Governance & Compliance
Fulfilling the ESG and SDG requirements
Communities
Community Investment
Transition to a low-carbon economy

2.0 OUR APPROACH TO SUSTAINABILITY



2.1 OUR VISION FOR ENGINEERING A SUSTAINABLE SOCIETY

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

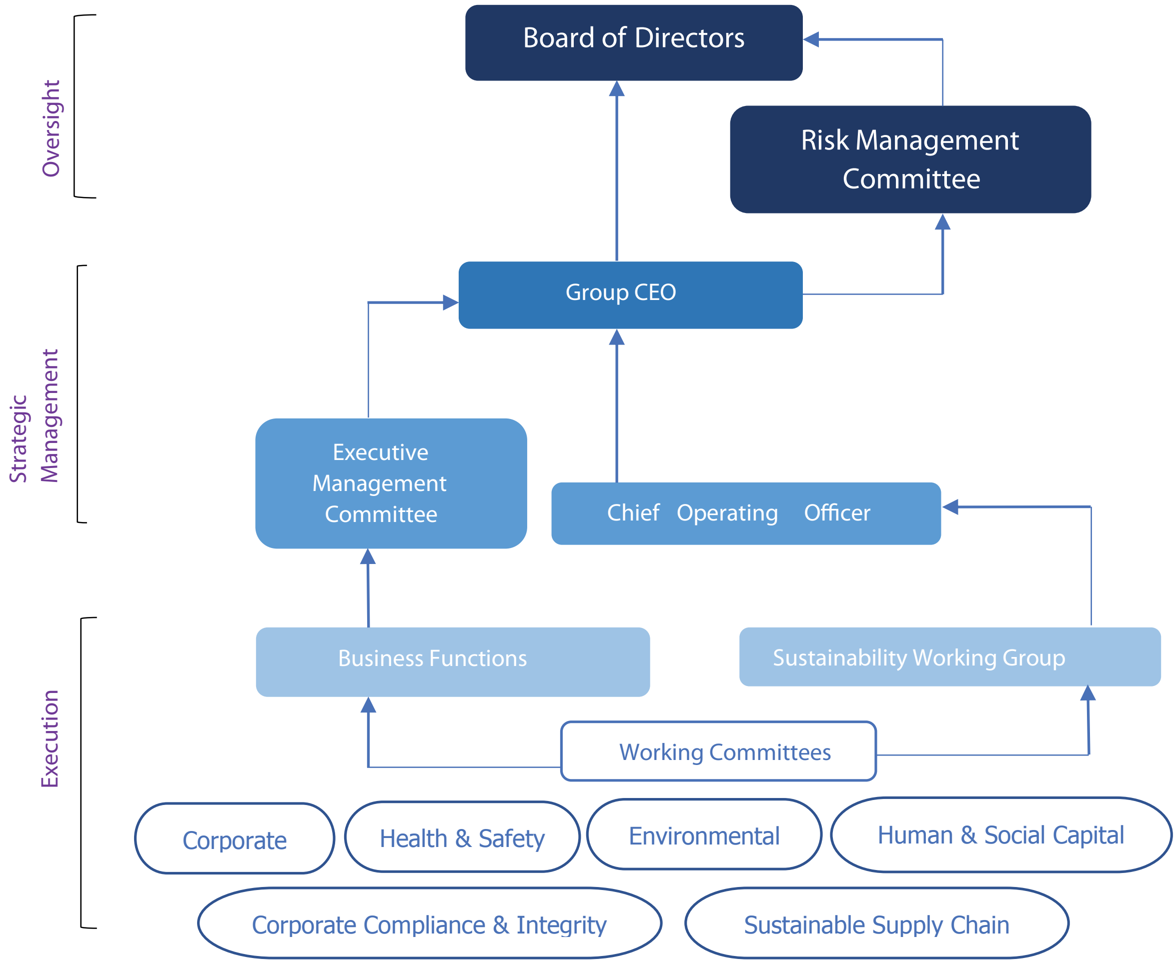
2.2 THE ELEMENTS OF KELINGTON'S SUSTAINABILITY MANAGEMENT SYSTEM

Area	Elements of Sustainability Management	Reference
Policies & Rules	• Policy • Code of Conduct	Website
Organisational Structure	• Board of director responsibilities • Senior Management responsibilities • Sustainability Working Group • Other working committees	Pages 35-36 , 97-98, 114-116,123
Processes	• Integration in business processes • System to ensure compliance	Pages 32, 36,50-51,137
Continuous Improvements	• Goals and measures for progress tracking • Monitoring indicators and performance evaluation • Management of ESG risks • Grievance mechanisms • Training	Pages 43-48, 58-59, 75-76, 79
Communication	• Leadership & Commitment • Stakeholders dialogue • Sustainability Reporting • Internal Communication • Stakeholder engagement	Pages 37-39, 53, 79

2.2 THE ELEMENTS OF KELINGTON'S SUSTAINABILITY MANAGEMENT SYSTEM (CONT'D)

Area	Elements of Sustainability Management	Reference
Preparatory tasks	• Understanding the organisation and its context • Understanding the needs of interested parties • Determining the relevant aspects • Determining the scope of management systems	Page 41

2.3 SUSTAINABILITY GOVERNANCE STRUCTURE



2.3.1 Oversight

Sustainability strategies and performance are governed by the Group's Board of Directors ("BOD") and supported by the Risk Management Committee ("RMC") to ensure we achieve profitability and sustainable returns whilst ensuring the Group's ESG targets are reached in the long term. The Board has entrusted the RMC with the responsibility of risk management oversight. An Enterprise Risk Management Framework has been adopted to identify, evaluate and manage principal risks for the Company.

2.3.2 Strategic Management

The Group CEO is supported by the Executive Management Committee ("EMC") and the Chief Operating Officer ("COO").

The EMC oversee sustainability risk and opportunities and reviews the Group's sustainability roadmap and ensure best practices are upheld across the Group.

The COO drive integration of sustainability strategy into the Group's business plans and ensure implementation of appropriate policies, procedures and controls. The COO is responsible for approving major sustainability initiatives.

2.3.3 Execution

The Sustainability Working Group ("SWG") identifies key improvement areas of ESG, oversees the execution of improvements, and advises the Board on the matters related to enabling Kelington to operate sustainably for the benefit of current and future generations as well as effectively managing sustainability risks. The SWG is also tasked with developing the Sustainability Statement and reporting directly to the COO on a quarterly basis.

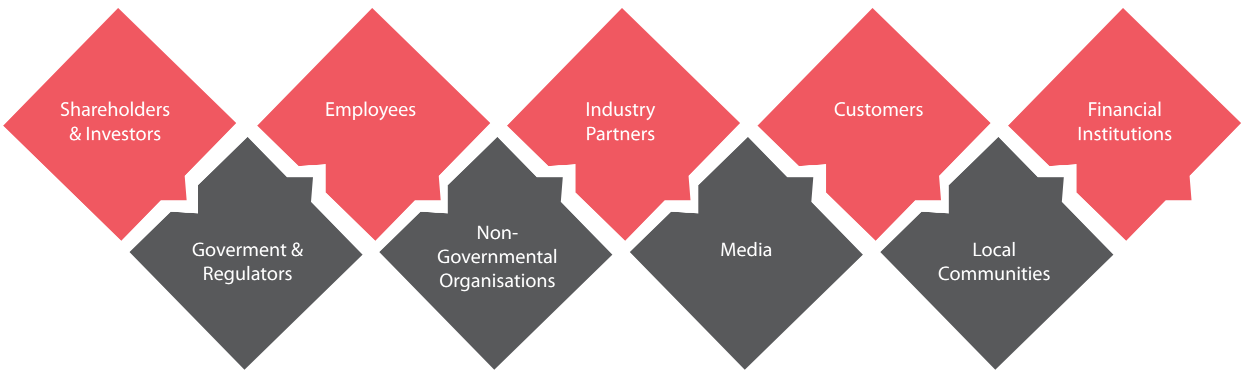
On the other hand, all head business functions shall support strategy implementation, ensure processes and controls are in place within its department and report management targets on a timely basis.

2.4 COMPLIANCE FRAMEWORK

The Group's Corporate Compliance and Integrity Department ("CCID") leads compliance-related initiatives under the direction and supervision of the Group COO, in collaboration with the SWG and Working Committee across the Group. The objectives of these efforts implemented groupwide are to manage ESG-related topics by thoroughly raising compliance awareness, including on corporate governance topics such as bribery and corruption, harassment and discrimination, whilst improving and strengthening compliance programs, and responding to specific compliance-related matters as they arise. The CCID reports the Group's integrity and compliance performance assessments to the RMC at least once a year

2.5 ENGAGING OUR STAKEHOLDERS

Kelington regularly engages with its stakeholders in soliciting a wide range of inputs, perspectives and other types of feedback towards guiding its sustainability journey. Key stakeholders were identified by mapping their level of influence on and level of interest in the Company to ensure that the Group is inclusive in its approach and remains on track towards ensuring value creation for both the Group and its stakeholders.



The table below illustrates our method of engagement with each stakeholder groups, their expectations and the manner in which we address their expectations.

Stakeholder Group	Expectations Raised	Material Issues	Engagement Channels	How we respond
Shareholders / Investors	• Economic and financial performance. • Dividend and growth prospect. • Sustainability Performance. • Timely and transparent disclosure.	SI 11 SI 12	• General Meetings. • Annual Report. • Company Announcements and Press Releases. • Analysts/ bankers / fund managers meeting. • Kelington Investor Relations Webpage.	• Sharing the company's economic performance, business direction and strategies with our shareholders. • Respect Shareholders' Right. • Rewarding our shareholders through dividend payment. • Building strong network connection with analysts/ fund managers and keeping them up-to-date with the Group's performance. • Providing latest financial information and corporate initiatives.
Financial Institutions	• Financial Stability. • Creditworthiness. • Strong corporate governance practices in place.	SI 11 SI 12	• Disclosures of quarterly results and audited financial statements • In-person meetings to build relationships and discuss complex financial matters. • Conferences and events.	• Compliance to bank covenants. • Providing latest financial information and update on financial requirements. • Building strong network connection.




2.5 ENGAGING OUR STAKEHOLDERS

Stakeholder Group	Expectations Raised	Material Issues	Engagement Channels	How we respond
Employees	• Salaries & benefits/ well- being • Career enhancement • Occupational health & safety Safe and humane working environment • Employee activities/ events • Group's latest strategic initiatives and business development	SI 6 SI 5 SI 7 SI 2	• On-job training & workshops opportunities • Annual Dinner and Festive Celebrations • Annual Staff Meeting • Internal Newsletter • Work-life balance activities • Employee performance review & rewards • Always welcome employees' feedback • Employee entitlements & benefits • Safety & Health Committee Meeting at sites • Toolbox Training • Safety & Health Campaign • Communicate goals and measure progress. • Meet and shared experiences. • Involve employees in company decisions. • E-waste collection month	• Leadership trainings and personal development workshops to enable personal growth • Actively engage employee to promote a deep commitment to Kelington and dedication to performing well. • Recognizing and rewarding employees' contribution. • Competitive compensation and benefit packages for employees. • Regular meetings, trainings and campaigns to raise awareness on potential safety and health risks for all employees. • Maintain an inclusive workplace culture that leads to more creativity and innovation. • Educate and raise awareness of the urgent need to address climate change
Contractors, Industry Partners and Suppliers	• Fair tender practices • Pricing and good payment practices • Forces labour avoidance • Long-term business relationships	SI 9	• Suppliers & Sub-Contractors Evaluation • Communication of Kelington's Expectations. • Vendors Due Diligence Questionnaire	• Monitor performance and improve efficiency through yearly vendor assessment. • Suppliers to acknowledge Kelington's Code of Ethics and Conduct.

2.5 ENGAGING OUR STAKEHOLDERS

Stakeholder Group	Expectations Raised	Material Issues	Engagement Channels	How we respond
Clients/ Customers	• Timely delivery • Quality works/ services • Innovative Solutions • Competitive pricing • Value Engineering	SI 13	• Qualification process • Regular project meetings • Client Satisfaction Survey • Customer Visit	• Commitments on ESG practices to meet Customers' expectation. • Review the feedback from clients through satisfaction survey and project meetings
Regulators/ Government Authorities	• Regulatory framework governing business operations • Legal Compliance, Statutory duties and responsibilities	SI 11 SI 8 SI 1 SI 3	• Adherence to relevant laws and regulations • Benchmarks of the FTSE Bursa Malaysia Index Series • Full compliance of ISO management system, policies and guidelines. • Environmental Compliance at manufacturing and project sites.	• Keeping abreast with the current market regulations through active engagement with the authorities. • Conduct Anti Bribery and Corruptions awareness programme. • Zero tolerance of child and forced labour • Managing our resources through data monitoring. • Conduct awareness programme on environmental issues and compliance knowledge for the employees and site workers.
Local Community	• Socioeconomic development • Safety & Health Impact of operation on community and environment • Employment Opportunities	SI 10	• Internship opportunities • Community Investment Programme • Local employment	• Hired a total of 22 interns from universities in department related to their study field. • Develop action plan for CSR program that address social and environmental issues. • Supporting local communities at project sites
Non-Governmental Organisations	• ESG practices & performance • Impact to the environment and communities	SI 4	• Partnership and support environmental sustainability.	• Collaborate with NGOs in relation to the Group's environmental approach.
Media	• Business growth • Sustainability Performance	SI 12	• Press Release • Interviews	• Promoting company branding and reputation through public relation strategies

2.6 MATERIALITY ASSESSMENT

The materiality assessment helps the Group in identifying, refining and focusing on the areas of importance to our business and stakeholders and subsequently help to create values over the short, medium and long term for Kelington. In FY2022, Kelington reviewed its material matters, taking into consideration the following factors which were raised in view of the current operating environment:

Factors	Impact on business / stakeholder's expectation
Operational Efficiency	• Resources utilisation • Technology / Digitalisation • Workplace Culture • Talent Development
Growing of Industrial Gases business	• Profitability/ Revenue contribution • Production volume, efficiency and safety performance
Bursa Securities & MCCG new requirement on climate change disclosure	• Board's oversight on climate-related risks & opportunities, updates to FTSE4Good and TCFD requirements
Safety & Health during endemic	• Disruption of work progress
Increased ESG awareness	• Labour issue • Governance • Compliance to environmental related regulations & laws

2.6.1 Methodology

To ascertain which sustainability matters are material to our business from both company and stakeholder perspectives, we have carried out a materiality assessment in accordance with the methodology described in the Sustainability Reporting Guide (3rd Edition) published by Bursa Malaysia. This process allows us to align both internal and external perspectives, with the aim of identifying areas of potential optimisation and to further developing sustainability-related management approaches and reporting.

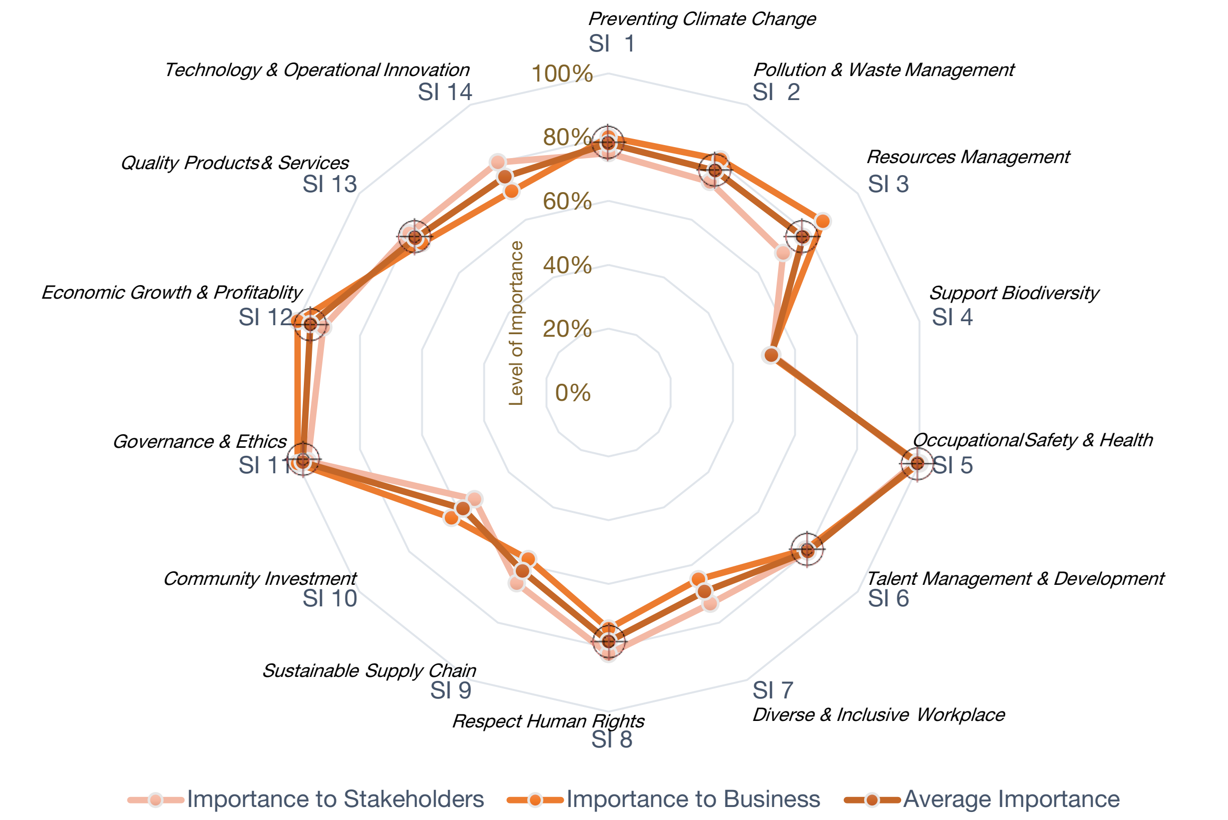
The annual process for determining material sustainability topics involves three steps: identification, prioritisation and validation. Kelington's SWG gather crucial inputs, conduct stakeholder analysis, and prioritises sustainability matters on the matrix along these two axes: importance to stakeholders and importance to Kelington Group. The respective matrices are reviewed and validated by the management of each division before being consolidated into the Group's matrix and reviewed by the EMC and COO.

2.6.1 Methodology

1 Identify Sustainability Issues	2 Prioritise Material Sustainability Issues	3 Validate & Communicate	4 Review
Review of External Sources:- • SDGs • UNGC Principles • TCFD • Recommendations • FTSE4Good Bursa Malaysia Index Rating Guide • Relevant Industries publications • Analyst Reports **Review of Internal Sources:-** • Review of management data • Feedback received from stakeholders • Review by the Group CEO & the Board	**Stakeholder Prioritisation** Assess the level of influence & interest they have in Kelington. **Stakeholder Engagement** Engage with internal & external stakeholders to produce & rank a list of 14 sustainability issues.	**Validation of Material Issues** Validate material matters against stakeholders' expectations and SDG's to identify most material indicators.	**Review of Material Issues** Review the impact of material matters, taking into account of emerging trends, changing customer expectation.
Output			
• Preliminary list of Sustainability matters	• Influence on stakeholder assessment	• Materiality Matrix	• Sustainability Governance Structure • Sustainability Management Process • Sustainability Reporting

2.7 MATERIALITY MATRIX

In FY2022, we continue to manage the 14 material issues identified last year as relevant to Kelington and elevated Respect Human Rights as the Group's key material issues.



We Manage Sustainability Issues	
SI 1: Preventing Climate Change	SI 8: Respect Human Rights
SI 2: Pollution and Waste Management	SI 9: Sustainable Supply Chain
SI 3: Resources Management	SI 10: Community Investment
SI 4: Support Biodiversity	SI 11: Governance & Ethics
SI 5: Occupational Safety & Health	SI 12: Economic Growth & Profitability
SI 6: Talent Management & Development	SI 13: Quality Products & Services
SI 7: Diverse and Inclusive Workplace	SI 14: Technology & Operational Innovation

Key Sustainability Issues

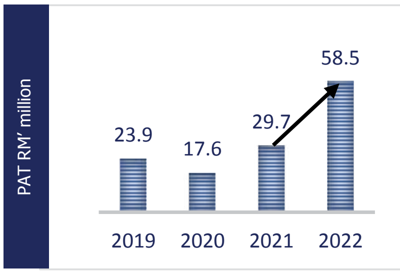
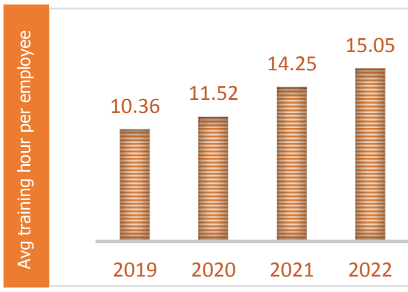
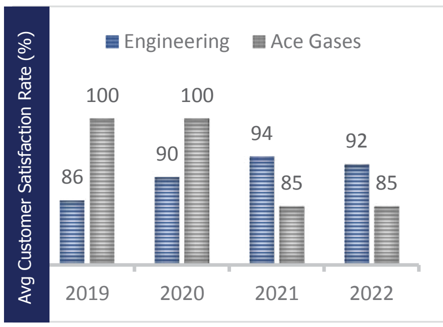
2.8 SUPPORTING SUSTAINABLE DEVELOPMENT GOALS

SDGs	Our Targets	FY2022 Progress Indicator	Year on Year	
			2021	2022
8 DECENT WORK AND ECONOMIC GROWTH Protect labour rights and promote safe and secure working environments for all workers.	Zero work -related fatalities Year-on-year improvement of total recordable injury frequency rate (TRIFR) Achieve Zero incident of unfair employment practices & Zero incident of violation of labour laws.	100% 100% 100%	**0** Workplace fatalities TRIFR **1.1** **0** incident	**0** Workplace fatalities TRIFR **0.75** **0** incident
4 QUALITY EDUCATION Improve access to education and ensure life-long learning for disadvantaged youth.	Implement programme to improve access to education for underprivileged.	25%	Participate in Project Sambung Sekolah and support **5** underprivileged students	Participate in Project Sambung Sekolah and support **5** underprivileged students
5 GENDER EQUALITY Ensure women's full and effective participation and equal opportunities for leadership.	30% female representation in total workforce (Executive level & above)	85%	**25%** female representation in total workforce *[Executive level & above]*	**27%** female representation in total workforce *[Executive level & above]*
13 CLIMATE ACTION Take urgent action to combat climate change and its impacts.	Short Term Goal by FY2024: Reduce our own CO2 emissions intensity by at least 20% *(Baseline Data FY2020:2,345 CO2e tonnes/RM'million EBITDA)*	100%	**1,252** CO2e tonnes/ RM' million Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")	**763** CO2e tonnes/ RM' million EBITDA
16 PEACE, JUSTICE AND STRONG INSTITUTIONS Develop effective, accountable and transparent institutions	Promote a culture of integrity through awareness campaigns and regular communications.	100%	**1** session awareness training **0** Case noncompliance of laws and regulations against acts of corruption.	**1** session awareness training **0** Case noncompliance of laws and regulations against acts of corruption.

2.9 OUR STRATEGIC GOALS, SUSTAINABILITY TARGETS AND PERFORMANCE

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

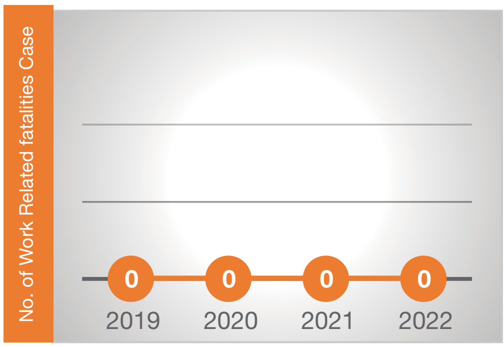
The following sustainability targets are structured around two pillars: sustainable values creation and managing impacts:

Key Sustainability Issues	Target 2024	Base Year Data	Progress FY2022
Sustainable Values Creation			
SI 12 **Economic Growth & Profitability**	To continue generating and distributing economic value to stakeholders by sustaining a resilient financial performance	Profit After Tax FY2019 **RM23.9 million** +145%	KGB saw an increase of **97%** in Profit After Tax in FY2022.  Please refer to page 7 for more details.
SI 6 **Talent Management & Development**	To achieve average 12 training hours per employee per year	FY2019 **10.36 hours** per employee +45%	Training hours per employee increased by **6%** in FY2022.  Please refer to page 96 for more details.
SI 13 **Quality Products & Services**	To achieve average Customer Satisfaction Rate of 90%	FY2019 Engineering business division: **86%** FY2019 Industrial Gases division: **100%**	Maintain average Customer Satisfaction Rate above **85%** in FY2022.  Please refer to page 80 for more details.

<table>
<tr><th>Key Sustainability Issues</th><th>Target 2024</th><th>Base Year Data</th><th>Progress FY2022</th></tr>
<tr><td colspan="4">Managing Impacts</td></tr>
<tr>
<td>SI 1
Preventing Climate Change</td>
<td>Industrial Gases division:
To reduce our own CO2 emissions intensity by at least 20%

(Target adjusted from 5% to 20% in FY2022)</td>
<td>FY2020
2,345 tonnes
CO2e/ RM'mil EBITDA
-67%</td>
<td>Reduced Co2 emissions intensity by 39% in FY2022.
<table>
<tr><th>Industrial Gas Division</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>CO2e
(tonnes)</td><td>11,630</td><td>12,958</td><td>14,177</td></tr>
<tr><td>EBITDA
(RM'mil)</td><td>4.96</td><td>10.35</td><td>18.58</td></tr>
<tr><td>CO2 Intensity Ratio
(tonnes/ RM'mil)</td><td>2,345</td><td>1,252</td><td>763
-39%</td></tr>
</table>
Please refer to page 62 for more details.</td>
</tr>
<tr>
<td>SI 3
Resources Management</td>
<td>Industrial Gases division:
To reduce electricity intensity by 5%.

In view that our Industrial Gases manufacturing business consumes substantial amount of electricity, improving the power efficiency of our manufacturing facilities would be instrumental for KGB to manage electricity intensity.</td>
<td>1,180 MWh
/ RM'mil EBITDA
-44%</td>
<td>27% reduction in electricity intensity-Industrial Gases Division in FY2022.
<table>
<tr><th>Industrial Gas Division</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Electricity Consumption
(MWh)</td><td>5,853</td><td>9,377</td><td>12,331</td></tr>
<tr><td>EBITDA
(RM'mil)</td><td>4.96</td><td>10.35</td><td>18.58</td></tr>
<tr><td>Electricity Intensity Ratio
(MWh/ RM'mil)</td><td>1,180</td><td>906</td><td>664
-27%</td></tr>
</table>
Please refer to page 68 for more details.</td>
</tr>
</table>

<table>
<tr><th>Key Sustainability Issues</th><th>Target 2024</th><th>Base Year Data</th><th>Progress FY2022</th></tr>
<tr><td colspan="4">Managing Impacts</td></tr>
<tr>
<td>SI 3
Resources Management</td>
<td>Industrial Gases division:
To reduce water intensity by 5%.</td>
<td>2,732 m³/
RM'mil EBITDA
-45%</td>
<td>Reduced Water Intensity by 37% in Y2022.
<table>
<tr><th>Industrial Gas Division</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Water Consumption (m³)</td><td>13,552</td><td>24,791</td><td>28,012</td></tr>
<tr><td>EBITDA (RM'mil)</td><td>4.96</td><td>10.35</td><td>18.58</td></tr>
<tr><td>Water Intensity (m³/RM'mil)</td><td>2,732</td><td>2,395</td><td>1,508
-37%</td></tr>
</table>
Please refer to page 70 for more details.</td>
</tr>
<tr>
<td>SI 2
Pollution and Waste Management</td>
<td>Engineering Division:
To reduce non recycled waste intensity by 5%</td>
<td>14.4 tonnes
/RM'mil EBITDA
-27%</td>
<td>128% increased in Non-Recycled Waste Intensity.
<table>
<tr><th>Engineering Division</th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Construction Waste (tonnes)</td><td>329</td><td>200</td><td>716</td></tr>
<tr><td>EBITDA (RM'mil)</td><td>22.9</td><td>43.1</td><td>68.2</td></tr>
<tr><td>Non-Recycled Waste Intensity (tonnes/RM'mil)</td><td>14.4</td><td>4.6</td><td>10.5
+128%</td></tr>
</table>
Please refer to page 65 for more details.</td>
</tr>
<tr>
<td>SI 5
Occupational Safety & Health</td>
<td>To maintain zero work related fatalities</td>
<td>Zero
work related fatalities</td>
<td>Maintained zero fatalities as a result of work-related injuries


Please refer to page 92 for more details.</td>
</tr>
</table>

3.0 HOW WE MANAGE SUSTAINABILITY ISSUES

Care for Business	Care for Environment	Care for People	Care for Society
SI 09: Sustainable Supply Chain SI 11: Governance & Ethics SI 12: Economic Growth & Profitability SI 13: Quality Products & Services SI 14: Technology & Operational Innovation	SI 1: Preventing Climate Change SI 2: Pollution and Waste Management SI 3: Resources Management SI 4: Support Biodiversity	SI 5: Occupational Safety & Health SI 6: Talent Management & Development SI 7: Diverse and Inclusive Workplace SI 8: Respect Human Rights	SI 10: Community Investment
Policies and Standards available online			
• Responsible Supply Chain Policy • Code of Ethics & Conduct • Anti-Bribery & Corruption Policy • Conflict of Interest Policy • Whistleblowing Policy • Risk Management Policy • Corporate Disclosure Policy • Shareholder's Right • Quality Policy	• Sustainable Development & Climate Change Position Statement • Environmental Policy	• Safety & Health Policy • Diversity, Equity and Inclusion Policy • Human Rights Policy	• Community Investment Policy
Principal risks that have key links to the sustainability issues			
• Supply disruption due to ESG factors. • Ethical misconduct. • Impacts on KGB' reputation, hefty penalties & negative effect on employee morale. • Compliance Risk. • Investment Risk. • Operational Risk. • External Risk.	• Climate related risk and financial impact.	• Industrial Accident/ Workplace Injuries. • Dependence on the avialability of technical professional. • Changes in Customer perception and/or preferences. • Discrimination in the workplace can harm employee health and an organization's productivity. • Labor exploitation, human rights violations in supply chain.	• High levels of crime, low school achievement, recession and increasing unemployment.

3.0 HOW WE MANAGE SUSTAINABILITY ISSUES (Cont'd)

Care for Business	Care for Environment	Care for People	Care for Society
SI 09: Sustainable Supply Chain SI 11: Governance & Ethics SI 12: Economic Growth & Profitability SI 13: Quality Products & Services SI 14: Technology & Operational Innovation	SI 1: Preventing Climate Change SI 2: Pollution and Waste Management SI 3: Resources Management SI 4: Support Biodiversity	SI 5: Occupational Safety & Health SI 6: Talent Management & Development SI 7: Diverse and Inclusive Workplace SI 8: Respect Human Rights	SI 10: Community Investment
Non-Financial KPIs			
• Progress of Supplier Development • Percentage of local sourcing • Customer Satisfaction Rate • ESG ratings • Zero Incidents of Corruption and Bribery • Innovation projects for sustainability development	• Environment Target and Data	• Safety & Health Performance Data • 30% Woman Senior Management • Average Training Hours • Zero incidents of violations of labour laws/ unfair employment practices	• CSR Initiatives • Total number of persons received benefit through our supporting schools and non-profit organisation.

Ong Weng Leong
Executive Director

Protecting the Environment

The Climate is changing. Why aren't we?

6 Actions to fight climate change

1. Value Engineering for Sustainability.
2. Engineering Solutions to reduce environmental impact.
3. Measure & Analyze GHG Emissions
4. Be Energy Efficient
5. Reduce Waste
6. Raise Awarenessof the urgent need to address climate change

We Care for Environment

3.0 HOW WE MANAGE SUSTAINABILITY ISSUES (Cont'd)

SI 1 Preventing Climate Change

Tackling Climate Change

At Kelington, we want to be part of the solution to help address the climate change. Our aim is to ensure our business, and those in our supply chain, continue to deliver economic and social benefits as we assist in the transition to a low-carbon future.

Our role in a low-carbon future

Climate change is of strategic importance for the world and for Kelington. It presents a long-term challenge if government, society and business do not take action. Long-term perspective is required to address both the risks and uncertainties, and opportunities.

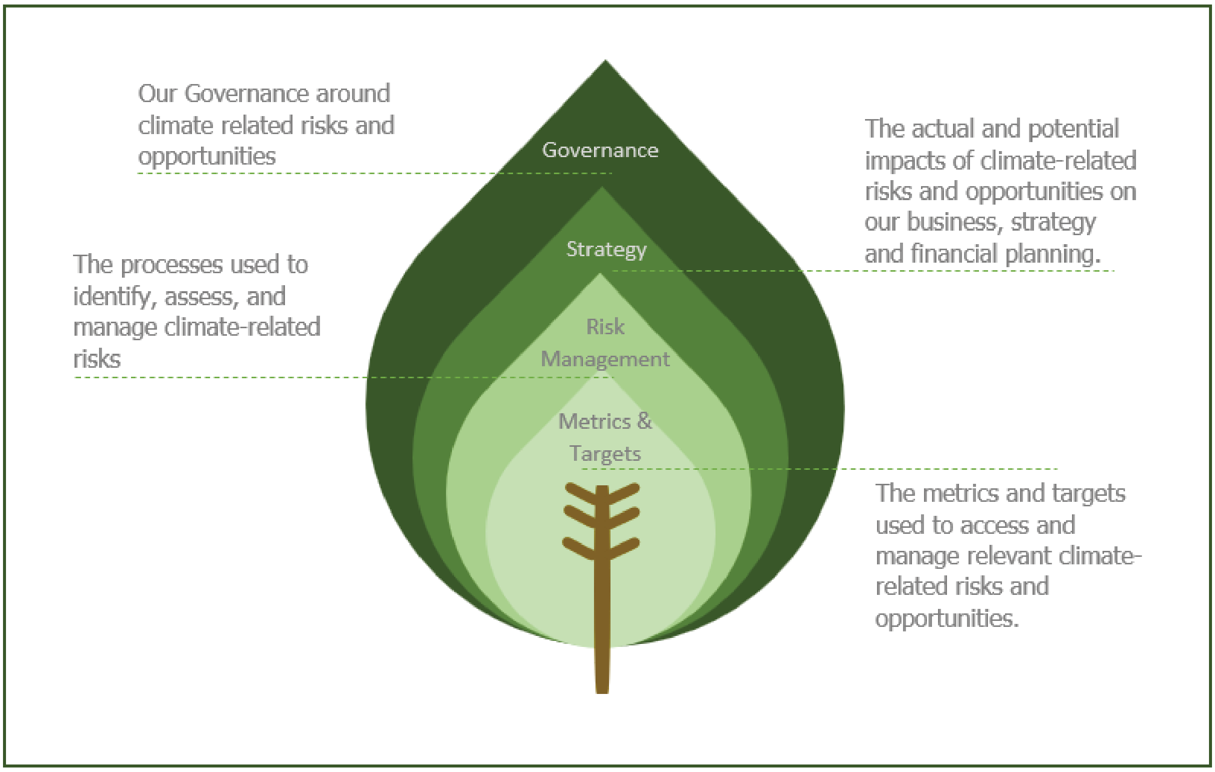
We believe that Kelington can and should be part of the solution, as we engineer solutions to ensure safe handling of the delivery and distribution of specialty gases and chemicals all the way from source to equipment to waste disposal. Meanwhile, we enable new technologies to solve environmental challenges in the industry.

How does exhaust affect the environment?	How can Kelington be a part of the solution?
Exhaust streams in a fab frequently contain very corrosive and/or toxic gases that must be removed by chemical scrubbing prior to release to atmosphere. The process exhaust is fed to a centralized exhaust treatment facility in most semiconductor fabs. These facilities are generally described as exhaust "scrubbers".	Kelington delivers complete solutions for Wet Scrubber System; Greenhouse Gas Reduction System; VOCs Removal System; Odor Control System; and acid/ general/ exhaust/ solvent ductwork system which capable to remove harmful gases from the semiconductor fabrication process. Harmful gases include hydrogen fluoride, hydrogen chloride, chlorine, fluorine, silicon tetrafluoride, carbon dioxide, methane, nitrous oxide, fluorinated gases (HFCs, PFCs, SF6, NF3), nitric and sulphuric acids, as well as with other acidic and caustic compounds. Kelington supply and install wet scrubbers system which is a type of air pollution control device that is used to remove harmful gases and particles from industrial exhaust streams and we can customise to meet specific emission control requirements. Exhaust systems are generally associated with emissions of pollutants and GHG that contribute to air pollution and climate change. However, we engineer solutions to design exhaust systems with emission reduction technology and used to reduce the environmental impact.

How does industrial water/ wastewater affect the environment?	**How can Kelington be a part of the solution?**
The manufacturing of semiconductors generates wastewater that contains heavy metals and toxic solvents. The untreated wastewater can contaminate the ground water. This is one of the primary reasons for water pollution.	Wastewater Treatment System is used to convert spent streams into an effluent that can either be reused or safely discharged to the environment or municipal treatment facility. We provide waste water treatment system used to remove contaminants from prior to returning the treated water back to the water cycle / sewage. Kelington's well-designed wastewater treatment system helps the facility avoid harming the environment, human health, and a facility's equipment, process or products (especially if the wastewater is being reused).
Valuable materials used in manufacturing process can be expensive to dispose of as waste.	**How can Kelington be a part of the solution?**
The photolithography process is widely used in the semiconductor industry to create microcircuits and microelectronic devices, such as computer processors, memory chips, and integrated circuits. It is also used in the production of flat panel displays, including LCD, OLED, and plasma displays. The photolithography process is a critical manufacturing process for many high-tech industries to create the circuitry and components on the wafer. After the circuitry is completed, a chemical solution is used to strip away the unwanted layers, leaving only the desired components on the wafer. The chemical solution used in this process can contain valuable metals or other materials that can be expensive to dispose of as waste.	Kelington design and build Stripper Reclaim System (SRS) and allowed the manufacturer to recover and recycle the valuable materials and thus reducing waste, saving on material costs, and minimize the environmental impact. The SRS involves the use of filters and chemical treatment processes to recover and purify the materials for reuse. 
Emissions	**How can Kelington be a part of the solution?**
Emissions from the combustion of fossil fuels, cement production and human activities increase, they build up in the atmosphere and warm the climate, leading to many other changes around the world—in the atmosphere, on land, and in the oceans.	Reduce CO_2 emission through Separation and Utilisation. Kelington captures waste gas emitted by petrochemical complex for re-use as key raw material to produce Liquid Carbon Dioxide via CO_2 separation technologies. Liquid carbon dioxide produced is used for freezing and chilling of food products, carbonation of beverages etc.

Task Force on Climate related Financial Disclosures (TCFD)

This year, Kelington Group has adopted the TCFD recommendations to disclose our direct and indirect climate change-related impacts. Whilst we have the building blocks in place to implement the TCFD recommendations into our existing management processes, we recognize that there are areas we need to strengthen specifically in terms of our strategy and disclosure on metrics and targets.



TCFD Key Pillars	Kelington's Key Approaches	Refer to page
Governance	Kelington's board-level has oversight of the Group's climate-related risks and opportunities. The Board is updated on the Group's sustainability strategy and initiatives at least once a year and approves the Sustainability Statement which provides comprehensive disclosures on the company's environmental and climate change agenda.	53
Strategy	Recognising that environmental and climate change issues have imminent impact on our business operations, we look to integrate climate change issues into the Group's business operations, strategy and financial planning including adaptation and mitigation efforts.	54
Risk Management	As part of our sustainability strategy, the Board and the Risk Management Committee considered risks and opportunities associated with climate change in the context of Kelington's businesses as one of the key material issues in the Group. Environment and climate change issues are updated to the Group's risk profile and discussed at the Risk Management Committee. The risks identified include physical and financial climate-related risks such as extreme weather is covered in our framework related to safety and operations.	55
Metrics and Targets	Environmental data monitoring enables Kelington to track and benchmark our environmental progress and performance. Following a review of the metrics and targets in monitoring our environmental performance, we have since started to monitor the direct and indirect GHG emission data from our operational business units since FY2020.	62

In FY2022, we achieved zero case of significant fines and non-monetary sanctions for environmental non-compliance from government authorities.

Our Approach to Climate Change

Governance

Climate Change is discussed at senior management level and by the Board. The Board Risk Management Committee has oversight of the key sustainability risks, including climate change, the quality of the controls and performance against our targets. The Board Risk Management Committee met four times in FY2022.

The assessment of the resilience of our business to transition risks and to climate scenarios have been discussed with both the Executive Management Committee ("EMC") and the board as a key part of the business strategy discussion.

Climate change is also one of the seven key performance indicators for the Group. We are committed to Scope 1, 2 and 3 net zero GHG emissions across the Group's operation by FY2050; and we are committed to reduce our own CO2 emissions intensity by at least 20% by FY2024 as our short-term goal set in FY2019. Our GHG performance is an important indicator of this commitment and our ability to manage exposure to future climate policy and legislative costs.

In this evolving operational environment, the Board with the support from the management team, adapts and creates resilient business strategies and models that view progress on sustainability as a means of long-term value creation and innovation.

At the Management level, the Executive Directors are responsible for ensuring climate-related risks and opportunities are fully integrated into the Company's long term business strategy. The Executive Directors oversee and report to the Board on management's progress against the Company's key strategic ESG objectives, covering various sustainability and climate-related topics and initiatives.

Summary of Climate Risk and Opportunity Governance

	Governance	Overview
Board Oversight	Board of Directors	The Board develops strategies to promote and strengthen ESG culture across the Group in pursuit of long-term sustainability. The Board carries the ultimate responsibility over the effectiveness of our ESG risk management practices and ensures Kelington's sustainability principles are in line with the Group's long-term business objectives.
	Audit Committee	The Audit Committee, with the assistance of RMC, has oversight over the Group's risk management framework and obtains assurance, through the independent consultant appointed, on the adequacy and effectiveness of the risk management and internal control systems.
	Risk Management Committee	The RMC reviews and discusses with management the Company's Enterprise Risk Management process including its risk governance framework, risk management practices and key risk factors. The RMC review the risks and opportunities associated with climate change; review climate change adaptation strategies and initiatives; address climate risks and opportunities; and ensure that climate risks and opportunities are integrated into KGB's overall corporate strategy.
Executive Leadership	Executive Directors	Executive Directors oversee corporate risk functions such as Business Continuity Management and Disaster Recovery. They are members of the Board and are accountable for reporting to the Board on all risks and opportunities.
	Chief Operating Officer	The Group COO holds responsibilities for the Group's climate change strategy and implementation framework, with direct oversight by the Risk Management Committee.
	Chief Financial Officer	Reports directly to the Executive Directors and oversees functions related to the governance of climate risks and opportunities including those related to the Company's reporting on its management of financially material climate-related risks and opportunities and footprint.

	Governance	Overview
Sustainability Management	Executive Management Committee	The EMC manage climate impacts resulting from rising costs related to energy pricing and cost savings from enhanced operational efficiency initiatives. The EMC supports ongoing monitoring and quantification of company-wide climate-related risks and opportunities. The EMC also undertakes resiliency measures to mitigate against natural disasters that could impact Kelington's operation.
	Sustainability Working Group	The SWG is involved in collecting and tracking of key environmental metrics, monitoring environmental performance targets and has ownership of related policies and programming. The SWG is also tasked with developing the Sustainability Statement and reporting directly to the COO on a quarterly basis.

Kelington's Climate Change Strategy

Expected Outcome:

Reduce our carbon footprint and support our customers to achieve sustainable manufacturing process and mitigate climate change.

We are focused on:

(1) **Carbon reduction:** Target to reduce Industrial Gases Division's operational carbon emissions intensity by 20% by FY2024, and to achieve Scope 1, 2 and 3 net-zero emissions by FY2050. Kelington's Industrial Gases manufacturing activities are energy-intensive as the production and machinery operations run for 24 hours daily. We are taking action to improve both productivity and efficiency, as we reduce emissions.

(2) **Value engineering for sustainability:** Incorporating sustainable design principle into our projects. Consider climate risks from the way we design and construct new projects to closure and beyond.

(3) **Engineer solutions to reduce environmental impact:** Environmental engineering solutions to enable new technologies to solve environmental challenges in the industry and address climate change.

(4) **Advocacy:** Increase awareness of the urgent need to address climate change and engage both internal and external stakeholders to drive change.

(5) **Innovation:** Explore opportunity to collaborate with international players to develop innovative technology that can contribute the mitigation and adaptation to climate change. i.e solutions that can help to address climate change such as energy storage, carbon capture and storage.

Kelington has integrated climate change into our strategic planning since the inception. The greatest risk associated with the gas and chemical delivery system is the flammable, explosive, or toxic materials that it carries. These substances can pose danger to people and property if a release occurs because of a delivery system failure.

As we develop our business strategy, we consider environment, social and governance (ESG) risk and opportunities, including climate change. The climate change actions we take are consistent with our objectives of delivering world class and quality services to meet our customers' requirement without unnecessary harm, safely and cost effectively.

Managing climate risks and opportunities

We manage our climate risks through our risk management framework. The framework reflects our exposure to a variety of uncertainties that can have financial, operational and compliance impacts on our business performance, reputation and ability to operate successfully. It includes clearly defined oversight responsibilities for the Board, Risk Management Committee, and the Executive Management Committee, who are supported by the Sustainability Working Group and support functions, to enable effective risk identification, evaluation and management across Kelington.

Climate Change Scenario Analysis

The Group conducted a climate change scenario study on how the effects of 2^0c increase in temperature might affect the business operations over short, medium and long term. The scope of study covered our key business segment i.e engineering and industrial gases. Based on the analysis, climate change is projected to bring the following impacts to our business directly:-

Physical Impact

- Higher temperatures could alter rainfall patterns and potentially leading to changes in the intensity, frequency, and distribution of rainfall. This could result in more intense and prolonged rainfall events, leading to an increased risk of flooding, landslides, and soil erosion. Storms and flooding could lead to building and infrastructure damage. Disruptions in transportation and communications may cause operational disruptions.

Legislative Impact

- Contractual or legal obligations due to uncertainty of water quality, quantity and volume.
- Increased emissions reporting requirements.
- Poor hazardous waste treatment is harmful for the environment and may expose the Group to lawsuits and reputational damage

Financial Impact

- Increased costs to procure water from alternative sources or the relocation of operations due to business interruption or slowdown.
- Energy shortages leading to increasing cost of production.
- Cost to transition to lower emissions technology.
- Introduction of a carbon tax and increased cost of sales.

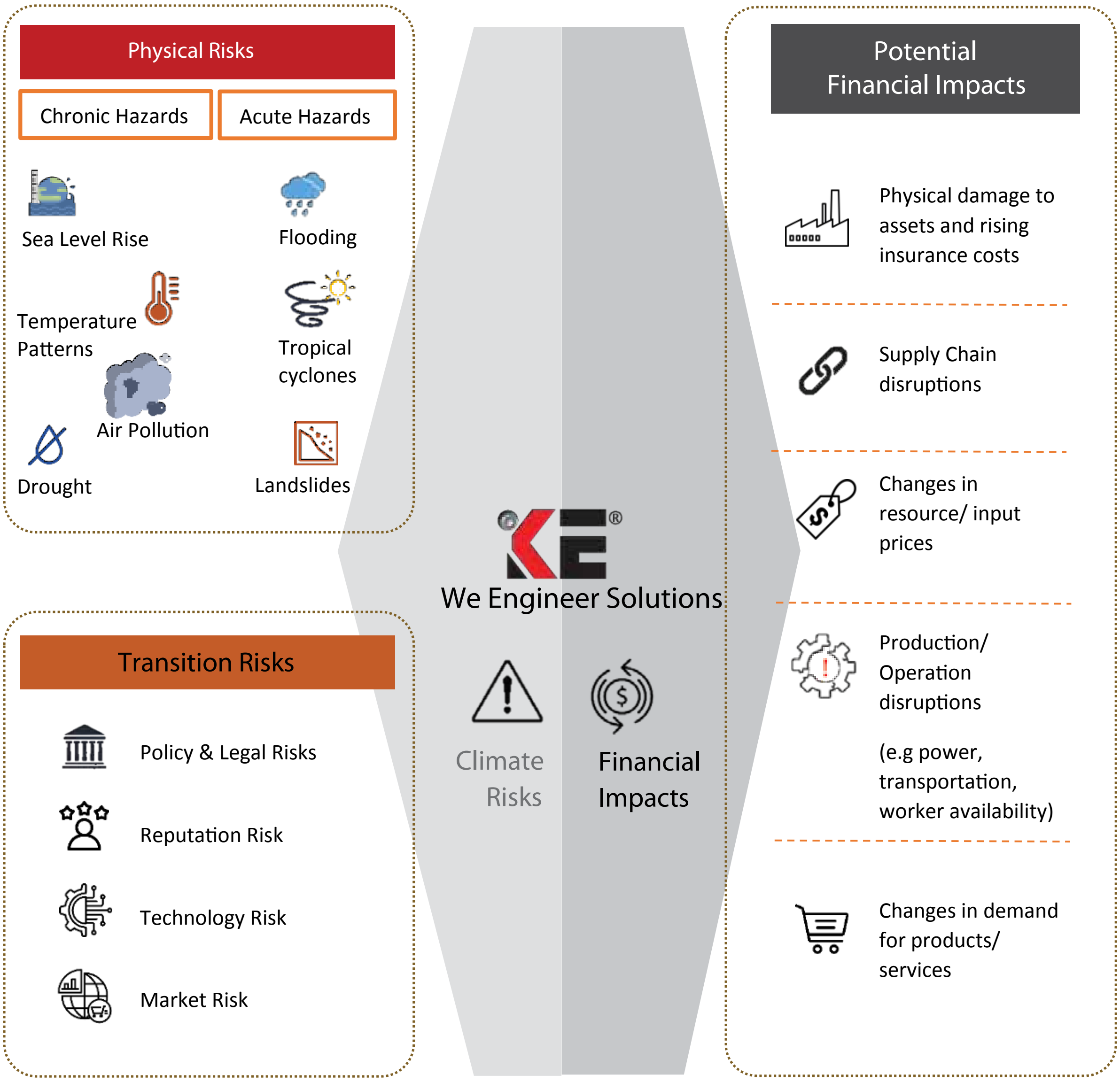
Climate Change Adaptation Strategies & Initiatives

In view that one of our significant contributors to climate change is the emission of greenhouse gases (“GHG”), the transition to a low-carbon economy will have a material impact on Kelington’s long term strategy and operations.

A comprehensive assessment of the full range of impacts is challenging, as it must consider the interplay of technical, social and political factors over a long period of time. We therefore incorporate climate change considerations into our strategic planning and commercial frameworks, to ensure that risks and opportunities can be addressed comprehensively.

Climate Change is a strategic business issue which requires a whole-of-business approach. As such, Kelington will review our approach to climate change every year, as part of our ongoing strategy process.

Climate-related risks and financial impacts



Potential Impacts of Climate-related Risks & Opportunities

Under Kelington's risk management framework, emerging risks are identified, assessed and appropriately managed. Kelington has used the major risk categories identified in the TCFD recommendations as the basis for its risk assessment:-

(i) Risks related to the transition to a lower-carbon economy
(ii) Risks related to the physical impacts of climate change

Potential Financial Impact Level:	**Timeline:**
Low Medium High	Short Term:0-1 year Medium Term: 1-5 years Long Term: 5-20 years

Transition Risks	**Potential Impacts of Climate-related Risks and Opportunities on our business**	Short	Medium	Long	**Our Strategy**
Policy and Regulations	Current and emerging regulation has the potential to impact business costs associated with meeting regulatory requirements and the impact on semiconductor markets. This includes the potential for increases in carbon pricing and emissions reporting obligations.				Ensure full compliance to environmental regulations and improve sustainability performance.
Market	Chip manufacturing contributes to the climate crisis. As the semiconductor industry grows, and so with its carbon footprint. The chip industry used different gases during the production process, many of which have a significant climate impact. Kelington's products and services have an important role in a low-carbon economy.				Explore tender opportunities on Wet Scrubber System; Greenhouse Gas Reduction System; VOCs Removal System; Odor Control System; and acid/ general/ exhaust/ solvent ductwork system which capable to remove harmful gases from semiconductor fabrication processes. Promote our capability to design and build Stripper Reclaim System (SRS) and allowed the manufacturer to recover and recycle the valuable materials and thus reducing waste, saving on material costs, and minimize the environmental impact.
Technology	The development and deployment of low-emissions technology presents cost beneficial opportunities for the business to reduce emissions and improve energy efficiency and productivity. Technology deployment in the electricity sector, and the sector's transition to low carbon, has the potential to impact the future price of purchased electricity.				Opportunity to collaborate with international players to develop innovative technology that can contribute the mitigation and adaptation to climate change. Thus to increase corporate value and revenue from expanded collaborations. We are seeking to identify the technologies that are most relevant and valuable to our business and, where appropriate, to partner and collaborate with others.

Transition Risks	Potential Impacts of Climate-related Risks and Opportunities on our business	Short	Medium	Long	Our Strategy
Legal	Climate change has the potential to result in legal compliance problems and litigation. There is increasing emphasis on the duty of directors to consider and disclose climate change risks.				Regularly review sustainability management framework includes policies, governance structure, ESG integration process, communications and continuous improvements.
Reputation	Stakeholder expectations on climate change are evolving and will impact the sector and Kelington's reputation and ability to operate.				We have worked increasingly closely with our investors on climate change related issues. We recognise that expectations for, and scrutiny of, disclosures will increase. Kelington's intent is to demonstrate that we are following through on our public commitments on climate change, aligning our disclosure with good practice and internationally accepted frameworks.
Physical Risks					
Acute physical risks	Changes to the intensity and frequency of extreme events, such as severe floods, have the potential to damage infrastructure and interrupt business operations. This could result in increased operational costs and loss of revenue from reduced LCO2 production or suspension of works. The changing nature of extreme weather events also has the potential to impact on the design criteria for new projects.				We consider climate risks from the way we design and construct new projects to closure and beyond. We have seen the impacts of climate change in recent years and we are using scenarios to assess further medium to long-term risks.
Chronic physical risks	Longer-term trends can be more difficult to identify and respond to. For example: extreme weather resulting in supply chain disruptions and increased operational costs; rainfall patterns may vary both in terms of average rainfall, and seasonal variability, impacting water availability and requiring stronger discipline in water balance management; and temperature increases will result in more extreme-heat days. This could have knock-on, indirect impacts, including employee and community health. We anticipate that energy use profiles at facilities may change, particularly where energy is used for heating or cooling.				GHG Emission Reduction Initiatives. We measure and track our carbon emissions at our offices and subsidiaries, with the base year of 2019.

Green House Gas (GHG) Emission Management

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

We strive to protect our environment and planet via mitigation of carbon dioxide emissions, waste reduction and the preservation of natural resources. In FY2022, we reviewed and managed our environmental risks according to the ISO 14001:2015 Environmental Management System.

Kelington's Environmental Initiatives

Kelington's Environmental Initiatives in the areas of energy management, water management, waste management, emission management, biodiversity conservation and recycling are presented in the table below:

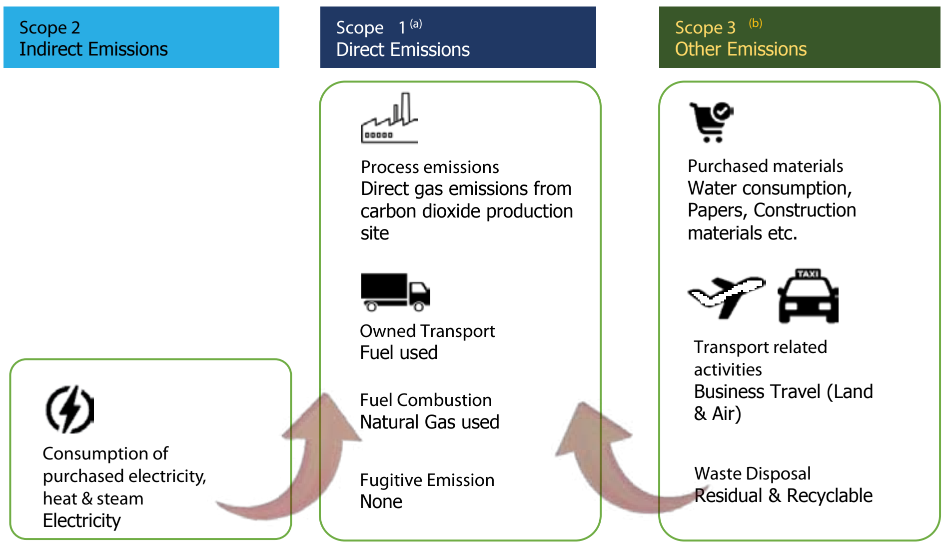
Environmental focus area	Actions	Company/ Operation country
Energy Management	Optimize manufacturing processes to reduce energy usage. Temperature control for air conditioning. Turn off lights in rooms not used. Replacing faulty lights to LED lights which is more environmentally friendly. Educating employees on energy saving through posters & emails. Solar Panel Installation Investment. Video Conferencing to replace air travel.	Malaysia Group Group Group Group Malaysia Group
Water Management	Water Management Plan outlining approach to manage and reduce water resources. Regular checking and immediate action taken for any leakage.	Group Group
Waste Management	Scheduled/ hazardous waste to be stored in designated container for on-ward disposal by Department of Environment (DOE) licensed contractor to licensed location. Monitor non-recycled waste intensity. Introduction of e-waste bin at office for employees to dispose household or office e-waste properly.	Malaysia Malaysia Group
Emission Management	Capture waste gas emitted by a petrochemical complex, to be reused as a key raw material in our liquid CO2 production. Continuing to measure our carbon footprint to monitor which operations have the biggest impact on our carbon emissions.	Malaysia Group

Environmental focus area	Actions	Company/ Operation country
Biodiversity Conservation	Conducted Environmental Aspect Identification (EAI), Risk & Opportunities for Environment and Hazard Identification, Risk Assessment and Risk Control (HIRARC) before new construction.	Malaysia
	Regular monitoring programme, continuous risk assessment and audits covering water quality, air quality and noise.	Malaysia
	Continuous participation in programmes that contribute towards positive biodiversity impacts	Malaysia
Recycling	Recycle practice at all offices.	Group
	Reduce paper printing under digitalisation program	Group

Our Carbon Footprint

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

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



Notes:

(a) Except for Carbon Dioxide (CO2), the current operations of Kelington do not emit other Scope 1 GHG emissions i.e Methane (CH4); Nitrous Oxide (N2O); Chlorofluorocarbons (CFCs); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); sulfur hexafluoride (SF6); and Nitrogen Trifluoride (NF3) in FY 2022.

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

(b) Scope 3 emissions are indirect emissions that occur because of Kelington's operations, but from sources not owned or controlled by Kelington i.e employee commuting, use of sold products, processing of sold products, investment, capital goods, transportation and distribution etc.

Managing Scope 3 emissions is important because it allows Kelington to identify opportunities for reducing emissions throughout its value chain. Addressing Scope 3 emissions is crucial for effectively managing climate change and achieving long-term sustainability goals. Kelington's SWG are working hard to gather the best information possible about scope 3 emissions to begin addressing this significant part of our footprint.

Metrics and Targets

Target
FY2024

To reduce GHG (CO_2) Emission Intensity by **20 %** as compared to base year.

Base Year
FY2020
CO2e Intensity Ratio
2,345
CO2e tonnes / RM million EBITDA

Progress
FY2022
CO2e Intensity Ratio
763
CO2e tonnes/ RM million EBITDA
YOY 39 %

GHG (CO2) Emission of Kelington Group

GHG (CO2) Emission	Unit of Measure	FY2020	FY2021	FY2022
Scope 1: Direct Emissions from manufacturing facilities, distribution tankers	tCO2e	9,349	10,688	11,173
Scope 2: Indirect Emissions from electricity purchased and used	tCO2e	2,281	2,270	3,004
Scope 3: Other Indirect Emissions from the Group activities	tCO2e	5,583	5,470	33,605
Total GHG (CO2) Emission	tCO2e	**17,213**	**18,428**	**47,782** +159%

In FY2022, the increased in LCO2 production required more electricity, heat, or steam, which in turn affected Scope 2 emissions. Kelington's Scope 2 emissions increase by 32% in FY2022, primarily due to the Industrial Gas Division. However, the additional LCO2 production led to increased plant efficiency and energy-efficiency, which mitigated the impact of the rise in Scope 2 emissions, resulting in a lower electricity intensity ratio. (Cross Reference: page 69)

Kelington's Scope 3 emissions increased by 514% mainly due the demand for materials and components for major projects executed in Malaysia.

CO2 Equivalent Intensity Ratio	Unit of Measure	FY2020	FY2021	FY2022
Scope 1: Direct Emissions from manufacturing facilities, distribution tankers	tCO2e	9,349	10,688	11,173
Scope 2: Indirect Emissions from electricity purchased and used	tCO2e	2,281	2,270	3,004
		11,630	12,958	14,177
*EBITDA – Industrial Gases Division	RM' million	4.96	10.35	18.58
CO2e Intensity Ratio	tCO2e RM'mil EBITDA	**2,345**	**1,252**	**763** -39%

**Note:*
In view that Kelington's Scope 1 and Scope 2 CO2 emission are mainly contributed from Industrial Gases Division's LCO2 manufacturing process and business activities, the EBITDA of Industrial Gases Division (excluding revenue generated from one-off project) was adopted for CO2e Intensity ratio calculation.

Kelington's Industrial Gases Division is emitting less greenhouse gases per unit of revenue which is generally considered a positive trend towards sustainability. In FY2022, the CO2e intensity ratio dropped 39% to 763 tCO2e/RM'mil EBITDA. The improvement in CO2e intensity ratio was mainly due to the improvement in energy efficiency and productivity as well as increase in revenue.

Scope 3 GHG (CO2) Emission	Unit of Measure	FY2020	FY2021	FY2022
Purchased goods and services	tCO2e	5,246	5,181	32,137
Capital goods	tCO2e			
Fuel and energy related activities (not include in Scope 1 or 2)	tCO2e			
Upstream transportation and distribution	tCO2e			
Waste generated in operations	tCO2e	159	94	332
Business Travel (By Land)	tCO2e	150	157	260
Business Travel (By Air)	tCO2e	23	29	865
Employee Commuting	tCO2e			
Upstream leased assets	tCO2e			
Investments	tCO2e			
Downstream transportation and distribution	tCO2e			
Processing of sold products	tCO2e			
Use of sold products	tCO2e			
End of life treatment of sold products	tCO2e			
Downstream leased assets	tCO2e			
Franchises	tCO2e			
Water Supply	tCO2e	5	9	11
Other	tCO2e			
Total Scope 3 GHG (CO2 e) Emission	tCO2e	**5,583**	**5,470**	**33,605** +514%

Kelington's FY2022 Scope 3 GHG (CO2e) emissions 514% increased from 5,470 tCO2e to 33,605 tCO2e was mainly due to the higher number of construction activities which led to the increase in material purchased for Kelington's major projects i.e civil and structural works and tankage construction which required concrete and metal. In addition, the Scope 3 GHG (CO2e) emissions contributed by the waste generated in operations increased by 253% as compared to FY2021 as a result of higher construction activities.

Employees travel more frequently to execute projects, meet potential clients, partner and rebuilding connections post-COVID in FY2022. The Scope 3 GHG (CO2e) emissions contributed by business travel increased 505% in FY2022.

Collecting and compiling data on Scope 3 emissions can be a challenging task, as it involves gathering information from a range of different sources, including suppliers, customers, and other stakeholders. In some cases, this data may not be readily available or may be incomplete, which can make it difficult to accurately quantify emissions.

Scope 3 emissions can be very broad and complex, as they cover a wide range of indirect emissions across the entire value chain. This can make it difficult to identify and prioritize the most significant emissions sources and to develop effective strategies for reducing emissions. There is no single standardized methodology for calculating Scope 3 emissions which create uncertainty and make it difficult to assess the effectiveness of emissions reduction strategies.

For example, to determine the tCO2e while Kelington acquired plant and machineries, Kelington would need to determine the GHG emissions associated with the acquisition of the gas plant, including emissions from the manufacturing and transportation of the equipment used to construct the plant.

On the other hand, employee commuting and business travel are both types of travel that are related to work, but they have different purposes, frequencies, distances, expenses, and carbon footprints. The expenses associated with employee commuting are normally borne by the employee, while business travel expenses are usually covered by the company. Collecting accurate data about employee commuting can be challenging, as employees may not always report their commute accurately.

Despite these challenges, Kelington will address Scope 3 CO2 emissions as part of our overall emissions management strategy, as Scope 3 emissions can account for a significant portion of a company's total emissions. By addressing Scope 3 emissions, Kelington can identify opportunities for emissions reductions and demonstrate our commitment to sustainability and environmental stewardship.

SI 2 Pollution & Waste Management

Target FY2024	Base Year FY2020	Progress FY2022
To reduce non-recycled waste intensity by **5%** as compared to base year.	Non-Recycled Waste Intensity **14.4** tonnes/ RM million EBITDA	Non-Recycled Waste Intensity **8.4** tonnes/ RM million EBITDA; YOY 83 %

Prevent Pollution

Manufacturing industries have the highest potential for pollution risks. At Kelington, we are mindful of this and views the prevention of pollution seriously when carrying out our business activities. To this end, we have implemented rigorous monitoring activities to ensure compliance with all local and international environmental standards. We seek to minimise the Group's pollution risk for our manufacturing activities at Kerteh and have engaged an independent company to monitor the key parameters of the surrounding environment (water quality of the nearby rivers, air quality and noise level of the amenity as detailed below) on a monthly basis to ensure strict compliance with the standards set by the Department of Environment ("DOE") Malaysia.

The sampling locations are listed as below and the details of the data collected are available for inspection upon request.

	Sampling Locations	Reference Standards
Water Quality	• Sungai Labohan (Upstream, Midstream, Downstream) • Sungai Kerteh (Point 1 & Point 2)	Class IIB of the National Water Quality Standards of Malaysia
Air Quality	• Boundary of Factory • Masjid Kampung Labohan	Malaysian Recommended Ambient Air Quality Guidelines, 1989
Noise	• Boundary of Factory • Masjid Kampung Labohan	Guidelines for Environmental Noise Limits and Control by DOE Malaysia 2007

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

In FY2022, there was no reported case of non-compliance against the local government rules and standards, and no penalty imposed in relation to environmental pollution.

Waste Management and Reduction

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

Our approach to sustainable waste management / waste reduction

Industrial Gases Division

Our LCO2 manufacturing process is designed to capture the waste CO2 released by our raw gas supplier, which we then liquify into LCO2. This will reduce overall CO2 emission, which was previously vented to the atmosphere.

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

	FY2020	FY2021	FY2022
Waste Gas Reuse – Carbon Dioxide	30,369 tonnes	47,596 tonnes	**60,471 tonnes**

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

UHP/ Engineering Division

(1) Value Engineering: Maximize value and minimize waste.
(2) Encourage employees' participation in recycling program.
(3) Practice segregation of solid waste and recycling during or after completion of general construction project.
(4) Ensure the site induction to staff and sub-contractors includes awareness of good waste management and the specific measures used at the site.
(5) We monitor non-recycled waste intensity and the non-recycled waste intensity reduced 27% in FY2022 as compared to based year FY2020. However, the year-over-year non-recycled waste intensity increased 128% due to the project mix and increase in construction activities in Malaysia:-

Engineering Division	Unit of measure	FY2020	FY2021	FY2022
Construction Waste	tonnes	330	200	717
EBITDA – Engineering Division	RM' million	22.9	43.1	68.2
Non-Recycled Waste Intensity	tonnes/ RM'million EBITDA	14.4	4.6	**10.5** **+128%**

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

Construction waste

Construction waste usually comprises metal/steel, wood, concrete/cement and other paper/cardboard. In FY2022, the total construction waste generated by Kelington was recorded at 717 tonnes, mainly generated by our general contracting division in Malaysia. All construction wastes are separated at the designated waste collection areas at the work sites. We engage licensed waste collectors to collect and dispose the wastes to the approved dumpsite and landfill areas.

The total construction waste generated in FY2022 increased by 259% as compared to FY2021.

	Construction Waste Generated in			How we manage construction waste
	FY2020	**FY2021**	**FY2022**	
KE Malaysia	303	193	621	Manage waste in accordance to The Solid Waste and Public Cleansing Management Act 2007 as well as the local government rules and regulations.
KE Singapore	0	0	94	Dispose construction waste via site waste management facilities and in compliance with the waste management regulations.
KE China	26	6	1	
KE Taiwan	1	1	1	
Ace Gases - Malaysia	0	0	0	N/A
Total Construction Waste generated	**330**	**200**	**717** +259%	

Resource Efficiency Program was implemented since FY2021 as an effort to reduce waste via the identification and implementation of waste minimisation at detailed design, as well as maximising strategies waste prevention on-site.

According to our recyclable waste collection record, we recycled a total of 61 tonnes of industrial waste in FY2022.

	Unit of measure	FY2021	FY2022	FY2023
Recyclable steel and metal	tonnes	39	60	
Wood	tonnes	0	1	
Total Industrial Waste Recycled	tonnes	39	61 +56%	

Scheduled Waste

A small percentage of hazardous waste has been regarded as intractable, or difficult to safely dispose of without special technologies and facilities. These wastes are known as scheduled wastes. To ensure adequate protection of human health and the environment, Kelington is committed to handling our scheduled waste strictly according to specific guidelines and regulations.

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

	Unit of measure	FY2021	FY2022	FY2023
Scheduled Waste	tonnes	27	38	
We disposed scheduled waste in accordance with the Environmental Quality (Scheduled Wastes) Regulations 2005. Only licensed contractors are allowed to transport these scheduled wastes offsite to a suitable treatment facility.				

Our industrial gases division endeavour to reduce the generation of the scheduled wastes in order to minimise the handling process. Regular monitoring and maintenance work are carried out at our plant site to reduce the chance of leakage. Emergency response plan is in place to handle the unlikely event of a spillage of hazardous materials. In FY2022, 38 tonnes of scheduled waste was generated when we carried plant maintenance and replace adsorbents or catalysts used in our manufacturing process.

Electronic Waste

E-waste is electronic appliances that are broken, obsolete or reaching the end of their useful life. E-waste has been categorised as Scheduled Waste SW110 First Schedule according to the Environmental Quality (Scheduled Wastes) Regulations 2005 as it contains chemicals like mercury, lead, beryllium, and cadmium. Improper disposal or mishandling during disposal can cause the release of hazardous and toxic chemicals into the soil, water, and air.

This would induce adverse health effects and cause a deterioration of environmental quality. With this in mind, Kelington is committed to recycling this e-waste and creating awareness among employees on proper disposal of e-waste.

Dispose your electronic waste safely

In FY2022, we provide E-waste Collection Box at Kelington HQ, aimed to educate and raise awareness among employees on the appropriate disposal process of e-waste. All the collected e-waste during this programme was sent to licensed and DOE-registered e-waste recyclers for proper discard.

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

E-Waste Type	Unit of measure	FY2021	FY2022	FY2023
MonitorWood	Number	–	5	2
Notebook Computer	Number	5	7	–
Printer	Number	–	1	1
Server	Number	1	–	–
Others i.e typewriter, desk phone, wireless mouse, laptop battery, laptop adapters & cables	Kg	11	30	6

SI 3 Resources Management

Target FY2024	Base Year FY2020	Progress FY2022
To reduce electricity intensity by **5%** as compared to base year.	Electricity Intensity **1,180** MWh/ RM million EBITDA	Electricity Intensity **664** MWh / RM million EBITDA, YOY ↓ 27%
To reduce water intensity by **5%** as compared to base year.	Water Intensity **2,732** m^3/ RM million EBITDA	Water Intensity **1,508** m^3/ RM million EBITDA, YOY ↓ 37%

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

Energy Management

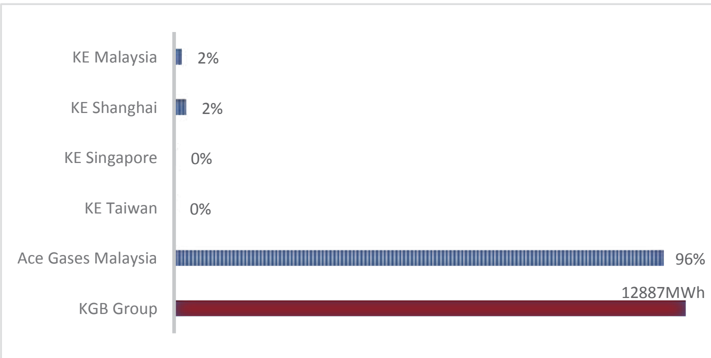
At Kelington, a majority of our business activities are carried out at customers' sites and fabrication facilities. Due to the nature of our manufacturing business, we consume a substantial amount of electricity. Kelington's Industrial Gases manufacturing activities, production and machinery operations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

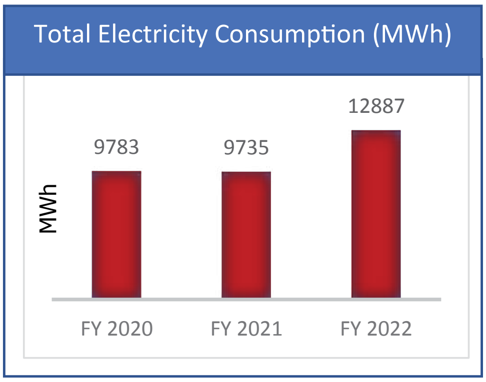
One of our measures is to monitor and analyse the Group's energy usage, allowing us to pinpoint areas of improvements in relation to costs, performance, and quality. With this, Kelington strives to enhance energy efficiency by increasing efforts to identify energy reduction opportunities and exploring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

Our production teams assess internal and external consequences from our processes and deliberate on the energy utilised during production. Energy reduction targets are set to match the Group's key financial indicators such as cost of goods sold. Meanwhile, the local committee conducts a monthly assessment on the plant's energy consumption and identify performance opportunities and gaps. As part of our energy saving strategies, we ensure smooth and effective operations, as well as adhering to scheduled maintenance of equipment to prevent downtime. Apart from that, the management also compares energy usage at similar plants to uncover efficiency opportunities.

We track and benchmark energy usage with our industry peers and communicate with our employees regarding our long-term goals and commitments. As compared to other industrial manufacturing facilities in Malaysia, our trackable electricity consumption is relatively lower.

The trackable electricity consumption of Kelington Group in FY2022 are as follows:





The chart above demonstrates that the major portion of the Group's electricity consumption was derived from our Industrial Gases division, representing 96% of the total electricity consumption in FY2022. As such, we measure the energy performance of our Industrial Gases division with energy intensity by determining how much energy is required to generate RM1 million in EBITDA.

Electricity Intensity

Industrial Gases Division	Unit of measure	FY2020	FY2021	FY2022
Electricity Consumption EBITDA	MWh RM' million	5,853 4.96	9,377 10.35	12,331 18.58
Electricity Intensity	MWh/RM'mil EBITDA	**1,180**	**906**	**664** -27%

In FY2022, while EBITDA grew 80%, energy intensity was reduced by 27% as a result of improved productivity, improved plant efficiency, energy efficiency initiatives, including effective production planning, improved gas loading and unloading processes, and major equipment maintenance, to name a few.

Renewable Energy Generation

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

As part of our endeavours, we aim to increase the usage of clean energy. Renewable energy ("RE") is increasingly playing an important role in decarbonising the power generation sector, and solar has been one of the top RE sources for electricity generation. Since FY2011, Kelington has installed and maintained solar photovoltaic ("PV") panels on the rooftops of our office building in Shah Alam for a more sustainable energy source. Although the power generation from solar PV tends to be deficient due to environmental impacts i.e dust accumulation, water droplets and bird droppings, we managed to maintain the standard performance of our solar PV systems and generated 11,236 KWh solar power in FY2022.

KE Malaysia – Renewable Energy	Unit of measure	FY2020	FY2021	FY2022
Solar Power Generated	KWh	20,538	18,557	11,236 -39%

Water Management

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

We commit to sustainable water sourcing and consumption practices across operations. Our water management plan consists of the following actions:

1) We engineer solutions to design and install waste water treatment system used to remove contaminants prior returning the water back to sewage.

2) Our Plant Operation team collect water consumption data regularly from the meters, analyse the data, monthly monitoring of water consumption to understand our water usage patterns and identify potential inadequacies. We set target for water usage based on historical data and industry benchmarks. Our operation team track progress toward reducing water consumption and shall implement conservation measures promptly should there be an uptrend in water consumption.

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

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

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

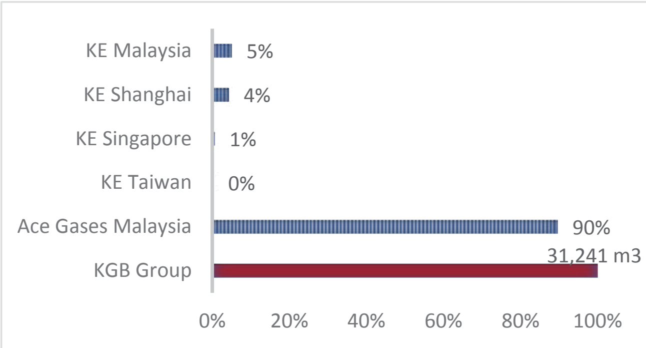
Water Withdrawal

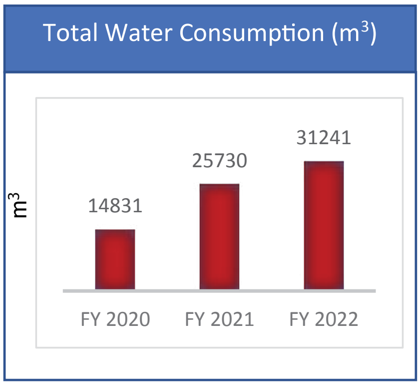
The Group primarily consumes municipal water supply, which is mainly derived from the water reservoir (municipal potable water). We do not utilise any other water sources such as surface water from rivers, lakes, natural ponds, groundwater from wells, or external wastewater. The total water withdrawal within our organisation amounted to 31,241 m3 in FY2022.

Water Withdrawal (by sources)	Unit of measure	FY2020	FY2021	FY2022
Surface water from rivers, lakes, natural ponds	m^3	0	0	0
Groundwater from wells, boreholes	m^3	0	0	0
Used quarry water collected in the quarry	m^3	0		0
Municipal potable water	m^3	14,831	25,730	31,241
External wastewater	m^3	0	0	0
Total Water Withdrawal	m^3	**14,831**	**25,730**	**31,241** +21%

Water Consumption

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





The chart above depicts that the Group's water consumption was largely contributed by Ace Gases – the LCO2 manufacturing plant located at Kerteh – representing 90% of the total water consumption in FY2022.

For our Industrial Gases division, we apply water intensity parameters to measure the water consumed to generate an EBITDA of RM1 million. In FY2022, as EBITDA of LCO2 business division grew by 80%, water consumption increased by 13%. This resulted in an improvement of 37% in water intensity.

Industrial Gases Division	Unit of measure	FY2020	FY2021	FY2022
Water Consumption	m3	13,552	24,791	28,012
EBITDA	RM' million	4.96	10.35	18.58
Water Intensity	m3/RM'mil EBITDA	**2,732**	**2,395**	**1,508** -37%

Water Discharge

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

Our LCO2 manufacturing facilities at Kerteh generates an intensive volume of water discharge. Nonetheless, this discharge does not require treatment and is mainly emitted to the drains and subsequently flows to the rivers and sea.

We undertake quarterly monitoring of the water discharge according to the DOE's Environmental Management Plan. In FY2022, there were no reported incidents of non-compliance with the local government rules and standards, with no penalty imposed in relation to water supply and discharge.

Water Discharge by destination	Unit of measure	FY2020	FY2021	FY2022
Ocean total discharge	m3	0	0	0
Surface water total discharge	m3	14,831	25,730	31,241
Subsurface/ well total discharge	m3	0	0	0
Off-site water treatment total discharge	m3	0	0	0
Beneficial / other use total discharge	m3	0	0	0
Total Water Discharge	m3	**14,831**	**25,730**	**31,241**

SI 4 Support Biodiversity

Biodiversity provides functioning ecosystems that supply oxygen, clean air and water, pollination of plants, pest control and wastewater treatment, among others. Hence, supporting biodiversity is therefore an integral part of Kelington's efforts to protect and preserve the environment. Kelington acknowledges that economic activities and population growth may result in pollution and climate change, which may threat biodiversity. As such, we are committed to reducing the impact of our operations on biodiversity through systematic management approaches.

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

Target FY2024	**Base Year FY2020**	**Progress** FY2022
• Generate positive biodiversity impacts • Ensure responsible sourcingpractices that reduce negative impact on biodiversity.	Complying landscaping requirement according to the local regulations.	Restore our Amazing Rainforest KEHourForEarth

Minimising Biodiversity Impacts

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

Continuous auditing and monitoring

At Kerteh, local employees are assigned responsibilities to manage our biodiversity impacts through regular monitoring programme, risk assessments and audits covering water quality, air quality and noise. Guided by the relevant regulatory environmental standards and guidelines, we conduct regular air and water quality test, as well as a noise level survey at Kerteh to ensure the effective implementation of pollution prevention and mitigation measures to minimise negative biodiversity impacts on the surrounding environment.

Environmental Impact Assessment shall be conducted for any new proposed projects that we intend to develop and subsequently carry out business activities. In FY2022, our operations at Kerteh conducted monthly monitoring of the air and water quality (rivers nearby), in addition to the noise level survey. All the test results are within the limits set by the Malaysian government authorities.

Additionally, we also submit the Environmental Monitoring and Auditing Report ("EMAR") to the DOE on a quarterly basis to report on our compliance with the relevant standards and guidelines. During the year, we did not encounter any negative comments or fine penalties from the local authorities in the locations where we operate.

Continuous participation in programmes that contribute towards positive biodiversity impacts

Tree planting is beneficial in improving wildlife habitats, in addition to building resiliency to support the various benefits that nature provides. In FY2022, Kelington participated in "Restore our Amazing Rainforest" and a total of 50 trees have been planted towards the restoration of the forest corridor along the Lower Kinabatangan, Sabah, Malaysia. The initiatives of the program is mainly for reforestation at Lower Kinabatangan Wildlife Sanctuary, Sabah - to maintain the landscape and ecology of the forest (a purely jungle) and also to rebuild "home" for wildlife animals.

As we move forward, the Group shall constantly explore our day-to-day practices in order to protect biodiversity and raise awareness within the organisation. In February and March 2023, we participated in World Wildlife Fund's landmark movement, Earth Hour and encouraged all our employees to switch off their lights and spend 60 minutes doing something positive for our planet. On Earth Day, we encouraged our people to take a natural walk, sorting trash at home, separate recyclable items into different bins, cooking dinner with sustainable ingredients etc.

Highlights of KEHourForEarth

Karan & Donna from Puritec Singapore celebrate care and love for our planet by cleaning up Sembawang Beach on Earth Day.

Project team in Singapore join the Earth Hour and they made used of portable rechargeable lights in the office and spread the awareness of environmental issues.

Our employees in KE Shanghai turned off the lights for Earth hour and involved kids in conserving energy resources.

Value engineering through innovation and collaboration

Be an effective, accountable and transparent organisation

We Care for Business

		Highlights	Page
SI 11	**Governance & Ethics**	Business Ethics and Policies Risk Management – our approach to a better business	75 76
SI 12	**Economic Growth & Profitability**	Our Journey Towards Sustainability for a Greener Growth	76
SI 13	**Quality Products & Services**	Ensuring Customer Satisfaction	81
SI 14	**Technology & Operational Innovation**	Digitalisation Research & Development Continuous Improvement	82 82 82
SI 9	**Sustainable Supply Chain**	Supplier Development Local Sourcing	78 80

SI 11 Governance and Ethics

Target FY2024	Based Year FY2020	Progress FY2022
Committed to train all employees on the Anti Bribery and Corruption Policy (ABC Policy) and risk management.	100% employees was trained on ABC and risk management.	100% employees was trained on ABC and risk management.
Committed to 100% communication for all vendors on the ABC Policy.	100% vendors acknowledged on ABC Policy	100% vendors acknowledged on ABC Policy
Zero incident of corruption and bribery case	Zero incident of corruption and bribery case	Zero incident of corruption and bribery case

Sound corporate governance is a material topic to Kelington and forms the basis for us to ensure long-term viability and business growth. Kelington is committed to deliver sustainable value to our stakeholders, guided by the Malaysian Code on Corporate Governance in ensuring the principles and best practices of good corporate governance are applied throughout the Group. The corporate governance framework and practices, as in the Corporate Governance Overview Statement on pages 106 to 128 of the Annual Report, demonstrate the robust board and management accountability to our stakeholders.

Business Ethics and Policies

In adherence to the principles of sound corporate governance, the Board endeavours to promote a culture of integrity and ethical values. Kelington has put in place its set of Code of Ethics and Conduct, which includes the Whistleblowing Policy and No Gift Policy.

The Code of Ethics and Conduct is applicable to all directors and employees within the Group as well as third parties performing works or services for and on behalf of the Company. It governs the desired standard of behaviour and ethical conduct expected from each individual to whom the Code of Ethics and Conduct applies.

Apart from that, Kelington has enforced a number of Company codes and policies that establish the rules of conduct within the organisation; representing the main points of reference for all who work for and with us. These codes and policies can be found on the Company's website.

Board Policy	Corporate Code and Policies	Sustainability Policies
• Board Diversity Policy • Remuneration Policy	• Risk Management Policy • Anti-Bribery and Corruption Policy • Whistleblowing Policy • Code of Ethics and Conduct for employees and third parties • Corporate Disclosure Policy • Conflict of Interest Policy • Fit and Proper Policy • External Auditors Policy	• Sustainable Development Position Statement • Environmental Policy • Community Investment Policy • Diversity, Equity and Inclusion Policy • Human Rights Policy • Responsible Supply Chain Policy • Safety and Health Policy • Quality Policy • Drug Free Environment Policy • Sexual Harassment Policy

At Kelington, annual awareness training on ethics is required to reinforce the importance of ethical behaviour, promote a culture of ethics and mitigate risk for the Group. The percentage of employees who have received training on ABC policy and risk management in FY2022 are as below:-

	Malaysia	Singapore	China	Taiwan
Director and Senior management	100%	100%	100%	100%
Middle management	100%	100%	100%	100%
Engineers/ Executive	100%	100%	100%	100%
Operators/Technicians/ Non Executive	100%	100%	100%	100%

In FY2022, there were no reported incidents of corruption and bribery; no employee dismissed due to non-compliance with ABC Policy; and no fines, penalties or settlements made in relation to corruption.

Risk Management: our approach to a better business

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

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

Examples of ESG-related risks considered in our risk profile include workplace injuries, waste & hazardous material disposal, collusion frauds and supply disruption, among others. Read more about the risk management process in our Annual Report on page 129.

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

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

SI 12 Economic Growth & Profitability

Our Journey Towards Sustainability for a Greener Growth		Revenue RM'000
2012	The global wafer and semiconductor industries cut back on capital expenditure in view of the weaker consumer sentiment globally. We realised our revenue was heavily reliant on semiconductor industry.	116,168
2013	The high technology industry in which we served was subject to cyclical fluctuations. We adapted to the change and successfully captured new opportunities across the market. We embarked on our sustainability commitment and published our 1st Sustainability Statement which was incorporated in our 2012 Annual Report.	117,416
2014	Leveraging on our core skill in engineering, we expanded to healthcare and process engineering industries.	189,102
2015	Gained traction in Singapore and continued expanding our presence in the market.	206,356

Our Journey Towards Sustainability for a Greener Growth		Revenue RM'000
2016	We continued to remain true to our core expertise in engineering and have accumulated a strong portfolio of civil, mechanical and electrical projects. We commenced new business activity involving supply of industrial gases.	343,344
2017	Succesfully clinched several contracts for UHP works from global semiconductor giants in China, adding significant credence to our global customer profile with high-tech clients in China.	313,333
2018	Along with our delivered continuous improvement in the operational performance as well as constant growth in orderbook, our market capitalisation has doubled in Y2017 with increasing interest in the Group's shares amongst institutional investors.	350,023
2019	Slow down of semiconductor industries were largely affected by the trade war between the largest chip producers, US and its largest chip consumer, China. Key development of the year was the opening of an in-house fabrication facility in China and commencement of operation of our new Carbon Dioxide Recovery Plant. Identified the top 4 most material sustainable matters which are risk management; workers' safety & health; business growth; and quality products and services. Discussed sustainability topics on managing our business; our people; focus of customers; and environmetal care and protection.	379,768
2020	The prospects of strong and promising global growth were muted by the rapid spread of Covid-19 pandemic that has severely impacted several key industries around the world. On the other hand, the demand for integrated circuits continued to be at an all-time high due to global chip shortages. Notwithstanding, Kelington continued to thrive with record-breaking revenue. We initiated quarterly environmental monitoring process to monitor water quality, air quality and noise to minimise pollution risk for our manufacturing activities at Kerteh. Our operations in Singapore obtained Singapore Green and Gracious Builder ("SMC") certification. Kelington Group was added into the FTSE Bursa Malaysia EMAS Index.	394,599
2021	2021 has been eventful for us at Kelington as we maneuvered through the fluid operating conditions due to the heightening Covid-19 cases around the globe. Notwithstanding, the Group remained steadfast and focused on fulfilling the surging orders from our customers, which bolstered our financial performance for financial year ended 31 December 2021 ("FY2021") to a historic high. We established Sustainability Policies and Guidelines, groupwide sustainability governance framework; and a base line for sustainability management. During the review period of December 2021, Kelington met FTSE4GOOD criteria and was added into: • FTSE4Good Bursa Malaysia Index • FTSE4Good Bursa Malaysia Shariah Index	517,825
2022	Kelington accomplished its most successful year to date, breaking new records in terms of financial performance and value of new contracts secured. The revenue has exceeded RM1 billion for the first time, marking a significant milestone in the Group's history. In addition, Kelington is also building a new on-site gas supply scheme to provide hydrogen, nitrogen, and oxygen to an optoelectronics semiconductor giant in Kulim, Kedah.	1,278,837

Kelington's business success is based upon the long-term value creation for our stakeholders. This is achieved by maintaining leadership in our core markets, by leveraging innovative technologies, engaging our employees' expertise to meet consumers' evolving demands, and entering new markets. Our economic performance provides us with a firm foundation to continue delivering excellence to our customers. Our business model is explained in detail on page 32 of this Report.

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

Our full economic performance can be found in our audited financial statements, as part of our FY2022 Annual Report:

Group Financial Highlights: pages 7 to 8; Group Financial Statements: pages 147 - 157.

SI 9 Sustainable Supply Chain

Target FY2024	Base Year	Progress FY2022
Communication of Kelington's Expectation to **100%** of selected Key Vendors	FY2021 Vendor Briefing **2%**	Vendor Briefing **31 %**
90% procurement in significant locations of operation was from local suppliers.	FY2020 Local Sourcing **93%**	Local Sourcing **90%**

Having operations spanning across four geographies, namely Malaysia, Singapore, China and Taiwan, Kelington engaged with over 1,651 global and local external providers in our supply chain in FY2022. These include material suppliers, subcontractors, transporters and professional service providers.

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

Kelington recognizes the importance of embedding sustainability into our operations and incorporating sustainability goals in our long-term strategy. We also require our external providers to adhere to the high standards to create a cascade of sustainable practices that flow smoothly throughout our supply chain.

In FY2022, we continue to focus on the areas of occupational health and safety, the natural environment, the fight against corruption and the respect for human rights. Apart from that, we maintain tracking and monitoring on local procurement, and consider local sourcing as much as possible, directly benefiting the local economy where we operate.

Management approach

The supply chain disruptions began with the government movement control measures put in place in FY2020 to prevent the spread of COVID-19. The pandemic has resulted in unprecedented supply chain disruptions and labor shortages. In FY2022, the endemic requires the Group to continue to adapt and rise to new challenges as we remain committed on supply chain risk management and working proactively together with the critical suppliers to mitigate supply chain risks.

We believe that building a risk-aware culture requires buy-in at all levels of our business. The easiest way to achieve this is to conduct risk awareness training for our workforce.

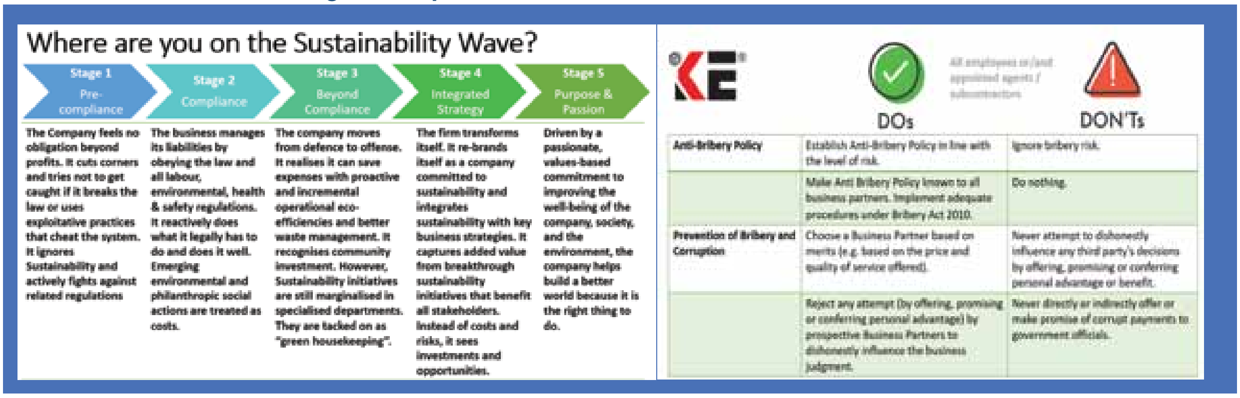
In FY2022, all our management was trained with supply chain management risks and challenges.

	Internal supply chain risk events	External supply chain risk events
Engineering	• Not complying with environmental regulations or labor laws. • Quality/ Delivery Failures, not able to hand-over project to meet customers' needs. • Not putting contingencies in place in case something goes wrong	• Interruptions to the flow of products, including raw materials, parts, and finished goods. • Unpredictable or misunderstood customer demand.
Industrial Gases	• Disturbances in internal operations or processes. • Failing to plan for emergencies or find alternate solutions. • Not putting contingencies in place in case something goes wrong	• Interruptions to the flow of products, including raw materials and parts. • Electricity shortage

Since FY2022, the sustainable supply chain ("SSC") working group was assigned to promote sustainability and communicate with our selected key external provider via formal and informal channels, to better understand:

a) level of our key vendors' understanding about sustainability and their ethical commitment;
b) any challenges they encounter when providing supply or services to our valued customers; and
c) any assistance needed from Kelington in their sustainability journey.

Create awareness on Kelington's Expectation



In FY2022, 11 out of 36 selected subcontractors was briefed about Kelington's sustainability policies. Additionally, key vendors are encouraged to manage their performance through a sustainable development management program, with set KPIs and targets that refer to the local government rules & regulations as well as international standards.

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

In order to monitor our key subcontractors' sustainability commitment and ensure the delivery of a mutually-beneficial solutions in a sustainable manner, our SSC working group will collect relevant data via due diligence questionnaire after communicating Kelington's expectation. Based on the nine completed questionnaire received in FY2022, SSC working group noted that the key subcontractors of Kelington in Malaysia are in the range between "pre-compliance" and "compliance" in the sustainability wave.

Ethics issues in supply chain can have significant impacts on various aspects of our business, including reputation, legal and financial liability and customer loyalty. Our SSC working group assess the potential risks regularly and seek collaboration and coordination across the supply chain to ensure resilience and continuity of operations.

Screening of selected key sub-contractors

In FY2022, we enhanced our external providers screening process by incorporating additional evaluation sections into our sub-contractor qualification process. The additional qualification criteria coincides with our Responsible Supply Chain Policy, Environmental Policy, and Safety and Health Policy.

Local Sourcing

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

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

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

In FY2022, we managed to source more than 90% of our total purchases groupwide from local external providers. Geographically, KE Taiwan and KE China had achieved the highest percentage at 99% and 95% local sourcing, followed by KE Malaysia and KE Singapore both at 88%. We will continue prioritising local external providers in terms of our purchases in the future.

SI 13 Quality Products and Services

Target FY2024	Base Year FY2019	Progress FY2022
To achieve average customer satisfaction rate of 90%	Customer Satisfaction Rate Engineering Division: 86% Industrial Gases Division: 100%	Customer Satisfaction Rate Engineering Division: 90% Industrial Gases Division: 85%

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

Management Approach

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

Certification	Mechanisms
Malaysia - Engineering	ISO 9001:2015
Malaysia – Ace Gases	ISO 9001:2015, FSSC 22000, Halal certification (Jakim)
Singapore - Engineering	ISO 9001:2015
China - Engineering	ISO 9001:2015
China - Manufacturing	SEMI S2-0810E, SEMI S8-0218

Ensuring Customer Satisfaction

The satisfaction of our customers is paramount to the continuity of our business. Customer satisfaction determines our ability to secure new and repeated business as well as fortify our ongoing relationships to achieve economic success. With this in mind, we strive to fulfil our customer needs and exceed their expectations. The annual customer survey is designed to measure the critical factors that influence customers in their choice of a business partner or long-term supplier. Kelington's annual customer survey measure a number of performance benchmark skills including:

- Timeliness & Reliability of Product / Services Delivery
- Quality of Product & Services
- Responsive to Customer Needs
- Communication with Customer
- Safety & Environment Compliance

Customer Satisfaction Survey ("CSS")

	2019		2020		2021		2022	
	No. of CSS conducted	Average Rating %	No. of CSS conducted	Average Rating %	No. of CSS conducted	Average Rating %	No. of CSS conducted	Average Rating %
Engineering Division	17	86%	12	90%	33	93.5%	40	90%
Industrial Gases Division	3	100%	5	100%	16	85%	21	85%

SI 14 Technology & Operational Innovation

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

We are constantly striving to raise our capacity for knowledge, creativity and innovation, and fulfil the high expectations in the value chain of various semi-conductor and biotechnology industries. In this aspect, Kelington prides ourselves as more than just an engineering company, as we bring together specialised engineering skills and in-depth knowledge of gas and chemicals.

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

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

Kelington adopts a Technology and Innovation framework to prioritize our efforts and drive innovative initiatives to our focus areas:

Research and Development (R&D)

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

In FY2022, we had spent a total amount of RM6.5 million for R&D and this marks the fifth consecutive year we invest in R&D since we set up our Chuzhou center. The R&D activities have so far yielded encouraging results where our newly developed Gas Cabinet designs had managed to obtain the SEMI S2 and SEMI S8 certification and accepted as qualified vendors by major Wafer Fabs customers.

Collaboration and Partnerships

Kelington actively seek out collaborations with international players to develop innovative technology that can contribute the mitigation and adaptation to climate change. i.e solutions that can help to address climate change such as greenhouse gases treatment system, exhaust gas abatement technology, energy storage, carbon capture and storage.

Digitalisation

Digitalisation is an overall driver of organisational transformation that impacts every part of our business. Kelington advocates that the smart application of business digitalisation will lead to significant increase in business productivity and cost reduction, thus resulting in enhanced business performance. With this concept in mind, Kelington endeavours to look for ways to digitalise our operations and processes, from corporate activities right down to the project and manufacturing activities.

Digitalisation has had a significant impact on the way engineering drawings are created, managed, and shared. Computer-aided design (CAD): CAD software has revolutionized the way engineering drawings are created. With CAD software, engineers can create 2D and 3D drawings on a computer using a variety of tools, such as lines, arcs, circles, and polygons. This eliminates the need for manual drafting, which can be time-consuming and error-prone. BIM (Building Information Modeling) 3D models contain detailed information about the project, including geometry, materials, and other data. This allows stakeholders to view the project in 3D, which provides a more accurate and realistic representation of the building or infrastructure project. BIM drawings contain a wealth of information about the project, including details about materials, systems, and equipment. This information can be shared with contractors, suppliers, and other stakeholders to help them better understand the project and to make more informed decisions. In additional, the software can be used to create a construction sequencing plan and also detect clashes between different elements of the project, such as pipes and ducts. This helps to identify potential conflicts before construction begins, which can reduce errors and delays.

Digitalisation enables automating tasks that were previously done manually. It help to reduce errors, increase efficiency, and free up employees to focus on more strategic tasks. Collaboration tools like video conferencing, instant messaging help our teams work together more efficiently and effectively. Digitalisation enables the creation of centralised document management system that allow employees to access and manage documents from a single location. Remote access to systems and data improve the speed and efficiency of processes. Employees can access information and systems from anywhere, reducing the need for physical presence in the office. Through the Enterprise Resource Planning ("ERP") system, our management is able to obtain reports generated based on real-time data, leading to faster sharing of information and decision-making across the organization.

Continuous Improvement

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

Building a thriving workplace for employees

We Care for People

SI 5 Occupational Safety & Health

We place a high priority on the safety and well-being of our employees, recognizing that occupational safety and health (OSH) is of paramount importance in the workplace. In the construction industry, where the risk of injury is particularly high, ensuring a safe working environment is crucial. This responsibility extends not only to individual work sites, but to all operations across the organization.

In order to foster a healthy and safe working environment, we have implemented preventative measures against accidents, and we are committed to providing our people with a safe and healthy workplace. This includes significant investment in resources to ensure that employees and workers are protected at all times we are moving to the new COVID-19 endemic state.

It is our responsibility to enforce safety measures that prevent work-related illnesses and injuries, in order to nurture a productive and healthy workforce. By implementing globally recognized standards, ISO 45001:2018 Occupational Health & Safety Management System (OHSMS), we strive to proactively improve our occupational health and safety performance.

Our commitment to safety aligns with the UN SDG No. 3, which is to ensure health and well-being for all. By prioritizing OSH and taking measures to prevent accidents and promote employee well-being, we remain confident of contribution to this global goal.

Kelington is dedicated to providing a safe and healthy working environment for our employees and workers. We understand that safety is a shared responsibility, and are committed to ongoing improvement in our occupational health and safety performance through the implementation of globally recognized standards. By doing so, we are not only protecting our people, but also contributing to a healthier and safer world.

Our approach to workplace safety and employee well being

Our operations span various locations, making it vital for us to adopt a systematic approach to creating a safe working environment at all project sites. To achieve this, safety considerations and practices have been incorporated into our Group's Standard Operating Procedures (SOP) as a guideline for all employees and workers who perform work involving hazardous materials, equipment or operations.

We believe that enhancing safety efforts is essential, which is why we ensure that all employees and workers at our sites have proper training, experience and knowledge to conduct their tasks in a proper manner. In addition, we equip our staff with ergonomic tools, protective equipment and first aid kits. All relevant safety requirements, measures, work rules, procedures and protocols set out in safety manuals, handbooks and documents are reviewed and updated regularly to ensure continuous improvement of our safeguards.

To ensure effective communication and accessibility, employees and workers can access safety manuals and safety information via various channels, such as emails and newsletters, safety info and signage posted throughout the workplace, daily tool box meetings and mass tool boxes, occupational safety and health training and education, and communication during routine safety inspections and safety line walks. We also share S&H Communication Report to promote learning and best practices.

Our Safety and Health Policy, SOP and protocols outline our principles and commitment to providing a safe and healthy working environment for our employees and stakeholders. We extend the same policy to our approved suppliers, appointed subcontractors and service providers, driven by our belief in the culture of caring about the well-being of our people. For more information on our sustainable supply chain, please refer to page 78.

We believe in a culture of caring about the wellbeing of our people, and safety and health are of paramount importance at our workplace. We remain vigilant and devote constant efforts to ensure that all practices comply with our safety and health policies. We do not tolerate any unsafe practices and appropriate action shall be taken on any violations of safety and health practices by the company.

At Kelington, we prioritize building a healthy workforce, and our human capital strategy reflects that. We have crafted employment packages with a range of entitlements and benefits to improve the well-being of our employees and assist them in achieving work-life balance. We also offer healthcare insurance and medical coverage for accidents and hospitalization to all employees and direct family members who qualify for a health insurance subsidy.

We believe that investing in our employees' well-being and prioritizing a culture of caring ultimately leads to our continued success.

How does Kelington manage occupational health and safety ?

a) Management System

Kelington has implemented comprehensive and well-documented Occupational Safety and Health (OSH) policies and procedures with the aim of creating a safe and supportive working environment for all individuals working at our workplace. Our OHS Management System (OHSMS) encompasses all employees of Kelington Group as well as individuals who are not employees but whose work or workplace is under the control of Kelington.

As at 31 December 2022, Kelington's OHSMS has achieved 91% certification to ISO 45001:2018, demonstrating our strong commitment to maintaining a high standard of health and safety measures for our employees and other individuals under our care. Kelington is committed to advocating best practices and to ensure its safety performance is benchmarked against industry standards.

Activities	Workplaces	Group Operating Revenue (%)	Occupational Health & Safety Management System
• Construct specialized facilities • Construct mechanical and electrical systems • Installation of gas and chemical distribution system • Fabrications	Customers' site- Singapore	36%	• ISO 45001:2018 certified since December 2020*
	Customers' site-China UHP Fabrication Facilities -China	15%	• Certified to OHSAS 18001:2007 from June 2019 to June 2020 • ISO 45001:2018 certified since August 2020*
	Customers' site-Malaysia	40%	• Certified to OHSAS 18001:2007 from July 2014 to Sept 2019 • ISO 45001:2018 certified since July 2020*
	Customers' site-Taiwan	3%	• Adapting safety & health standards to ensure workplace safely
Manufacturing and trading of industrial and specialty gases	Manufacturing Facilities-Malaysia	6%	• Adapting safety & health standards to ensure workplace safely and target to obtain ISO 45001:2018 certification by Y2024.

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

b) Safety Governance: Leading safety and health at work

At Kelington, our core belief is "Safety First, Quality Always", which guides the way we operate our business. We are fully committed to safeguarding the health and safety of not only our employees but also workers and members of the public who may be impacted by our operations. This makes up an essential part of risk management led by the Board. By prioritizing safety and health, we aim to continue delivering high-quality services while ensuring the well-being of our people and the public.

In year 2022, Kelington adopted the following safety governance structure to lead and promote health and safety across the Group.

The Board

- The Board is responsible for monitoring strategies relating to the health, safety and environment, as well as to ensure compliance with the relevant laws, rules and regulations.
- The Board sets the direction for effective health and safety management and oversees OSH integration into the main governance structure.
- The Board via the Risk Management Committee (RMC) continually monitor and review the OSH risks to ensure that the risk management strategies put in place are effective and that any new risks are identified and managed. Agendas for RMC meetings include health, safety and environment topics.

Executive Management Committee

- The Executive Management Committee is primarily responsible for safety and health management in the Group. They shall ensure all their decisions reflect Kelington's safety and health intentions.

Group-wide Safety & Health Working Group ("SHWG")

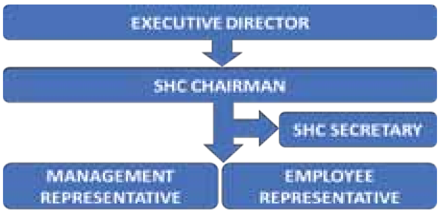
- Kelington's group-wide Safety and Health Working Group ("SHWG") is comprised of regional safety and health leads, who work diligently to ensure that all work sites adhere to local occupational safety laws and regulations.
- The SHWG is led by the Group Safety and Health Officer, a certified Greenbook holder who is registered as a certified safety and health officer with the Director General of the Department of Occupational Safety and Health in Malaysia.
- Each member of the SHWG is required to demonstrate a strong commitment to safety and health, and they are tasked with overseeing various aspects of the working environment to ensure the safety and well-being of all individuals involved. This includes:
  - √ Conduct and review Hazard Identification, Risk Assessment and Risk Control ("HIRARC").
  - √ Emergency response testing.
  - √ Incident and accident investigation.
  - √ Workplace inspection/ audit.
  - √ Develop Safe Work Instructions.
  - √ Assist in development of safety and health rules and safe systems of work.
  - √ Review effectiveness of safety and health program.
  - √ Carry out studies on the trends of accidents and incidents.
  - √ Review the safety and health policies at workplace.
- The SHWG reports to the Executive Management regularly on the effectiveness of the OHSMS and to update the implementation status of continuous improvements.

On-site Safety & Health Committee ("SHC")

- Our Safety & Health Committees ("SHC") at project sites primarily responsible to identify, evaluate, and manage safety and health hazards within workplace the respective facilities. SHC is responsible for improving safety and health conditions, promoting safety awareness, and providing a forum for employees to voice their safety concerns. SHC shall ensure all workers are well-equipped with safety tools and equipment, and are responsible for scheduled maintenance of equipment.
- The duties and responsibilities of the SHC includes:-
  - √ Conducting regular safety inspections to identify potential hazards and make recommendation for improvement.
  - √ Establish and update health and safety standards, rules and procedures, that are communicated to all workers to ensure adherence to OSH requirements.
  - √ Use color codes, posters, labels or signs to warn employees of potential hazards.
  - √ Communicating safety information, conduct daily toolbox meeting and provide safety training.
  - √ Review and investigate accidents and incidents that occur in the workplace to determine the root cause and recommend corrective actions.
  - √ Keep records of work-related injuries and illnesses.
  - √ Convene meetings on a quarterly basis while providing a communication and participation channel that can be utilized to discuss safety matters of our employees, appointed contractors and visitors at our premises and workplaces.

On-site Safety & Health Committee ("SHC")

- The Chairman of SHC reports directly to the Executive Management to ensure that the Board is kept abreast of Kelington's overall health and safety performance and matters. The structure of the SHC is illustrated in the figure below.



All Employees and Workers

- All Kelington's employees, approved vendors and appointed subcontractors are obligated to work in a safe manner, to co-operate and to act responsibly with the aim of preventing injury to themselves and others as well as to the environment.
- Promptly report all accidents or incidents, as well as near miss cases to line management, according to the Incident Reporting Guidelines.

c) Hazard Identification, Risk Assessment and Risk Control Procedure

Our Hazard Identification, Risk Assessment and Risk Control ("HIRARC") procedure requires the implementation of controls to manage identified risks/hazards using the hierarchy of control (elimination, substitution, separation, engineering, administrative and personal protective equipment). This procedure is especially important when our employees are executing work at our customers' sites or handling and distributing industrial gases. By identifying potential risks and hazards beforehand, we can take appropriate steps to prevent accidents and ensure the safety of everyone involved.

HIRARC procedure emphasizes the importance of selecting the most effective control measures to manage risks and hazards, and encourages ongoing monitoring and review to ensure continuous improvement in our safety practices. HIRARC is reviewed at least once yearly, when the need arises or new work process is identified.

The HIRARC team is responsible to identify potential hazards, assessing the risks associated with hazards and implementing strategies to mitigate or manage the risk. This may include developing policies and procedures, providing training to employees, or implementing engineering controls. The results of hazard identification and risk assessment would be communicated to relevant stakeholders, including management, employees, and external stakeholders such as regulators and customers.

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

- Falling from Height
- Electrocution
- Exposure to flammable material
- Machinery Topple

In FY2022, with the continuous implementation of measures to manage hazards, there was no reported incident arising from the above mentioned work-related hazards.

Risk Assessment

We take a comprehensive approach to ensure the safety and health of all employees and workers, beginning with a formal risk assessment using the HIRARC procedure before any work activity can commence. High risk activities are identified and mitigated using the Permit-to-Work System and the hierarchy of controls is used to determine the most effective ways to protect workers and manage risk to a level that is acceptable.

At all of our industrial gases manufacturing sites, we carry out Chemical Health Risk Assessments in accordance with regulatory requirements to identify potential health risks to workers who may be exposed to hazardous chemicals. The results of these assessments guide subsequent processes such as Chemical Exposure Monitoring and Medical Surveillance in the workplace.

For new operations and large-scale projects, the process for ensuring the safety of workers involves a risk assessment committee that evaluates the potential risks associated with the project. This process consists of several stages, including a review of the project's scope definition, risk assessment matrix, timelines, and multiple levels of approval. Changes to existing operations or projects are managed through the Management of Change (MOC) process, and risk assessments are mandatory for all projects based on their risk classification. The purpose of these assessments is to identify potential risks early on and take appropriate action to mitigate them.

At Kelington, we implement and enforce a “Stop Work Policy” to allow any person, including non-employees, to refuse or stop work activities deemed unsafe without fear of reprisal. We have also established a "Bad Weather Policy" to halt outdoor work activities during adverse weather conditions, recognizing the potential safety hazards that can arise in these situations.

To strengthen the Group’s safety culture, our project sites conduct daily toolbox meetings, where workers can utilize to voice out concerns on safety issues such as hazards or controls, incidents or accidents, and work procedures. We also have a “Whistleblowing Policy and Procedure” in place, providing an independent channel for reporting unsafe acts or work hazards while protecting workers against reprisal.

d) Communication makes workplace safer

In any workplace, safety is utmost importance. At Kelington, we prioritize the safety and health of our employee and anyone who interacts with our business. Our Occupational Health and Safety Communication, Participation, and Consultation Management Procedure Manual serves as a comprehensive guideline for implementing and maintaining a standardized procedure for communication, participation, and consultation with respect to OSH and environmental hazards.

Through the manual, Kelington aims to ensure that all stakeholders are informed about potential hazards and equipped with the knowledge and tools to prevent them. This, in turn, fosters a culture of safety and accountability throughout the organization. The company also seeks to establish channels for effective communication and collaboration between internal employees, external contractors, and other relevant stakeholders, with the goal of achieving consensus and promoting safety and health management.

Moreover, our Safety and Health Working Group is tasked to ensuring that our Safety and Health Policy is circulated to all suppliers. In addition, we extend invitations to our key suppliers to participate in Occupational Safety, Health and Environment ("OSHE") awareness training programs. These initiatives serve to promote alignment with our safety standards and facilitate the identification and mitigation of potential hazards in our supply chain.

We actively involve our employees and workers in aspect and impact analysis, hazard and risk identification, and risk assessment to ensure that they understand the potential hazards and necessary mitigation strategies. Similarly, we involve our employees and workers in incident investigations to facilitate the identification of the root cause of incidents and the implementation of appropriate corrective actions.

Incident and Accident Reporting Procedure

At Kelington, we have a comprehensive incident/accident reporting procedure that mandates the reporting of any incidents or near misses to line management promptly. The line management shall report any incident/accident to the Safety and Health Department within 24 hours, and respective OSHE function will conduct a review and investigation and thereafter, implement the appropriate corrective action. We also share lessons learned through on-site toolbox meetings, allowing employees to learn from past incidents and develop preventive measures. This process enables swift action to be taken and reduces the likelihood of future incidents.

Additionally, we conduct formal reviews of incidents and accidents at quarterly SHC meetings and annual management review meetings. The SHC meetings involves both management and employee representative provide an opportunity to review our OSH management systems, identify areas for improvement, and enhance the effectiveness of our safety and health initiatives.

No serious incidents were reported during the FY2022, a total of four OSHE-related reports were submitted and resolved within the organization.

Transparent Communication

When safety or health issues arise, it's important to communicate the information promptly and transparently. Delaying or withholding information can erode trust and lead to further safety or health issues. Kelington's biannual S&H Communication Reports would be circulated to all employees and other interested parties of any accidents or incidents resulting in injuries or fatalities. These reports include information about safety leading indicators, as well as details on incidents that have occurred, the root causes of those incidents, and the measures being taken to prevent similar incidents from happening in the future.

Through this transparent approach, we aim to foster a culture of safety by encouraging open communication and making safety priority for everyone in our organization. Transparent communication can help to identify and address safety and health hazards before they become major issues. When our employees are informed about potential hazards and understand how to mitigate them, Kelington can more effectively manage risks, ultimately we prevent injuries and illnesses, reducing costs associated with these issues.

e) Safety & Health Awareness and Competencies

At Kelington, we recognize that training is a critical element in reducing the risk of workplace accidents. To ensure our workers are equipped to work safely, we provide regular safety training in addition to daily on-job training during toolbox meetings. Topic covered in year 2022 includes:

- Hazard Communication
- Chemical Safety
- Personal Protective Equipment (PPE)
- Fire Prevention and Emergency Evacuation
- Working at Heights and Fall Protection
- Confine Space Awareness
- First Aid, CPR and AED
- COVID-19 Control and Prevention
- Flagman and Spotter
- Workplace Ergonomics
- Mobile Elevated Work Platform (MEWP)
- Health Awareness
- Scaffold Safety
- Electrical Safety and Equipment Use
- Rigging & Slinging

It is essential that our workers fully understand the company's health and safety policies, risk assessments, safety systems of work, and any work-related training requirements. We also make sure that our workers understand their role within these policies and how to manage them effectively.

By monitoring training hours, The Group Safety and Health managers can identify trends and patterns in training needs and adjust the training programs accordingly and ensure that training programs remain relevant and effective in addressing emerging workplace hazards and risks.

	Total Training Hours	**Total No. of Employees Trained**
	Health & Safety Training	
KE Malaysia	894	169
KE Singapore	5,003	161
KE China	882	57
KE Taiwan	70	2
Total	**6,849**	**389**
	General Training which includes safety	
KGB Group	1,060	196





f) Safety Recognition Program

Kelington places a strong emphasis on fostering a robust safety culture that prioritizes effective communication, comprehensive training, and ongoing improvement. Our employees play a crucial role in creating a safe working environment, and we are committed to supporting them in every way possible.

To demonstrate our appreciation for our employees' efforts, we have implemented a Safety Recognition Program. This program recognizes and rewards employees who achieve specific safety targets, both in terms of tangible rewards and intangible recognition.

Through this program, we aim to motivate our employees to maintain high levels of safety awareness and engage in safe working practices at all times. The program also serves to foster a positive safety culture that encourages everyone to work together towards creating a safe and healthy workplace.

Man-Hour Celebration

The celebration of man hour is a way for us to acknowledge and honor our employees for their exceptional safety performance. This program is designed to recognize employees who have worked for a significant number of hours without experiencing any safety incident or accident.

Through this celebration, we show our appreciation for their hard work and commitment to maintaining a safe work environment. It also serves as a motivation for other employees to follow safety protocols and strive for excellence in their work.



Our Commitment to Global Health

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

At Kelington, we are committed to improving global health equity by raising public awareness of non-communicable and infectious diseases such as HIV/AIDS, malaria, and tuberculosis. We firmly believe that prevention is better than cure, and community awareness is key to fighting these diseases effectively.

To this end, we regularly publish posters and newsletters that provide the latest information and preventative measures against these illnesses to our employees. By raising awareness, we can help our employees understand the risks associated with these diseases and encourage them to take preventive measures to protect themselves.

In 2022, we took our commitment to global health a step further by organizing a Health Campaign. This campaign included health talks on HIV/AIDS, malaria, and tuberculosis, as well as a health screening event to promote awareness and early detection of these diseases. We also collaborated with Pusat Darah Negara to organize a blood donation event, which allowed our employees to give back to the community and contribute to a worthy cause.

COVID-19 Endemic

As we entered to an endemic phase of the COVID-19 pandemic, Kelington remain committed to maintaining the health and safety of our employees and the communities in which we operate. We distribute COVID-19 self-testing kits to employees. Prior to entering our office and project sites, all employees are required to conduct self-tests at least twice a month and maintaining reasonable hygiene and social distancing measures across all our premises, facilities and project sites.

Safety and Health Performance

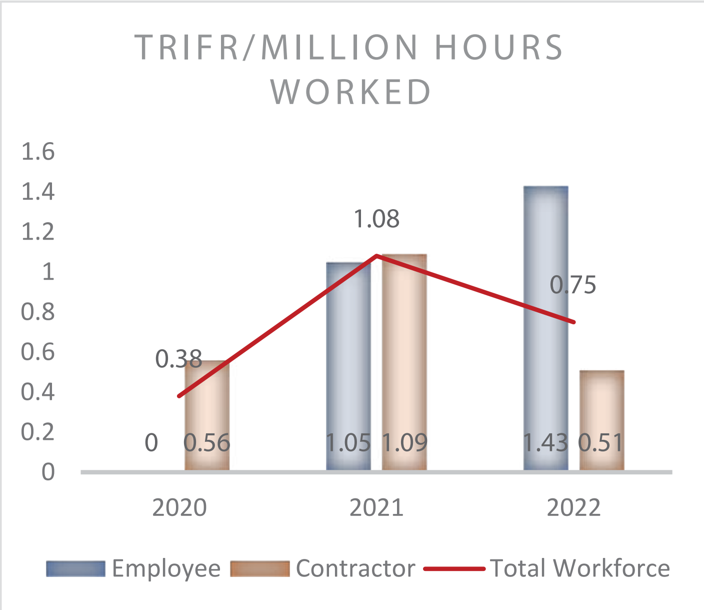
27 million man-hours without Lost Time Injury since FY2010

	All Employees[1]			All workers who are not Employees[2]		
Work-related injuries	FY2022	FY2021	FY2020	FY2022	FY2021	FY2020
Number of fatalities[3] as a result of work-related injuries	0	0	0	0	0	0
Number of high-consequence work-related injuries	0	0	0	0	0	0
Number of recordable work-related injuries	2	1	0	2	2	1
Number of lost time[4] injuries	0	0	0	0	0	0
Lost time incident rate	0	0	0	0	0	0
Number of hours worked	1,400,120	954,803	869,926	3,940,817	1,827,048	1,775,599

Notes:

(1) All individuals who are employed by the company, including both permanent and contract employees regardless of their job function or whether they work full-time or part-time.
(2) All individuals who were working as contractors for the company, regardless of the specific project they were working on.
(3) An injury leading to immediate death or death within one year from the date of the accident.
(4) Lost days (consecutive or not), counted from and including the day following the day of accident, includes injury, diagnosis of occupational poisoning and occupational disease measured in calendar days, the employee was away from work.

[Figure 1]



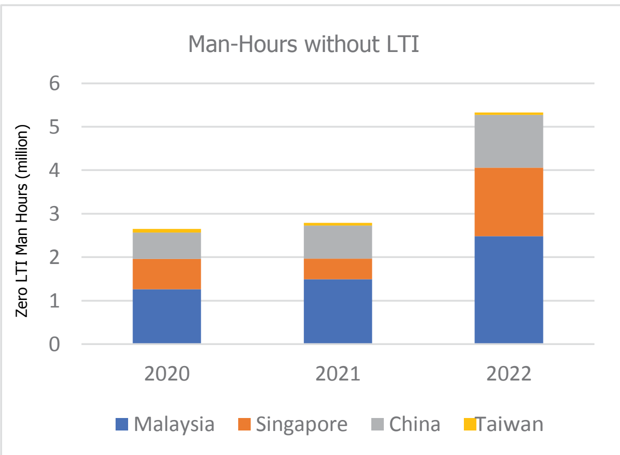
[Figure 2]

Our Group has recently accomplished a remarkable safety achievement by successfully completing over 27 million man-hours without any lost time injury (LTI) or work-related illnesses since 2010. This has been a significant milestone for us, and we are committed to maintaining our record of zero fatalities and lost workday cases since then. Our total recordable injury frequency rate (TRIFR) has also seen a year-on-year improvement, reducing from 1.07 per one million hours worked in the past to 0.75 in FY2022. Our accident rate reported at 1.74 accidents for every 1,000 employees, which is within the range of industry benchmark at 2.71.

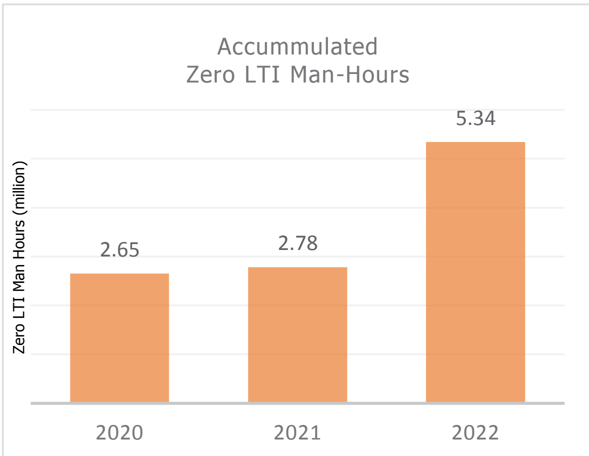
Our work-related injuries and TRIFR for both employees and non-employees are presented in Figure 1 and 3. Despite our commitment to maintaining a safe work environment, our Malaysian operations recorded one employee and two non-employee work-related injuries in FY2022. Similarly, one employee work-related injury was reported in our China operations. On the other hand, our Singapore and Taiwan operations reported no work-related injuries during the same period. It is worth noting that our overall safety record remains impressive, with zero fatalities, lost time injuries, and work-related illnesses reported across all our operations.

The TRIFR is calculated by dividing the number of recordable work-related injuries by the number of hours worked, and multiplying by one million hours worked. Our regional offices report this data on a monthly basis, covering all employees and contractors of Kelington, with no workers excluded from this disclosure.

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



[Figure 3]



[Figure 4]

Recognition & Awards

We are proud to share that our efforts in maintaining high standards of quality, safety and professionalism have been recognized in the CIDB SCORE program, where Kelington's operation in Malaysia have been awarded a 4-star rating by the Construction Industry Development Board (CIDB) Malaysia.

In FY2022, our organization was honored with safety awards from our valued customers in recognition of our exceptional safety performance. This recognition demonstrates our unwavering commitment to ensuring the health and safety of our employees and those who interact with our organization. We take great pride in our dedication to implementing rigorous safety measures across all of our operations, and we are deeply grateful for the recognition we have received from our valued customers.

All awards serve as a testament to the hard work and dedication of our entire team in maintaining a safe and healthy work environment. We remain committed to upholding the highest standards of safety and will continue to prioritize the health and well-being of everyone involved in our operations.

SI 6 Talent Management and Development

Target
FY2024

Average Training Hours per employee
12 hours

Maintain annual staff turnover rate
below 15%

Base Year
FY2019

Average Training Hours per employee
10.36 hours

Staff turnover rate
8.9%

Progress
FY2022

Average Training Hours per employee
15 hours

Staff turnover rate
16%

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

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

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

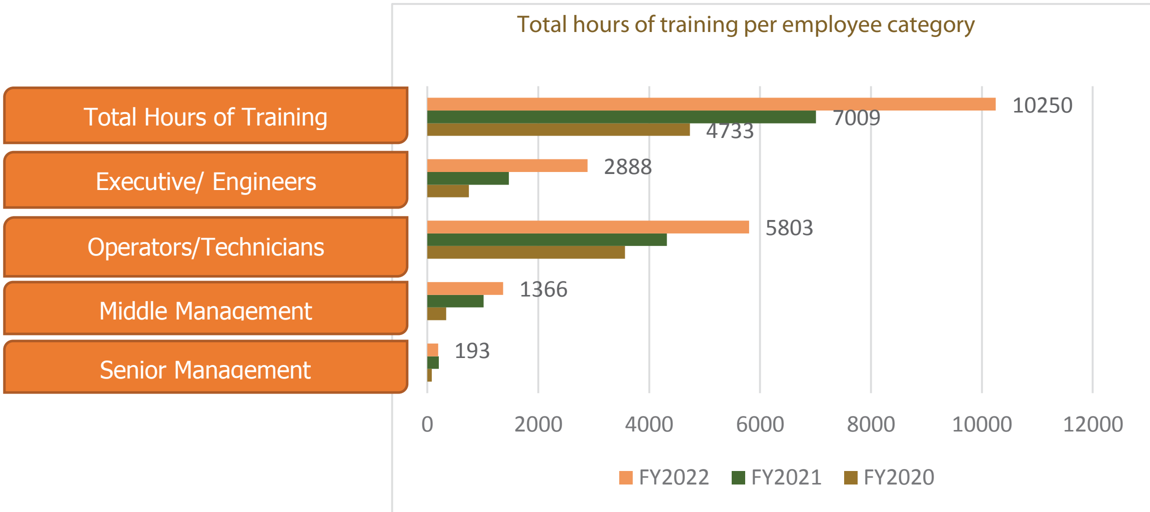
In line with Kelington's consistent performance growth, continuous evaluation of our strategic talent management process enables Kelington to attract suitable candidates available in the market. Furthermore, it allows us to tap into the continuous inflow of talents to fill critical roles and advance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

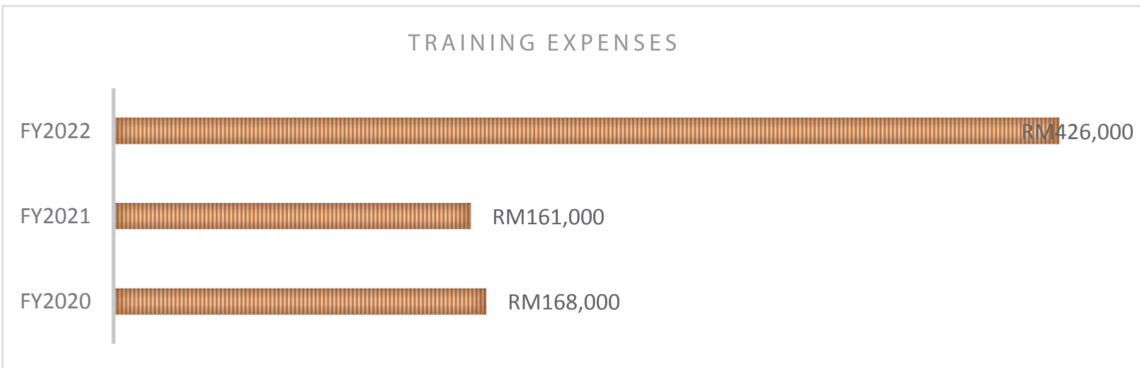
Enabling Personal Growth & Recognition

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

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

In FY2022, our Group's training expenses totalled at RM426,000. All employees received at least one training in FY2022. In total, our employees completed more than 72 training sessions via online and offline channels. During the year, the Group clocked in a total of 10,250 training hours, translating to an average of 15.05 training hours for each employee.





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

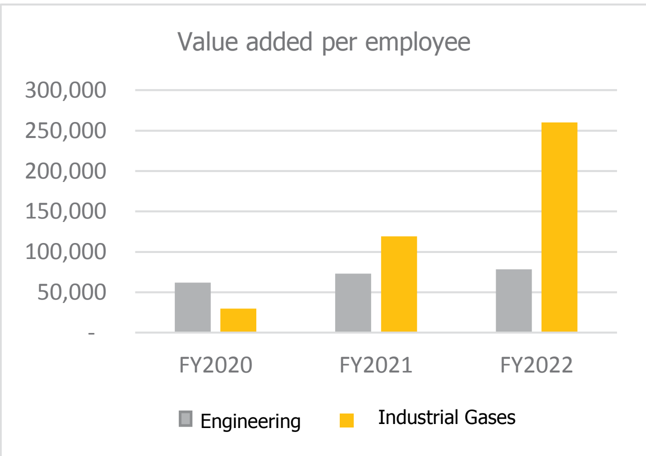
Employee Performance and feedback

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

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

Employee Productivity

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



In FYE2022, the value added per employee for the Engineering division improved 7% and recorded at RM78,523 per employee. This is derived by dividing the Engineering business' PAT by its number of employees. As for the Industrial Gases division, the value-added per employee is 3 times higher than the engineering division due to its business nature which is capital intensive and rely heavily on plant and machinery. In contrast, KE's engineering division have low capital investment and rely more on labour to deliver our services, the value-added per employee is generally lower than a capital-intensive company.

Employee Loyalty

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

As at 31 December 2022, 42% of our employees have been with Kelington for more than 2 years while 8% of the workforce have been with the Company for more than 10 years. During the year, we honoured 2 employees with 10-year Long Service Award, 6 employees with 15-year Long Service Award and 1 employees with 20-year Long Service Award.

Length of service	No. of employees FY2022	%
< 2 years	393	57.8%
2-5 years	166	24.4%
6-10 years	67	9.8%
11-15 years	39	5.7%
16-20 years	13	1.9%
> 20 years	3	0.4%
Total	681	100%

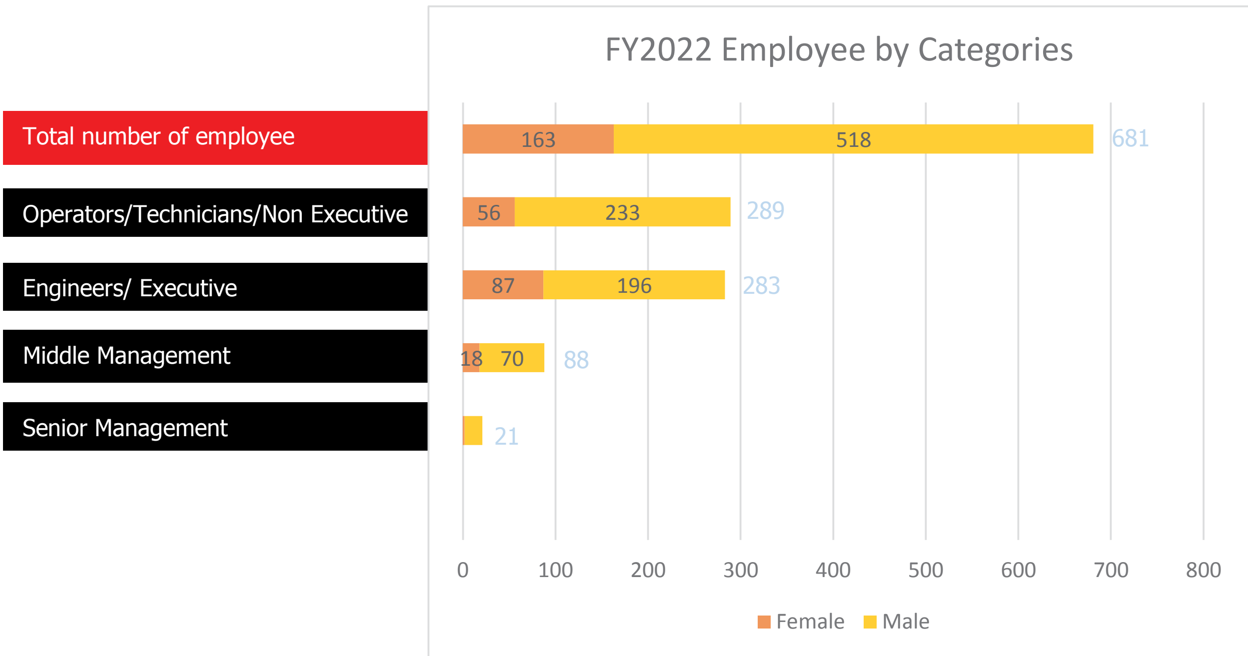
SI 7 Diverse and Inclusive Workplace

Target FY2024	Base Year FY2020	Progress FY2022
Female representative in total workforce (Executive level & above) **30%**	Female representative in total workforce (Executive level & above) **22%**	Female representative in total workforce **24%**

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

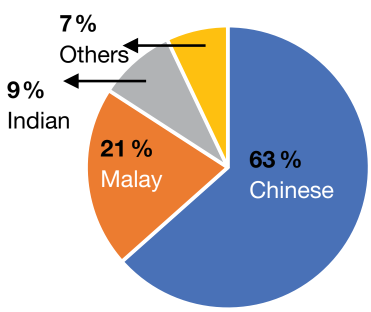
Kelington's Diversity, Equity and Inclusion Policy was updated in February 2023. KGB's diversity initiatives are applicable but not limited to our practices and policies on recruitment and selection; compensation and benefits; professional development and training; promotions; transfers; social and recreational programs; layoffs; terminations; and the ongoing development of work environment. Employees who believe they have been subjected to any kind of discrimination that conflicts with the company's Diversity, Equity and Inclusion policy may seek assistance from a supervisor, an HR representative or through the Grievance Process available. Employees who do not comply with the Policy and/or are found to have engaged in discrimination, harassment or bullying, will be subject to appropriate disciplinary action, up to and including termination of employment.

Detailed analysis of KGB's workforce is tabulated as below:-

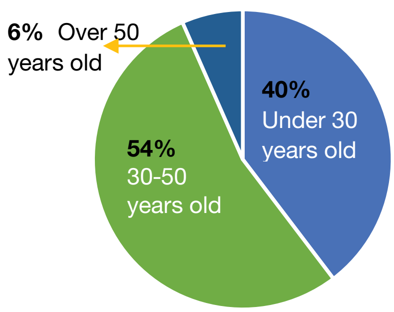


	Unit of measure	FY2020		FY2021		FY2022	
No. of employee by employment type							
Full Time Employees	Number	358	87%	417	85%	568	83%
Contract Staff / Workers	Number	53	13%	75	15%	113	17%
Total Workforce	Number	411	100%	492	100%	681	100%
No. of full time employees resigned during the year	Number	32		56		110	
Permanent Employee Turnover Rate	%	8.21		11.84		16.22	
Employee Turnover Rate by geography							
Malaysia	%	3		9		11	
Singapore	%	9		18		16	
China	%	14		8		24	
Taiwan	%	0		11		0	
No. of employee with disability	Number	0		0		0	
No. of employee by gender							
Male	Number	321	78%	380	77%	519	76%
Female	Number	90	22%	112	23%	162	24%
No. of Female Employees by category							
Senior management	%	10		11		11	
Middle management	%	22		16		20	
Engineers/ Executive	%	24		29		31	
Operators/Technicians/ Non Executive	%	22		18		19	
Local Employment Rate							
Employees who are Local (Malaysian)	%	59		59		60	
No of employees who are foreigner (non Malaysian)	%	41		41		40	

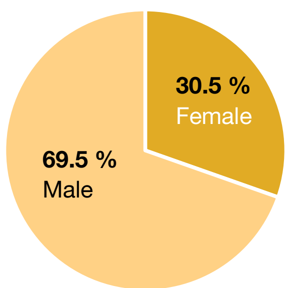
FY2022 Employee by **Ethnicity**



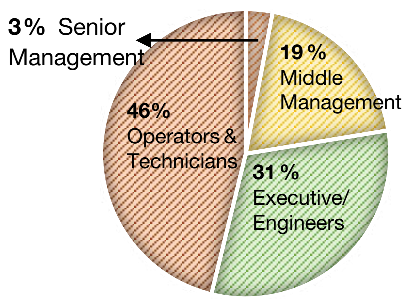
FY2022 Employee by **Age Group**



FY2022 Employee
Executive Level by Gender



30-50 YEARS OLD
BY EMPLOYEE CATEGORY



		Unit of measure	FY2022	
Total number of employee by age group and employee category				
Under 30 years old				
Senior management		Number	0	
Middle management		Number	5	1%
Engineers/ Executive		Number	161	24%
Operators/Technicians/ Non Executive		Number	104	15%
	Sub- total	Number	**270**	40%
30 - 50 Years old				
Senior management		Number	11	2%
Middle management		Number	71	10%
Engineers/ Executive		Number	115	17%
Operators/Technicians/ Non Executive		Number	169	25%
	Sub- total	Number	**366**	54%
Over 50 Years old				
Senior management		Number	10	1%
Middle management		Number	12	2%
Engineers/ Executive		Number	7	1%
Operators/Technicians/ Non Executive		Number	16	2%
	Sub- total	Number	**45**	6%
Employee Turnover Rate by category				
Senior management		%		5%
Middle management		%		2%
Engineers/ Executive		%		15%
Operators/ Technicians/ Non Executive		%		25%

SI 8 Respect Human Rights

Base Year FY2020	Target FY2024	Progress FY2022
0 Number of Incidents	Achieve zero incidents of unfair harassment, bullying and/or unlawful discrimination practices including gender-based violence, sexual harassment, sexual abuse, corporal punishment, mental or physical coercion, bullying, public shaming, or verbal abuse of worker, etc	**0** Number of Incidents
100% Compliance	Committed to enforced zero tolerance approach to any child labour and/or modern slavery and/or forced labour of any kind within Kelington Group's operations.	**100%** Compliance
100% Compliance	Committed compliance and meet and/or exceed the minimum wage / meet living wage in each country of operations.	**100%** Compliance

Human rights are the fundamental rights and freedoms of every individual. These basic rights are based on the principles of dignity, fairness, respect and equality. In recent years, human rights initiatives in the corporate sector have become increasingly important. We recognize the need for human rights initiatives not only within Kelington, but also across the entire supply chain.

In FY2021, we formulated a Human Rights Policy to clarify our approach to human rights matters as the basis for initiatives in this area. In accordance with our Human Rights Policy, Kelington will respect human rights in our activities as an organization. We also aim to promote respect for the human rights of all stakeholders connected to our activities in collaboration with our business partners. As such, we are committed to treating people with dignity and respect in our workplace, to provide equal opportunity to all and have zero tolerance on child & forced labour.

Human Rights management

The Board of Kelington is responsible for overseeing the adherence to the Human Rights Policy, while the Executive Management Committee makes material decisions regarding the execution of the policy. The Group-wide Sustainability Working Group shall work together to address key challenges in the areas of discrimination, working hours, low wages and allowances, occupational health and safety risks, sexual harassment and maternal health, labour compliance by the Ministry of Labour and industrial zone authorities.

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

Policies Kelington emphasises respect for human rights in our Code of Ethics and Conduct. Our Human Rights Policy, Diversity, Equity and Inclusion Policy and Responsible Supply Chain Policy lay out clearly the approaches we adopt to respect and protect the human rights of our employees and stakeholders, covering areas from diversity and inclusion, child labour, forced labour, health, sexual harassment and community rights at the locations where we conduct our business activities. Our policies are reviewed regularly to ensure they remain effective at all times.

Audits Our Human Rights Working Committee conduct assessments and audits at our operating sites, as well as our business activities to identify important and salient human rights impacts.

Our Sustainable Supply Chain Working Group engages with our suppliers and subcontractors to create awareness on Kelington's expectations. We evaluate and prioritize the findings from the audits, understand their challenges in complying to our guiding principles and form action plans to manage the compliance risk.

Actions When human rights impacts are identified, Human Rights Working Committee would draft out the relevant action plan for Executive Management's approval. Resources would then be allocated for remedial actions. The execution of remedial action plan shall be carried out by respective Business Units. Kelington's Executive Directors report to the Board/Risk Management Committee on ESG risks management, at least once a year.

Contact Points for the general public and other stakeholders

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

In FY2022, Kelington did not have any reported incident of human rights violation, with no fine pertaining to human rights violation from the local authorities of where we operate.

Improve access to education for underprivileged

We Care for Society

SI 10 Community Investment

Target FY2024	Base Year FY2021	Progress FY2022
Expanding the reach of CSR initiatives guided by our Community Investment Policy.	2/4 Operational Locations engage in local community activities.	3/4 Operational Locations engage in local community activities.

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

On top of supporting local suppliers and hiring of local employees, Kelington also allocates corporate contributions for local communities, focusing on the underprivileged, education and environment. We continued to perform several core programmes involving education and providing financial assistance to underprivileged children.

In FY2022, the total spending on community program and environmental conservation are recorded at RM44,000. After regular scanning on Kelington's operating environment, the Sustainability Working Group would identify the social and environmental challenges and arrange meaningful CSR program that aligns with our community investment policy and priorities, addressing pressing social or environmental issues and create positive impact on our stakeholders and the communities where we operate. There were six local community programs conducted in FY2022.

1. Kelington Group Berhad blood drive donation campaign in Malaysia in collaboration with Pusat Darah Negara Malaysia to increase blood reserve.
2. KE Singapore blood drive donation campaign in Singapore with the collaboration of Blood Bank Woodland to increase blood reserve.
3. Kelington Shanghai donated RMB50,000 to support "Core Liver Baby Program" initiated by Shanghai Soong Ching Ling Foundation.
4. Orphanage visit by representatives of KE Malaysia.
5. Participated in Project Sambung Sekolah.
6. Participated in the tree planting programme - Restore our Amazing Rainforest organised by Animal Projects & Environmental Education Malaysia.

Blood Donation

Blood is needed to save lives in times of emergencies and to sustain the lives of those with medical conditions. KGB had a blood drive donation campaign in Malaysia and Singapore in collaboration with Pusat Darah Negara Malaysia and Blood Bank Woodland to increase blood reserve.

上海宋庆龄基金会
Shanghai Soong Ching Ling Foundation

Core Liver Baby Program

Kelington Shanghai donated RMB 50,000 to support “Core Liver Baby Program” initiated by Shanghai Soong Ching Ling Foundation. This project aims to provide financial support for underprivileged children who diagnosed with end stage of liver disease to undergo liver transplantation in Renji Hospital, giving them opportunity to regain a healthy and happy second life, and grow up like a normal children.

Project Sambung Sekolah

In FY2022, we participated in Project Sambung Sekolah, which is a project initiated by the Haematology Department of Hospital Ampang in partnership with The Max Foundation and Max Family Society Malaysia. This project helps to enable children of cancer patients to continue schooling while the patient’s (parent) can continue to complete treatment. Throughout this project, we supported 5 children from 2 families to continue attending school.

Visiting Orphanage – *provide children with enough love and care*

As part of Corporate Social Responsibility (CSR) program, our employees sent Box of Loves (consisting of groceries and daily necessities worth RM 5,000) to orphanage home of Rumah Amal Kasih Bestari, Kampung Melayu Subang where around 148 children aged 1 to 17 years old live.

Internship Placement

Kelington Group Berhad acknowledge the importance of internship where interns gain technical knowledge within the industry of their choice by working directly with professionals in that field. This allows them to apply practical knowledge they may have learned from a classroom setting while developing important soft skills, such as time management, organization, adaptability, problem-solving and teamwork.

In FY2022, we had a total 22 internship placement for engineering students and provided meaningful learning opportunities and practical experience i.e learn the responsibilities of an engineer, incorporate academic knowledge into hands-on work etc. The internship placement in Kelington from FY 2020 – FY2022 is tabulated as below.

	Malaysia	Singapore	China	Taiwan	Total
2020	2	0	3	0	5
2021	4	0	9	0	13
2022	10	6	6	0	22

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Kelington Group Berhad ("Kelington" or "the Group") remains committed to continually striving for the highest standard of corporate governance ("CG") to be applied throughout Kelington and its subsidiaries. The commitment from the top paves the way for Management and all employees to ensure the Group's businesses and affairs are effectively managed in the best interest of all stakeholders.

This CG Overview Statement sets out the Group CG processes and practices applied during the financial year, in compliance with the requirements of CG set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR") and guided by the principles and recommendations set out in the Malaysian Code on Corporate Governance 2021 ("MCCG 2021") along with the Companies Act 2016 and CG Guide (4^{th} Edition) issued by Bursa Malaysia Berhad.

The Board is pleased to present an overview of the application of the following three (3) key principles as set out in the MCCG 2021 and the extent to which the Company and its subsidiaries have complied with the principles and practices of the MCCG 2021 during the financial year under review:

(i) Principle A : Board Leadership and Effectiveness;
(ii) Principle B : Effective Audit and Risk Management; and
(iii) Principle C : Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

This statement is prepared in compliance with the MMLR and it is to be read together with the CG Report 2022 of the Company which is available at its website www.kelington-group.com.

As at the date of this statement, Kelington has adopted and applied 40 out of 48 practices including 3 step-up practices of MCCG 2021. The practices that have yet to be applied/adopted are as follows, details of all the practices are set out in our CG Report 2022:

Practice 1.3	The positions of Chairman and CEO are held by different individuals
Practice 5.2	At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors
Practice 5.4 (Step Up)	The board has a policy which limits the tenure of its independent directors to nine years without further extension
Practice 5.9	The board comprises at least 30% women directors
Practice 8.2	Disclosure on a named basis the top 5 senior management's remuneration in bands of RM50,000
Practice 8.3 (Step Up)	Detailed disclosure of the remuneration of each member of senior management on a named basis
Practice 10.3 (Step Up)	The board establishes a Risk Management Committee ("RMC"), which comprises a majority of independent directors, to oversee the company's risk management framework and policies
Practice 12.2	Adoption of integrated reporting based on a globally recognised framework

The Board will always be mindful of the need to embrace the best practices in form as well as in substance in order to further strengthen CG culture of Kelington.

The key focus areas of the Board in year 2022 are as follows:

Strategic Plan & Budget	(i) The Board had in-depth deliberation on the overall financial and business performance of the Group and approved the Budget for the financial year ("FY") 2023. (ii) In August 2022, the Board had reviewed and discussed the strategic plan and evaluate progress toward goals; improve Sustainability Governance Structure & Compliance Framework of the Company and ensure Kelington is properly managing its risks.
Financial & Operational Performance	(i) The Board had reviewed and approved the unaudited quarterly financial statements and audited financial statements. (ii) The Board is satisfied with the financial position of the Company and had declared two payments of dividends in FY2022. (iii) Received updates on key operations and ongoing projects.
Corporate Governance and Compliance	(i) Monitor the CG compliance and practices to align with MCCG 2021 and policies and procedures adopted by the Board. (ii) Reviewed and carried out the questionnaires for the Board Effectiveness Evaluation (with the inclusion of Environmental, Social and Governance ("ESG") as an additional part of the Board Roles and Responsibilities). (iii) Reviewed and approved revision of Board Charter and Terms of Reference ("ToR") of Board Committees to align with the MCCG 2021 and the MMLR. (iv) Reviewed Annual Report, CG Report and Circular to Shareholders.
Evaluate Leadership	Kelington committed to meeting its obligation under Paragraph 15.01A of MMLR – Fit and Proper requirements. Individuals acting as "Key Responsible Persons" are required to possess the competence, character, diligence, honesty, integrity and judgement to perform properly the duties of that position, in tandem with good CG practices. In FY2022, the Nomination Committee ("NC") assessed each person for new appointment or re-appointment of directors based on the Fit and Proper Policy. The NC also involved in the process of assessing the CFO's performance in FY2022. The performance assessment of Key Responsible Persons was assessed by the Executive Directors in FY2022 to ensure that each person who holds a Key Responsible Person position has the appropriate skill set and experience commensurate with the role that they hold, and will make all final determinations on the fitness and propriety of responsible persons.
Sustainability Management and Reporting	In FY2022, the Board drive sustainable growth and value creation for Kelington and its stakeholders by integrating sustainability considerations into decision making, monitoring sustainability performance, engaging stakeholders, and ensuring sustainability reporting. The Board review ESG polices, prioritize ESG risks that identified by the Management, monitor ESG performance, and ensure that Kelington is managing its ESG risks effectively and creating long-term value for all stakeholders. Kelington Group has implemented the Enhanced Sustainability Disclosures and disclosed all common sustainability matters (together with the accompanying indicators) and the management of such matters in the Annual Report 2022. Kelington had also adopted the Task Force on Climate related Financial Disclosures (TCFD) recommendations to disclose the direct and indirect climate change related impacts which had been reviewed by RMC in 2022. The details of which could be referred to the sustainability report on pages 30 to 105 of this Annual Report.

Looking ahead to 2023, the priorities of the Board will be in the following areas:

Succession Planning	Manage the transition of key leadership positions in the event of retirement, resignation, or unexpected departure to ensure business continuity and minimizes disruptions during times of transition.
Board Balance, Composition and Diversity	In view of the long serving independent non-executive directors, the Board shall review the Board Balance, composition, and diversity in FY2023 to ensure that the board is effective in its oversight and decision-making roles.
Sustainability	The Board will continue benchmarking against industry peers, review and identify ESG risks and opportunities and set targets for improvement. The Board will ensure that ESG is earmarked for the boardroom agenda whereby the board members are seen integral to the entirety of the Company's sustainability journey.
Directors' Training	The Board will continuously evaluate the Directors' training needs and ensure that they undertake relevant professional development and upskilling programmes to fulfil their fiduciary duties and carry out their roles and responsibilities.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

Part I – Board Responsibilities

1. Board's Leadership on Objectives and Goals

1.1 Strategic Aims, Values and Standards

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

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

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

- Reviewing and adopting a strategic plan;
- Overseeing and monitoring the conduct of business;
- Reviewing the adequacy and integrity of the management information and internal control systems and identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
- Succession planning;
- Ensuring effective communication with stakeholders;
- Overseeing anti-bribery function and reporting activity; and
- Formulation of strategies to promote sustainable development in areas covering economics, environment and social development.

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

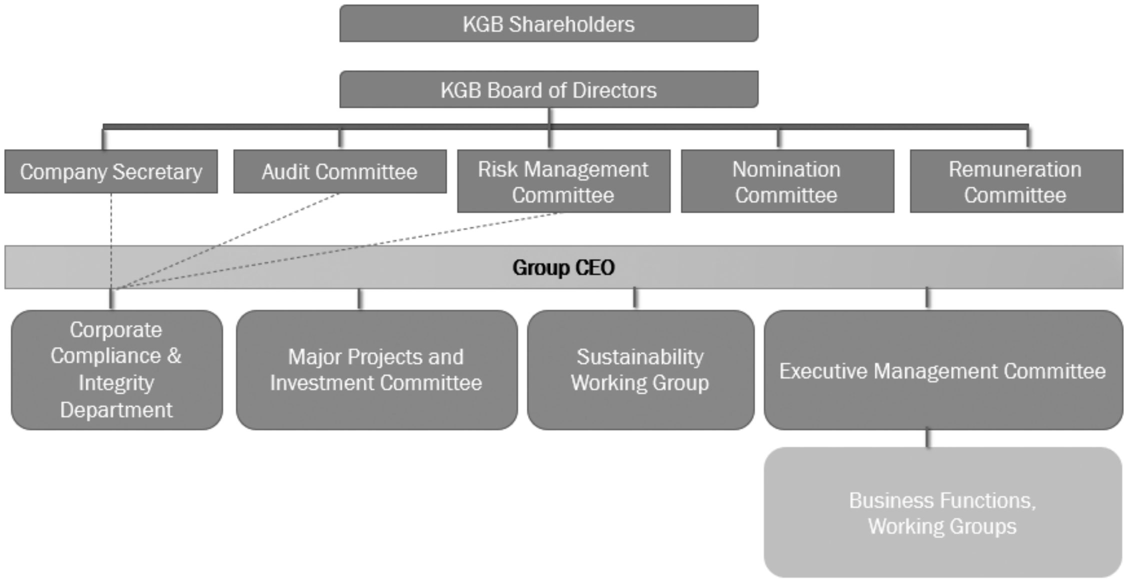
Part I – Board Responsibilities (Cont'd)

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

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

Governance Model

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



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

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

1.2 Chairman

The Chairman of the Board, Ir. Gan Hung Keng who is the founder of the Company, leads the Board with a keen focus on governance and compliance and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion.

Together with the other Non-Executive and Independent Directors, he leads the discussion on the strategies and policies recommended by the Management. He chairs the meetings of the Board and the shareholders.

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

Part I – Board Responsibilities (Cont'd)

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

1.3 Separation of the Positions of the Chairman and CEO

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

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

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

1.4 No Chairman on Board Committee

To limit the influence of the chairman in the deliberation at the Board Committee levels which provides better checks and balances and ensures objective review, the Chairman of the board is not a member of the AC, RMC, NC, or the RC.

1.5 Qualified and Competent Secretaries

The Board is supported by two suitably qualified and competent Company Secretaries. The Company Secretaries provide guidance to the Board, particularly on CG issues and compliance with relevant policies and procedures, rules and regulatory requirements, and ensuring good information flow within the Board, Board Committees and Management.

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

Further details on the role of the Company Secretaries are set out in the Company's Board Charter which is available on the Company's website at www.kelington-group.com.

1.6 Access to Information and Advice

The Board recognises that the supply, timeliness and quality of the information affect the effectiveness of the Board to oversee the conduct of the business and to evaluate the management performance of the Group.

The meetings of the Board and Board Committees, and the annual general meeting ("AGM") for the ensuing year are scheduled in advance prior to the end of the current financial year. This enables Management to plan ahead the yearly business and corporate affairs and ensure timely preparation of information for dissemination to the Board so as to achieve meeting effectiveness.

The Board has a defined schedule of matters reserved for the Board's decision. The Notice of meetings setting out the agenda and the Board papers for meetings will be circulated to the Board at least seven (7) days before the meetings. This is to ensure that Directors have sufficient time read through the meeting papers and obtain further explanation from Management, where necessary, prior to the meetings and prepared for quality deliberations and effective decision-making during the meetings. Any Director may request matters to be included in the agenda.

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

Part I – Board Responsibilities (Cont'd)

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

1.6 Access to Information and Advice (Cont'd)

The Company Secretaries are entrusted to record the Board's deliberations, in terms of issues discussed, ensure that the deliberations at Board and Board Committee meetings are well documented. The minutes of the previous Board and Board Committee meetings are distributed to the Directors prior to the meeting for their perusal before confirmation at the following Board and Board Committee meetings.

The Directors may comment or request clarification before the minutes are tabled for confirmation as a correct record of the proceedings of the meeting. Management provides Directors with complete and timely information prior to meetings and on an ongoing basis to enable them make informed decisions to discharge their duties and responsibilities. Relevant management team is requested to attend Board and Board Committee meetings to present and provide additional information on matters being discussed and to respond to any queries raised by the Directors.

Any matters requiring the sanction of the Board may be sought by way of Directors' circular resolutions. All circulation resolutions approved by the Board are tabled for notation at the Board Meetings.

2. Demarcation of Responsibilities

2.1 Board Charter

The Company has in place a Board Charter, which serves to ensure that all Board members are aware of their roles and responsibilities. It sets out the strategic intent and specific responsibilities to be discharged by the Board members collectively and individually. It also regulates the manner in, which the Board conducts business in accordance with sound CG principles. The Board Charter also serves as reference criteria for the Board in the assessment of its own performance, individual Directors and the Board Committees.

The Board shall periodically review and update the Board 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 27 February 2023 and a copy of which is available at the Company's website.

3. Promoting Good Business Conduct and Corporate Structure

3.1 Ethics and Compliance

In keeping with the principles of sound CG, the Board is committed to promoting a culture of integrity and ethical values. Kelington has put in place its set of Code of Ethics and Conduct ("CoEC").

The CoEC is applicable to all Directors and employees within the Group as well as third parties performing work or services for and on behalf of the Company. It governs the desired standard of behaviour and ethical conduct expected from each individual to whom the CoEC applies.

The Board had adopted an Anti-Bribery and Corruption ("ABC") Policy which applies to all Directors and employees of the Group as well as the Group's agents and contractors. The ABC Policy makes references to the CoEC, No Gift Policy and Whistleblowing Policy.

The ABC Policy supplements the CoEC and serve as a control measure to address and manage the risk of fraud, bribery, corruption, misconduct, and unethical practices for the benefit of the long-term success of the Company and provides the basis on which the Company will be able to defend itself against any corruption charges that may be brought against the Company.

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

Part I – Board Responsibilities (Cont'd)

3. Promoting Good Business Conduct and Corporate Structure (Cont'd)

3.1 Ethics and Compliance (Cont'd)

All employees and Directors of the Company are required to declare that they have received, read and understood the provisions of the Codes/Policies, and agreed to observe and adhere to the Code/Policies with complete professionalism and integrity throughout their employment or tenure with the Company.

The RMC reviews and approves the Group's anti-corruption compliance programme periodically to assess the performance, efficiency, and effectiveness of the Group's ABC processes.

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

The ABC Policy, CoEC and Whistleblowing Policy are available at the Company's corporate website.

3.2 Whistleblowing Policy

The Board has adopted a Whistleblowing Policy ("Policy") that can be accessed at the Company's website at www.kelington-group.com.

The Policy facilitates the disclosure of improper conduct (wrongdoings or criminal offences) within the Group and provides guidance on how disclosures shall be made.

The AC and Chief Executive Officer of the Company have overall responsibility for the implementation of the Policy. The administration of the Policy is carried out by the Corporate Compliance and Integrity Department. The AC exercises the oversight function over the administration of the policy.

The Policy sets out detailed procedures on how to make a complaint, the procedures after a complaint is received, and provides general information about whistleblowing and whistleblower protection.

There were no whistleblowing reports received by the AC in the FY 2022.

4. Sustainability Management

4.1 Sustainability Governance Structure

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

Please refer to the sustainability governance structure and compliance framework on page 35 of this Annual Report.

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

The Sustainability Working Group ("SWG") oversees the operational aspects in relation to safety, health, social and environmental sustainability. The SWG shares report to the Group COO on a quarterly basis.

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

Part I – Board Responsibilities (Cont'd)

4. Sustainability Management (Cont'd)

4.2 Communication of Sustainability Strategies and Targets

The Board seeks to improve the Company's sustainability performance, transparency, and accountability, and has embedded the sustainability performance measures in the business to manage ESG factors.

Our sustainability targets established in FY2022 are structured around two pillars: managing impacts and delivering sustainable values.

Please refer to our sustainability targets and compliance framework on page 44 and page 36 of this Annual Report.

4.3 Managing Sustainability Risks and Opportunities

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

Kelington's Executive Director reports to the RMC on ESG risks management, at least once a year. The ESG Risk Register was presented to the RMC in November 2022. In FY2022, the Management focuses on all ESG material topics identified by the stakeholders, while the Board concentrates on two strategically important ESG topics, which are governance and ethics and economic growth and profitability. The Board is also taking part in initiatives to stay abreast of sustainability issues relevant to the Group and the industry which including climate-related risks.

With all the efforts and initiatives done by the Company, Kelington has in 2022, awarded by The Edge Malaysia (in collaboration with FTSE Russell and Bursa Malaysia), in recognising Kelington as Most Improved Performance Over Three Years category of The Edge's Silver ESG Awards.

The Board had established ESG related policies and guided the management and business functions in effectively implementing ESG strategies and addressing ESG issues. Please refer to page 47 for more information on the manner in which Kelington manages its sustainability matters.

4.4 Performance Evaluation

The Board Performance Evaluation Form has been revised to include the assessment of the Board's performance and effectiveness in addressing the Group's material sustainability risks and opportunities.

The Board, through the Nomination Committee, has evaluated its performance in addressing the Group's strategic and business plans which promote sustainability materials matters in the financial year 2022.

The Board identified the key performance indications ("KPIs") to monitor executive and senior management's performance. The current set of KPIs enables the Board to evaluate executive and senior management's performance in addressing the Group's material sustainability matters. The KPIs achievement report was presented to the Board in August 2022.

Please refer to our progress against the achievement of sustainability targets on page 44 of this Annual Report.

4.5 Chief Sustainability Officer

The COO of the Group, Mr Ong Weng Leong was nominated in year 2021 by the Board to provide dedicated focus to managing sustainability strategically, including the integration of sustainability considerations into the operations of the Company. Mr Ong provides leadership over implementation of sustainability strategy and oversee departments in ensuring robustness of system of sustainability management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

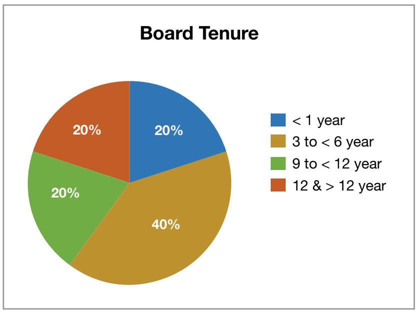
Part II – Board Composition

The Board has ten (10) members, comprising one (1) Executive Chairman, one (1) Executive Director, five (5) Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Directors.

The Board consists of members with a balance of skills, attributes, knowledge, and experience. They are industry leaders and professionals who possess the background and expertise in specialised fields such as strategic planning, engineering and construction, corporate finance and accounting, industrial gases industry, and risk management which are critical to the Groups business and sustainability. Each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

5.1 Tenure of the Board

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



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

5.2 Board Composition

With effect from 20 December 2021, Kelington was added to the FTSE4Good Bursa Malaysia Index and FTSE4Good Bursa Malaysia Shariah Index ("Indexes") and also remained in the Indexes for FY2022, thus defined as a Large Company under the MCCG 2021. For large Companies, the board should comprise a majority of independent directors.

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

Although the Board composition is not in line with recommendation of the MCCG 2021 for the boards of large companies to be comprised of a majority of independent directors, the Board is of the view that the current number of its Independent Non-Executive Directors as adequate to provide the necessary check and balance to the Board's decision-making process.

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

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

Part II – Board Composition (Cont'd)

5.3 Tenure of Independent Director

The NC carries out the evaluation of independence for each Independent Director annually.

The NC has undertaken a review and assessment of the level of independence of the Independent Directors during the financial year 2022 and is satisfied that they are able to discharge their responsibilities in an independent manner. The Independent Directors have also declared their independence to the Board and Management of the Group at a Board Meeting during the year.

The Board noted the recommendation of the MCCG 2021 that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, the independent director may continue to serve on the board as an ID, subject to the following:

a) assessment by the Nomination Committee, regarding the independence and contributions; and

b) shareholders' approval in a general meeting via a two-tier voting process, where the Board must provide its justification on the recommendation.

If the tenure of an independent director exceeds 12 years, the ID must resign or be re-designated as non-independent director. Details of which have set out in the Board Charter which is available at the Company's website.

The Board, through the NC, had assessed Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman and Mr Soo Yuit Weng, both Senior Independent Non-Executive Directors ("SINEDs") of the Company who have served the Company for a cumulative term of more than 9 years and concluded that they have fulfilled the criteria under the definition of Independent Director as stated in the MMLR, and the NC was satisfied their performance and contribution to the Board. Accordingly, the Board concurred with the NC to seek shareholders' approval to retain Datuk Haji Jamil and Mr Soo as SINEDs at the forthcoming 23rd AGM, and the justifications are set out on page 268 of the Annual Report 2022.

5.4 Policy of Independent Director's Tenure

At the present of time, although the Company does not adopt a nine-year policy for Independent Non-Executive Directors, however, the Board is strictly complied with the recommendation of the MCCG 2021 that any retention of an independent Director who has served a cumulative period of 9 years shall be subject to shareholders' approval via two-tier voting process. Notwithstanding, the tenure of an independent Director shall not exceed a cumulative period of more than 12 years. Details of which have set out in the Board Charter which is available at the Company's website.

5.5 Identification of New Candidates for Appointment of Directors

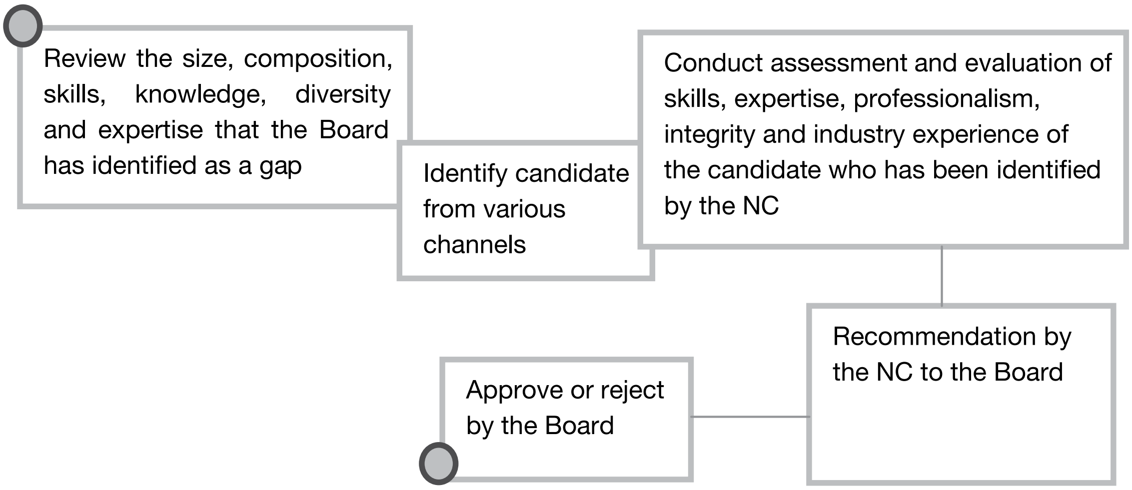
The Board has entrusted the NC with the responsibility to consider, review, and recommend the appointment of potential candidates to the Board as proposed by Management or any Director, major shareholder taking into consideration the candidates' skills, knowledge, expertise, and experience, time commitment,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

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

Part II – Board Composition (Cont'd)

5.5 Identification of New Candidates for Appointment of Directors (Cont'd)

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



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

The Directors' Fit and Proper Guidelines is subject to be reviewed by the Board periodically and a copy of which is embedded in the Board Charter, can be accessed on the Company's website.

5.6 Disclosure on the appointment of Director

The Board has a procedure for recruitment and appointment of Director, and does not solely rely on the recommendations from the existing Board members and Management in the process of appointing new Director of the Company. The Board also considers external sources such as the Institute of Corporate Directors Malaysia (ICDM) and other business network.

The Board and NC shall be guided by the broad Fit and Proper, and Independence criteria as set out in the Board Charter which had been published on the Company's website to review and assess the new candidate that is to be appointed to the Board. The selection criteria for an independent Non-Executive Director which may include:

- Required skills, knowledge, expertise and experience;
- Time commitment, character, professionalism and integrity;
- Ability to work cohesively with other members of the Board;
- Specialist knowledge or technical skills in line with the Kelington's strategy;
- Diversity in age, gender and experience/background; and
- Number of directorships in companies outside the Group.

In FY2022, the late Mr. Chan Tian Kiat, a Senior Independent Non-Executive Director, passed away and Mr. Tan Chuan Yong, a Senior Independent Non-Executive Director, resigned in March 2023. Consequently, two (2) new Independent Non-Executive Directors, Mr. Ng Meng Kwai and Puan Rahima Beevi Binti Mohamed Ibrahim, were appointed to the Board in November 2022 and March 2023, respectively ("Appointments"). The Appointments followed the aforementioned procedure.

When a replacement was required for the vacant position due to the passing of the late Mr. Chan Thian Kiat and the replacement of a long-serving ID, the Company sourced from ICDM but no suitable candidates were identified. The appointment of Mr. Ng Meng Kwai and Puan Rahima Beevi Binti Mohamed Ibrahim was nominated by a Board member.

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

Part II – Board Composition (Cont'd)

5.6 Disclosure on the appointment of Director (Cont'd)

The NC satisfied that both new Directors are suitable and fit into the long-term business strategy and growth of the Group going forward after assessment of their background, professional qualification, knowledge, integrity and competencies, independence, as well as fulfilment of criteria set out in the Fit and Proper Guidelines.

The Board is allowed by the Board Charter to use a variety of approaches and sources to ensure that it is able to identify the most suitable candidates and will consider independent sources as and when required.

5.7 Chairmanship of the Nomination Committee

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

- Mr Soo Yuit Weng (Senior Independent Non-Executive Director) - Chairman
- Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman (Senior Independent Non-Executive Director) - Member
- Puan Rahima Beevi Binti Mohamed Ibrahim (Independent Non-Executive Director) - Member

The specific responsibilities of the NC Chairman are set out in the ToRs of the NC which is available on the Company's website.

Based on the assessment performed for the financial year 2022, the Board was satisfied that the NC has fulfilled its roles and discharged its duties effectively.

The NC is responsible for assessing the adequacy and appropriateness of the board composition with boardroom diversity and mix of skills to ensure the sustainability of the Group, attracting and retaining qualified candidates for Board membership, succession planning, skill development and also assessing the performance of the Directors on an ongoing basis. The Board will have the ultimate responsibility and final decision on the appointment. This process shall ensure that the Board membership accurately reflects the long-term strategic direction and needs, of the Company and determine skills matrix to support strategic direction and needs of the Company.

The ToR of the NC is set out in the Board Charter and is available at the corporate website.

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

- Reviewed and assessed annual assessment of the performance and effectiveness of the Board as a whole, Board Committees and contribution of each individual Director;
- Reviewed and assessed the independence of the Independent Directors;
- Reviewed and recommended to the Board, the re-election and re-appointment of the Directors who will be retiring at the AGM of the Company;
- Considered the continuation of office of the Independent Non-Executive Directors who have served;
- Reviewed and assessed the term of office and performance of the AC and each of its members;
- Reviewed and assessed the performance of the Chief Financial Officer;
- Assessed the training needs of the Directors; and
- To ensure that an appropriate framework and succession plan for the Executive Directors and Senior Management of the Company.
- Reviewed and recommended the adoption of Directors' Fit and Proper Guideline.
- Reviewed and recommended the adoption of Annual Assessment of Performance with inclusion of ESG.

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

Part II – Board Composition (Cont'd)

5.8 Board Diversity

The Company believes that a truly diverse Board will leverage differences in perspective, knowledge, skills, industry experience, background, age, ethnicity, race and gender among the Directors, and these differences will be considered in determining the optimum composition of the Board.

The Board is of the view that whilst promoting boardroom diversity is essential, the ultimate decision should be based on the merit and the contribution that the selected candidates will bring to the Board.

The Company has a board diversity policy which stated among others the commitment to ensure the requisite diversity of our Board members, encompassing for example, age, ethnicity and gender and leveraging on differences in thought, perspective, knowledge, skill, regional and industry experience and background. These will provide the necessary perspectives, experience and expertise required to achieve effective stewardship and management of the Company by the Board.

The board diversity policy, which is embedded in the Board Charter, can be accessed at www.kelington-group.com.

5.9 The Board comprises at least 30% Women Directors

The Board acknowledges the importance of Boardroom diversity and will endeavour to achieve 30% female directors. The Company shall at any point of time have at least one female representation on the Board.

During the financial year ended 31 December 2022, the Board had a female Director, Ms. Ng Lee Kuan. This equates to 10% of the women directors on a board of ten (10) directors.

The Board is mindful of the target of at least 30% women directors and has taken the step to increase female Director. Puan Rahima Beevi Binti Mohamed Ibrahim was appointed on 1 March 2023.

Following the appointment of Puan Rahima Beevi Binti Mohamed Ibrahim, the women's representation on the Board has increased to 20% with a Board of ten (10) Directors.

5.10 Diversity in Management Team

Kelington had a Diversity Policy in placed to promote diversity and ensure that employees are treated equally, regardless of age, gender, race, religion, and background. Please refer to page 99 of this Annual Report for more information about our diverse and inclusive workplace.

6. Overall Board Effectiveness

6.1 Annual Evaluation

The NC reviews annually, the effectiveness of the Board and Board Committees as well as the performance of individual Directors. The assessment of the Board is based on specific criteria which is guided by the CG Guide issued by Bursa Securities, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committees and the Chairman's role and responsibilities.

The evaluation process also involves a peer and self-review assessment, where Directors will assess their own performance and that of their fellow Directors. All assessments and evaluations carried out by the NC in the discharge of its duties are properly documented.

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

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

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

Part II – Board Composition (Cont'd)

6. Overall Board Effectiveness (Cont'd)

6.2 Re-election of Retiring Directors

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.

The following Directors are subject to retirement at the forthcoming 23rd AGM and they have expressed their willingness to seek for re-election at the 23rd AGM:

1. Ms Ng Lee Kuan is subject to retirement by rotation pursuant to Clause 97 of the Company's Constitution;
2. Mr Cham Teck Kuang is subject to retirement by rotation pursuant to Clause 97 of the Company's Constitution;
3. Mr Hu Keqin is subject to retirement by rotation pursuant to Clause 97 of the Company's Constitution;
4. Mr Ng Meng Kwai is subject to retirement pursuant to Clause 104 of the Company's Constitution; and
5. Puan Rahima Beevi Binti Mohamed Ibrahim is subject to retirement pursuant to Clause 104 of the Company's Constitution.

Pursuant to the NC's recommendation following the assessment carried out in 2023 for the retiring directors through the Directors' Evaluation Form set out in the Directors' Fit and Proper Policy, and the assessment conducted upon the appointment of Puan Rahima Beevi Binti Mohamed Ibrahim, the Board is satisfied that the Retiring Directors have the character, experience, integrity, competence, and time required to effectively discharge their duties as Directors of the Company and therefore seeks the approval of the shareholders for the re-election of the Directors at the forthcoming 23rd AGM.

6.3 Board Commitment

The Board schedules meetings on a quarterly basis, and additional meetings that require the Board's deliberation and approval will be held in between the scheduled meetings. A total of 5 Board meetings were held in FY2022.

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

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

Part II – Board Composition (Cont'd)

6. Overall Board Effectiveness (Cont'd)

6.3 Board Commitment (Cont'd)

In this respect, none of the Directors hold more than 5 directorships in listed corporations. The Board and Board Committees have discharged their roles and responsibilities by attending the Board and Board Committees meetings held during FY2022. The Board is satisfied with the level of commitment given by the Directors in carrying out their responsibilities, which is evidenced by the attendance record of the Directors set out in the table below:

Meeting Attendance	Board	Audit Committee	Risk Management Committee	Nomination Committee	Remuneration Committee	General Meeting
Ir. Gan Hung Keng	5/5	–	–	–	–	2/2
Ong Weng Leong	5/5	–	–	–	–	2/2
Vice Admiral (Retired) Datuk Haji Jamil Bin Haji Osman	5/5	–	–	1/1	1/1	2/2
Soo Yuit Weng	5/5	5/5	–	1/1	1/1	2/2
Ng Lee Kuan	5/5	1/1 (1)	4/4	–	–	2/2
Cham Teck Kuang	5/5	–	4/4	–	–	2/2
Hu Keqin	5/5	–	4/4	–	–	2/2
Soh Tong Hwa	4/5	–	4/4	–	–	2/2
Ng Meng Kwai (2)	0/1	0/1	–	–	–	–
Rahima Beevi Binti Mohamed Ibrahim (3)	–	–	–	–	–	–

Notes:

(1) Ms Ng Lee Kuan was appointed as an AC Member with effect from 1 November 2022.

(2) Mr Ng Meng Kwai was appointed as an Independent Non-Executive Director and an AC Member with effect from 1 November 2022.

(3) Puan Rahima Beevi Binti Mohamed Ibrahim was appointed as an Independent Non-Executive Director and members of NC and RC after FY2022, on 1 March 2023.

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.

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

Part II – Board Composition (Cont'd)

6. Overall Board Effectiveness (Cont'd)

6.3 Board Commitment (Cont'd)

During the FY2022, all the Directors had attended trainings, seminars, conferences, and exhibitions which the Directors considered vital in keeping abreast with the changes in laws and regulations, business environment, and CG development, as detailed hereunder:

Name of Director	Course Attended	Date
Ir. Gan Hung Keng	Supercharge ESG Ambitions with Technology	10 August 2022
Ong Weng Leong	Supercharge ESG Ambitions with Technology	10 August 2022
	Advocacy Sessions for Directors and Senior Management of Main Market Listed Issuers	16 August 2022
Tan Chuan Yong *(Resigned on 1 March 2023)*	The Modern Boardroom: Year in Review and 2023 Outlook	29 November 2022
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	The Modern Boardroom: Year in Review and 2023 Outlook	29 November 2022
	Corporate Governance Advocacy Programme entitled Bursa Malaysia Immersive Experience: The Board "Agender"	30 November 2022
Soo Yuit Weng	MIA Webinar Series: Understanding Internal Controls and Test of Control	27 September 2022
	Webinar on Preparation of Transfer Pricing Documentation for Financial Assistance	28 September 2022
	Webinar on Selected Public Rulings & Tax Guidelines	13 October 2022
	Corporate Governance Advocacy Programme entitled Bursa Malaysia Immersive Experience: The Board "Agender"	1 December 2022
Ng Lee Kuan	The Modern Boardroom: Year in Review and 2023 Outlook	29 November 2022
	Audit Oversight Board Conversation with Audit Committees	6 December 2022
Soh Tong Hwa	The Modern Boardroom: Year in Review and 2023 Outlook	29 November 2022
Hu Keqin	The Modern Boardroom: Year in Review and 2023 Outlook	29 November 2022
Cham Teck Kuang	The Modern Boardroom: Year in Review and 2023 Outlook	29 November 2022

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

Part II – Board Composition (Cont'd)

6. Overall Board Effectiveness (Cont'd)

6.3 Board Commitment (Cont'd)

Name of Director	Course Attended	Date
Ng Meng Kwai	MIA Webinar Series: International Standard on Quality Management (ISQM) Masterclass	24 March 2022
	MIA Webinar Series: ISA 220 (Revised) New Approach to Quality Management at The Engagement Level	17 August 2022
	MIA Webinar Series: Approaches and Techniques for Determining Fair Value – Accounting for Transactions Effects by Fair Value Measurement	23 November 2022
	Bursa Malaysia's Enhanced Sustainability Reporting Framework with Climate Change Reporting	5 December 2022

Note: Puan Rahima Beevi Binti Mohamed Ibrahim was appointed as an Independent Non-Executive Director on 1 March 2023.

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

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

Part III - Remuneration

7. Level and Composition of Remuneration

7.1 Remuneration Committee

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

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

- Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman (Senior Independent Non-Executive Director) - Chairman
- Mr Soo Yuit Weng (Senior Independent Non-Executive Director) – Member
- Puan Rahima Beevi Binti Mohamed Ibrahim (Independent Non-Executive Director) - Member

The ToR of the RC is set out in the Board Charter and is available on the corporate website.

7.2 Remuneration Policy

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

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

Part III - Remuneration (Cont'd)

8. Remuneration of Directors and Senior Management

8.1 Detailed Disclosure of Directors' Remuneration

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

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

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

Details of the Directors' remuneration (including benefits-in-kind) of each Director during the financial year 2022 are as follows:

COMPANY LEVEL	Fee (RM)	Salary (RM)	Defined Contribution Plan (RM)	Bonus (RM)	Benefits in- kind (RM)	Share-based payment (RM)	Allowance (RM)	Total (RM)
Executive Directors								
Ir. Gan Hung Keng	–	675,402	80,928	519,499	28,000	27,126	–	1,330,955
Ong Weng Leong	–	646,764	77,328	496,645	28,000	27,126	–	1,275,863
Total	–	1,322,166	158,256	1,016,144	56,000	54,252	–	2,606,818
Non-Executive Directors								
The Late Chan Thian Kiat (1)	33,477	–	–	–	–	–	–	33,477
Tan Chuan Yong (2)	52,030	–	–	–	–	1,233	400	53,663
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	47,300	–	–	–	–	1,233	–	48,533
Soo Yuit Weng	52,030	–	–	–	–	1,233	–	53,263
Ng Lee Kuan	47,300	–	–	–	–	1,233	–	48,533
Ng Meng Kwai (3)	8,433	–	–	–	–	–	–	8,433
Cham Teck Kuang	–	–	–	–	–	–	–	–
Hu Keqin	–	–	–	–	–	–	–	–
Soh Tong Hwa	–	–	–	–	–	–	–	–
Total	240,570	–	–	–	–	4,932	400	245,902
Total Directors' Remuneration	240,570	1,322,166	158,256	1,016,144	56,000	59,184	400	2,852,720

Remarks:
(1) Deceased on 1 September 2022
(2) Resigned on 1 March 2023
(3) Appointed on 1 November 2022

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

Part III - Remuneration (Cont'd)

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

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

Details of the Directors' remuneration (including benefits-in-kind) of each Director during the financial year 2022 are as follows: (Cont'd)

GROUP LEVEL	Fee (RM)	Salary (RM)	Defined Contribution Plan (RM)	Bonus (RM)	Benefits in- kind (RM)	Share-based payment (RM)	Allowance (RM)	Total (RM)
Executive Directors								
Ir. Gan Hung Keng	–	675,402	80,928	519,499	28,000	27,126	–	1,330,955
Ong Weng Leong	–	646,764	77,328	496,645	28,000	27,126	–	1,275,863
Total	–	1,322,166	158,256	1,016,144	56,000	54,252	–	2,606,818
Non-Executive Directors								
The Late Chan Thian Kiat [(1)]	33,477	–	–	–	–	–	–	33,477
Tan Chuan Yong [(2)]	52,030	–	–	–	–	1,233	400	53,663
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	47,300	–	–	–	–	1,233	–	48,533
Soo Yuit Weng	52,030	–	–	–	–	1,233	–	53,263
Ng Lee Kuan	47,300	–	–	–	–	1,233	–	48,533
Ng Meng Kwai [(3)]	8,433	–	–	–	–	–	–	8,433
Cham Teck Kuang	–	463,999	31,061	452,846	–	27,126	–	975,032
Hu Keqin	–	544,527	32,595	261,821	–	27,126	–	866,069
Soh Tong Hwa	–	553,363	63,072	253,148	23,950	27,126	–	920,659
Total	240,570	1,561,889	126,728	967,815	23,950	86,310	400	3,007,662
Total Directors' Remuneration	240,570	2,884,055	284,984	1,983,959	79,950	140,562	400	5,614,480

Remarks:
(1) Deceased on 1 September 2022
(2) Resigned on 1 March 2023
(3) Appointed on 1 November 2022

8.2 Remuneration of Top Five (5) Senior Management

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

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

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I – Audit Committee

9. Audit Committee

Composition of Audit Committee

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

The AC is comprised solely of independent directors and is chaired by a Senior Independent Non-Executive Director, who is distinct from the Chairman of the Board. All members of the Audit Committee are financially literate. The composition of the AC, including its roles and responsibilities as well as a summary of its activities carried out during the financial year 2022, are set out in the AC Report on pages 140 to 144 of this Annual Report.

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

Relationships with the External Auditors

The AC has adopted a policy that requires a former key audit partner to observe a cooling-off period of at least three (3) years before being appointed as a member of the AC, and the said policy has been incorporated into the ToR of the AC. Currently, no former partner of the External Auditors of the Company is appointed as a member of the AC.

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

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

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

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

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

Part I – Audit Committee (Cont'd)

9. Audit Committee (Cont'd)

Relationships with the External Auditors (Cont'd)

In this regard, the AC had, on 20 April 2023, 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 2022. The AC was satisfied with Crowe's technical competency and audit independence and took note that the quantum of non-audit fees charged thereto was not material as compared to the total audit fees paid to Crowe. Details of statutory audit, audit-related and non-audit fees paid/ payable in the FY2022 to the External Auditors are set out in the Additional Compliance Information of this Annual Report. Having satisfied itself with their performance and fulfilment of criteria as set out in the Non-Audit Services Policy, as well as having received the assurance from Crowe as stated above, the AC recommended their reappointment to the Board, upon which the shareholders' approval will be sought at the 23rd AGM.

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

Part II – Risk Management and Internal Control Framework

10. Risk Management and Internal Control Framework

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

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

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

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

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

Details of the main features of the Company's risk management and internal control framework are further elaborated in the AC Report and the Statement on Internal Control and Risk Management on page 129 of this Annual Report.

11. Governance, Risk Management and Internal Control Framework

The Board has outsourced the internal audit function to an independent assurance provider, namely GRC Consulting Services Sdn. Bhd. to provide an independent appraisal over the system of internal control of the Group to the AC.

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.

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

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

11. Governance, Risk Management and Internal Control Framework (Cont'd)

The Statement on Risk Management and Internal Control as included on page 129 of this Annual Report provides the overview of the internal control framework adopted by the Company during the financial year ended 31 December 2022.

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

Part I – Communication with Stakeholders

12. Continuous Communication Between company and Stakeholders

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

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

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

Part II – Conduct of General Meetings

13. Shareholder Participation at General Meetings

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

In line with good CG practice, the notice of the AGM was issued at least 28 days before the AGM. It will be published on a major local newspaper and the Company's website.

All the Directors shall endeavour to be present in person to engage directly with, and be accountable to, the shareholders for their stewardship of the Company the AGM. During the AGM, the Board encourages shareholders' participation in deliberating resolutions being proposed or on the Group's operation in general.

All Directors of the Company attended the 22nd AGM held on 31 May 2022. The Directors, CFO and External Auditors were in attendance to answer questions raised by the shareholders.

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

The 22nd AGM and EGM of the Company held on 31 May 2022 were conducted on a virtual basis through live streaming and online remote voting at the Broadcast Venue, Lot 9-11 Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad Brickfields, 50470 Kuala Lumpur via Dvote Online website at https://www.DigitalVote.my using the Remote Participation and Voting Facilities ("RPV") in accordance with Section 327(1) and (2) of the Companies Act 2016 and Clause 59 of the Company's Constitution.

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

Part II – Conduct of General Meetings (Cont'd)

13. Shareholder Participation at General Meetings (Cont'd)

Dvote Services Sdn. Bhd. ("Dvote") was appointed as the Poll Administrator for the 22nd AGM & EGM of the Company to facilitate the RPV via its Dvote Online website at https://www.DigitalVote.my. The Company has engaged Dvote to provide the RPV. Dvote has confirmed to the Company that it implemented an IT policy and Information Security policy, endpoint controls, data classification for cyber hygiene practices of its staff. Stress test and penetration testing had been performed on Dvote online in May 2022 to test its resiliency. Dvote Online is hosted in a secure cloud platform and the data center is ISO27001 certified.

All the shareholders could raise questions including but not limited to the Company's financial and non-financial performance and long-term strategies. With respect to the 22nd AGM and EGM held in May 2022, shareholders submitted their questions prior to the conduct of the meetings via email to ccid@kelington-group.com.

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

The minutes of the 22nd AGM and EGM of the Company was made available on the Company's website at https://www.kelington-group.com/general-meeting/ within 30 business days from the date of meetings.

FUTURE PRIORITIES

The Board will continue to enhance the corporate disclosure requirements in the best interest of the Company's shareholders and stakeholders in the upcoming years. The Board will continue to operationalise and enhance the CG practices and instil a risk and governance awareness culture and mindset throughout the organisation in the best interest of all stakeholders.

This CG Overview Statement, together with the CG Report, was approved by the Board on 20 April 2023.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are required to prepare the financial statements for each financial year which have been made in accordance with applicable Malaysian Financial Reporting Standards (MFRSs), the International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act 2016 so as to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements, the Directors of the Company have:

- adopted suitable accounting policies and then applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on a going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible to ensure that the Group and the Company maintain proper accounting which disclose with reasonable accuracy on the disclosure of the financial position of the Group and of the Company, and which enable them to ensure that the financial statements comply with the provisions of the Companies Act 2016.

The Directors are also responsible for taking reasonable steps to ensure that appropriate systems are in place to safeguard the assets of the Group and of the Company and hence, to prevent and detect fraud and other irregularities.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Kelington Group Berhad ("KGB") is pleased to present the Statement on Risk Management and Internal Control which outlines the nature and scope of risk management and internal control for the financial year ended ("FYE") 31 December 2022. This statement is prepared pursuant to paragraph 15.26 (b) of Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, and is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

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

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

1.0 Board Responsibility

The Board is committed to ensure the effectiveness of the Group's risk management and internal control systems by continuously reviewing its adequacy of control and effectiveness to ensure that the Group's assets and shareholders' interests are safeguarded. The Board also responsible for overseeing the Group's climate-related risks and opportunities as the impacts of climate change continue to evolve.

The Board also acknowledges that the Group's risk management and internal control systems are designed to mitigate risks threatening the achievement of the Group's business objectives and that the systems in place can provide only reasonable, not absolute assurance.

The Board has received assurance from the Group Chief Executive Officer 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 and up to the date of issuance of this statement.

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

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

During FYE 2022, the RMC reviewed, appraised, and assessed the controls and actions in place to mitigate and manage the overall Group risk exposure, as well as raised issues of concern and recommended mitigating actions. The RMC reports to the Board on a biannually basis, and as part of its monitoring activity ensures key risks are deliberated and mitigating actions are implemented.

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

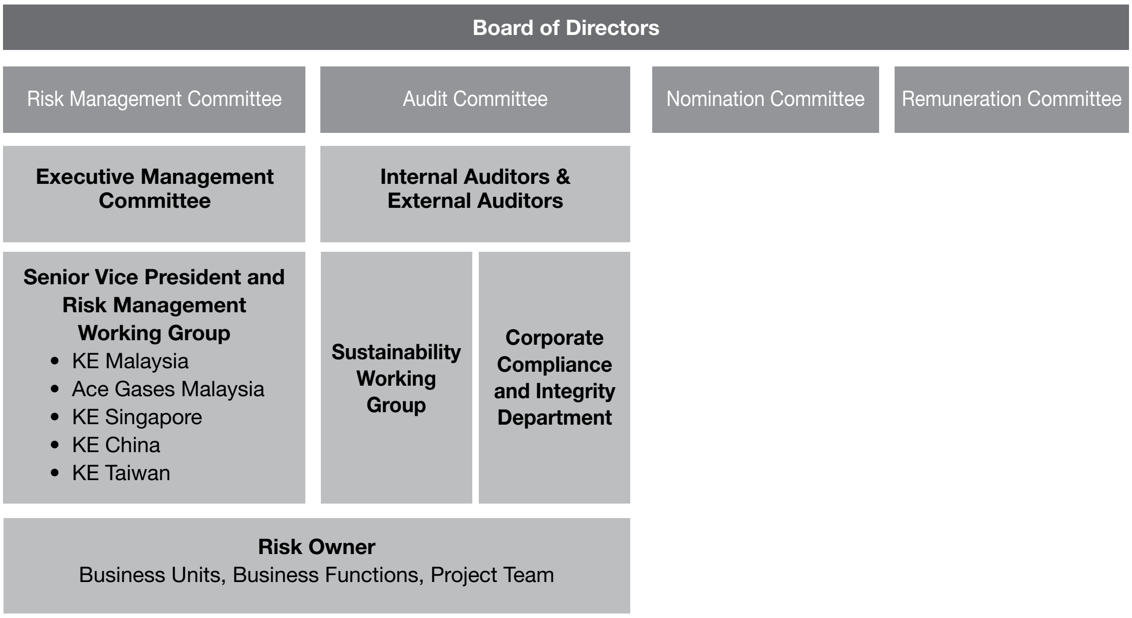
2.0 Key Features of the Risk Management and Internal Control Frameworks

The Board acknowledges that the Group business activities involve some degree of risk, and thus, key management staff and heads of departments are delegated with the responsibility to manage identified risks within defined parameters and standards.

2.0 Key Features of the Risk Management and Internal Control Frameworks (Cont'd)

The Group has a well-defined organisational structure with clearly delineated lines of accountability, authority, and responsibility to the Board, its committees, and business units. Key processes have been established for reviewing the adequacy and effectiveness of the risk management and internal control systems.

2.1 Authority and Responsibility



2.1.1 The AC, with the assistance of RMC, has oversight over the Group's risk management framework and obtains assurance, through the independent consultant appointed, on the adequacy and effectiveness of the risk management and internal control systems.

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

2.1.3 The Nomination Committee and Remuneration Committee assist the Board, including but not limited to, reviewing and recommending appropriate remuneration policies for Directors, reviewing succession plans, recommending candidates to the Board, and evaluating the performance of the Board as a whole and the contributions of each individual Director (including Board Committees) on an annual basis.

2.1.4 The Executive Management Committee supports the Board in the operations of the Group and manages all the Group's business divisions in accordance with corporate strategies and business objectives, policies, key performance indicators, and annual budgets as approved by the Board.

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

2.0 Key Features of the Risk Management and Internal Control Frameworks (Cont'd)

2.1 Authority and Responsibility (Cont'd)

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

- Communicate the Board's vision, strategy, policy, responsibilities and reporting lines to all personnel across the Group;
- Review risk profiles and performance of the business units and departments;
- Aggregate the Group's risk position and report to the RMC on the risk situation;
- Provide guidance to the business units and departments on the Group's risk appetite and other criteria which, when exceeded, trigger an obligation to report upwards to the RMC and the Board;
- Identify and communicate to the RMC the critical risks (present and potential) at the respective business units and support departments, their changes and the management's action plans to manage the risks;
- Train and communicate Enterprise Risk Management details within the Group; and
- Review and update risk management methodologies applied to the relevant business units and support departments, especially those related to risk identification, measuring, controlling, monitoring and reporting.

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

2.1.8 The Sustainability Working Group identify key improvement areas for ESG (Environment, Social, Governance), oversee the execution of improvement, and advise the Board on the matters in order to enable:

- the Company to operate on a sustainable basis for the benefit of current and future generations;
- sustainable growth by maintaining and enhancing the Company's economic, environmental, human, technological and social capital in the long term; and
- the effective management of the Company's sustainability risks.

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

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

2.2 Risk Management Policy

The Group adopt a risk management policy in identifying, assessing, treating and monitoring the ever-changing risks facing the Group and takes specific measures to mitigate these risks in order to minimise foreseeable disruption to operations, prevent harm to our people and avoid damage to the environment and property. The policy stresses the importance of protecting the interests of stakeholders and complying with all statutory and legal requirements, as well as effectively responding to crises.

In the event of prolonged disruption, business continuity practices shall be adopted to restore and ensure continuity of key business activities.

2.0 Key Features of the Risk Management and Internal Control Frameworks (Cont'd)

2.3 Enterprise Risk Management Process

The Board places strong dedication and commitment of the highest standards towards effective enterprise risk management in-line with best practices in corporate governance guided by the MCCG. An enterprise risk management approach aligns strategy, processes, people, technology, and knowledge with the purpose of evaluating and managing potential risks to the company that may be exposed to them. It enhances and encourages the identification of opportunities through continuous improvement and innovation.

The Group's established risk management practice is guided by ISO 31000 and the Committee of Sponsoring Organizations of the Treadway Commission's Enterprise Risk Management Framework 2017. The key elements of this risk management process are as follows:

Establish Context
- Know your business and environment.
- Establish strategic and organisational objectives by considering internal and external environment within which the risks are considered.

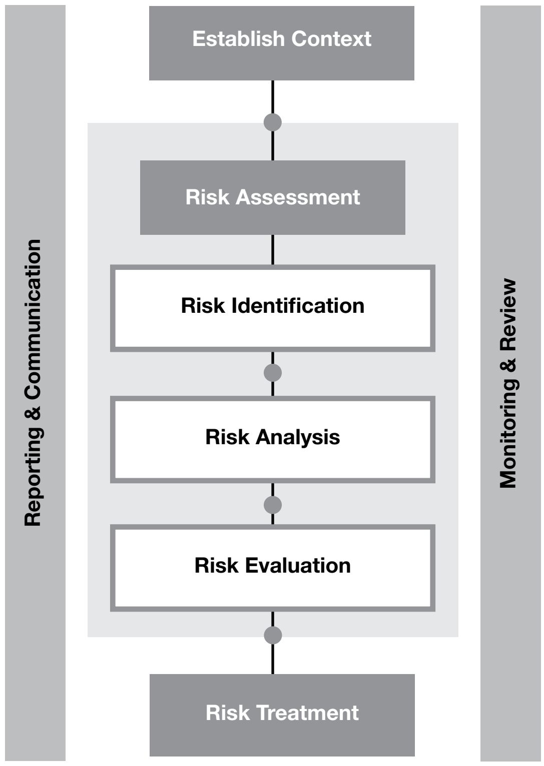
Risk Analysis
- Consequences and likelihood are expressed and combined to determine level of risk that is consistent with the risk criteria.
- Existing controls should be taken into account.

Evaluate Risk
- Analyse risk in terms of impact and probability and plot the risk using the risk matrix.
- To assist in making decisions about which risks need treatment and the priority for treatment implementation.

Treat Risk
- Identify mitigating controls to manage inherent risk to an acceptable residual risk level which is aligned with risk appetite.
- There are 4 primary risk treatment options to be considered:
  Accept the risk by informed decision; Avoid the risk; Reduce the risk; and Transfer/Share the risk with other parties.
- The key mitigating control is recorded in the risk register and its effectiveness is assessed.

Monitoring & Review
- Track the current status and changes in the risk register and perform a separate evaluation of the performance of the risk management system and changes that might affect it.

Reporting & Communication
- Communicate and consult with internal and external stakeholders, as appropriate at each stage of the risk management process and concerning the process as a whole.



The above risk management process is carried out annually and has been in place for the year under review and up to the date of the approval of this Statement. The updated risk profile was last presented to the RMC on 16 November 2022. The RMC reviewed the Enterprise Risk Management: Risk Action Plans Implementation Report on 17 April 2023. The risk management reviews cover responses to significant risks identified which would ensure the achievement of the corporate strategies and business objectives; effectiveness and efficiency of operations; integrity of information and reporting; and compliance with the relevant laws, regulations, policies, and procedures.

2.0 Key Features of the Risk Management and Internal Control Frameworks (Cont'd)

2.3 Enterprise Risk Management Process (Cont'd)

2.3.1 Risk Appetite and Tolerance

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

2.3.2 Risk Assessment

Risk management processes require the identification of risks arising from internal and external factors, including but not limited to environmental risks. The risks are assessed in terms of likelihood and impact as well as to identify and evaluate the adequacy of mechanisms in place to manage risks.

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

During FYE 2022, an updated risk register was established at group level with nine top risks being identified that could significantly impact the achievement of KGB's strategies and objectives that may require Group wide initiatives to mitigate. The Group identified significant risk areas of concern and mitigating actions were undertaken within appropriate timeframes.

2.3.3 Risk Management

The management of the Group's significant risks identified for FYE 2022 are outlined below:

No.	Risk Title	Impact	Risk Mitigation Action	Residual Risk Rating
R1	Uncertain of global economy	Instability of supply and demand and instability of currency exchange might affect financial performance of the Group,	1.1) Implementation of Strategic Plan. 1.2) Regularly reviewing business plan against performance to address any shortfalls. 1.3) Enhancing efficiency and productivity in the operations.	Medium
R2	Ability to achieve strategic plan	Unable to meet stakeholders' expectation.	2.1) Integrating ESG issues into corporate strategy and manage sustainability.	Medium
R3	Succession Risk	Vacancy in critical role cannot be filled satisfactorily within an acceptable timeframe, thus disrupt business operation or affect business operating performance.	3.1) Continuously improve the succession planning process. 3.2) Investing in professional development for identified successor. 3.3) Integrate succession plan into hiring strategy.	Medium

2.0 Key Features of the Risk Management and Internal Control Frameworks (Cont'd)

2.3 Enterprise Risk Management Process (Cont'd)

2.3.3 Risk Management (Cont'd)

The management of the Group's significant risks identified for FYE 2022 are outlined below: (Cont'd)

No.	Risk Title	Impact	Risk Mitigation Action	Residual Risk Rating
R4	Sustainability Risk	Fail to integrates material sustainability topics into overall risk management framework, potential financial impact on the investment and business sustainability.	4.1) Manage Sustainability Matters	Medium
R5	Intense Competition	**UHP Division** The level of competition in the UHP delivery systems industry in which we operate is medium and our direct competitors are mainly from Taiwan and China. We have limited direct competition in Malaysia as we are one of the few companies in Malaysia (apart from gas/chemical companies) that has the capabilities and technical competencies to provide design and installation of UHP delivery systems, as well as the ability to provide total UHP solution packages.	5.1) Improve price competitiveness through price submission consistency and strategic sourcing of materials. 5.2) Developing and exploring new markets that complement our base capabilities that will bring in recurring income.	Medium
		Industrial Gases Division Competition from existing competitors and/or new entrants in the Industrial Gases Business.	5.3) Take proactive measures to remain competitive in this business by amongst others, constantly keeping abreast with the latest market conditions, and continuing efforts in maintaining a competitive edge in terms of cost competitiveness, service quality, product quality and service reliability. 5.4) Expansion of products/ services to increase customer base.	
R6	Slow Recoverability of Debts	As at FYE 31 Dec 2022, the balance of trade receivables amounted to RM385.5 million of which RM45.6 million exceeded their credit terms. The overdue payment will not cause financial constraint to KGB Group at this point of time as all existing project costs are financed by project progressive claims and project financing facilities. However, recoverability of overdue payments could enhance cashflow position of the Group.	6.1) Expedite progress payment claim. 6.2) Persistent and close monitoring of collection of outstanding payments. 6.3) Assessing credit worthiness of potential Customers.	Low

2.0 Key Features of the Risk Management and Internal Control Frameworks (Cont'd)

2.3 Enterprise Risk Management Process (Cont'd)

2.3.3 Risk Management (Cont'd)

The management of the Group's significant risks identified for FYE 2022 are outlined below: (Cont'd)

No.	Risk Title	Impact	Risk Mitigation Action	Residual Risk Rating
R7	Investment Risk	Kelington Group was initially involved in handling of the delivery and distribution of UHP gases and chemicals mainly for manufacturers of memory, and semiconductor and electronics companies before expanding its Industrial Gases Business to include the provision of on-site gas supply and manufacturing of liquid carbon dioxide ("**CO2**") business. Kelington Group is generating its Industrial Gases Business either by way of setting up of an on-site generator at the client's plant, in which Kelington Group receives monthly facility fee from supplying the aforesaid on-site plant, or by way of signing of supply contract, which is usually short term (i.e. 1-2 years) and on call-out basis, request on demand, or by way of purchase orders from customers.	7.1) Investment Decision Process and Initial Assessment Procedures. 7.2) Commercialisation Process commence upon investment approval. 7.3) Leveraging on the experience and expertise of the key management personnel 7.4) Conduct periodic reviews of Industrial Gases Business to ensure that prudent financial management and efficient operating procedures are put in place to limit the impact of the business risks.	High
R8	Contingent Liabilities – Warranty Bond	Performance bonds and bank guarantees are a type of security that is commonly used in building and construction contract. Fail to fix defective works or fail to follow contractual outlines and liable for paying up to the performance bond's value.	8.1) Formulating fair and favourable contract terms and conditions and on-going contact management. 8.2) Project Risk Management Process. 8.3) Understand customer needs and expectations, provide quality products and services, ensure customer satisfaction.	Medium
R9	Contractual Risk – Liquidated Ascertained Damages	Breach of contract and the Liquidated Ascertain Damages (LAD) imposed will affect financial performance of the Group.	9.1) Ensure the sum stipulated in the LAD clause is proportionate to protect our legitimate interest in the performance of the contract. 9.2) Project Manager to oversee the project risk management process throughout the contract period.	Medium

2.0 Key Features of the Risk Management and Internal Control Frameworks (Cont'd)

2.4 Internal Audit ("IA") Function

The Group's IA Function assists the Board and the AC by providing an independent assessment of the adequacy and effectiveness of the Group's internal control system. Further details of the IA Function are set out in the AC Report on pages 143 to 144 of this Annual Report.

2.5 Internal Control

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

(a) Integrity and Ethical Values

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

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

(b) Management Structure

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

The daily running of the businesses is entrusted to the Executive Directors and the Management teams. The heads of each operating subsidiary and department of the Group are empowered with the responsibility of managing their respective operations.

(c) Limits of Authority

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

(d) Strategic Business Plan and Annual Budget

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

The Group's annual strategic business plan and budget are reviewed, deliberated and approved by the Board. The expectations of the Board are clearly discussed with, and understood by the Management. The Board is also responsible for monitoring the implementation of the strategic business plan and for assessing the actual performance of the Group against the annual strategic business plan and budget as well as to provide guidance to Management.

2.0 Key Features of the Risk Management and Internal Control Frameworks (Cont'd)

2.5 Internal Control

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal control include: (Cont'd)

(e) Policies and Procedures

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

(f) Compliance Framework

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

(g) Performance Review

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

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

(h) Major Projects and Investment

There is a standard operating procedure for pre-tendering evaluation and investment appraisal for major projects and Capital Expenditure ("CAPEX")/investments. For major projects/CAPEX/investments, a specific review will be conducted by Major Projects and Investment Committee to deliberate the commercial feasibility of the expenditure/investment, whilst the technical aspects and risks will be deliberated by the technical team before seeking approval according to the delegation of authority table.

(i) ISO Quality Management System

Our Business Operations at	Group Operating Revenue (%)	Quality Management System
Singapore	36%	ISO 9001:2015 Quality Management System certified since November 2018
China	15%	ISO 9001:2015 Quality Management System certified since June 2019
Malaysia	46%	ISO 9001:2015 Quality Management System certified since March 2018
Taiwan	3%	Operated as a branch of KGB in Taiwan.

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

2.0 Key Features of the Risk Management and Internal Control Frameworks (Cont'd)

2.5 Internal Control

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal control include: (Cont'd)

(j) Sustainability

The Group has a sustainability governance structure to manage sustainability agenda and activities across the Group in order to contribute to a sustainable business. The Board is responsible for steering the Group in the direction of achieving overall sustainable growth.

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

The Health and Safety Working Committee and Environmental Working Committee are responsible for overseeing the health & safety working environment and environmental management, and ensure continuously meet legal compliance, client expectations, standards alignment and industry best practices.

All KGB's employee is obligated to work safely, to co-operate and act responsibly to prevent injury to himself/ herself and to others and to the environment.

In pursuance of Health and Safety Policy, Environmental Policy and in adherence to all legislative and other requirements with the commitment to achieve continuous improvement, KGB will endeavour to:

- Prevent all accidents, occupational diseases and fire,
- Prevent damage to plant, equipment and property,
- Protect and preserve the environment,
- Prevent any environmental pollution,
- Implement a safe system of work,
- Promote HSE awareness and provide training to KGB employees to achieve our HSE objectives,
- Provide forum to employees, customers and contractors to actively participate in our HSE programmes,
- Safeguard the interest of the general public and the surrounding community; and
- Put in place appropriate contingency measures to deal with emergencies, e.g. pandemic, severe environmental pollution etc.

Our Business Operations at	Group Operating Revenue (%)	Occupational Health & Safety Management System
Singapore	36%	ISO 45001:2018 certified since December 2020
China	15%	Certified to OHSAS 18001:2007 from June 2019 to June 2020 ISO 45001:2018 certified since August 2020
Malaysia	46%	Certified to OHSAS 18001:2007 from July 2014 to Sept 2019 ISO 45001:2018 certified since July 2020
Taiwan	3%	Operated as a branch of KGB in Taiwan. Adapting safety & health standards to ensure workplace safely

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

2.0 Key Features of the Risk Management and Internal Control Frameworks (Cont'd)

2.5 Internal Control

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal control include: (Cont'd)

(l) Related Party Transactions

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

3.0 Conclusion

Based on the various procedures and controls put in place by the Group, the work performed, and the reports submitted by the Internal Auditor, the Board has reviewed and is satisfied that the risk management and internal control systems put in place for the year under review and up to the date of approval of this statement are appropriate.

The Board acknowledges that the system of risk management and internal control does not eliminate the possibility of collusion or deliberate circumvention of procedures by employees, human errors and/or other unforeseen circumstances that result in poor judgement.

The Board recognises the necessity to continuously improve the Group's system of internal control and risk management 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.

4.0 Review of this Statement by the External Auditors

As required by paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3 ("AAPG 3"), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants.

Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that caused them to believe that the Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is it factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems including the assessment and opinion by the Board and Management thereon. The Auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors dated 20 April 2023.

AUDIT COMMITTEE REPORT

The primary function of the Audit Committee ("AC") is to assist the Board of Directors in fulfilling its fiduciary duties as well as providing oversight on the integrity of the Group's financial reporting and its audit processes. The Board presents the AC Report to provide insights on the discharge of the AC's functions for the Group in the year 2022. This report is prepared in compliance with Paragraph 15.15 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR").

During the financial year, the AC carried out its duties and responsibilities in accordance with its terms of reference ("ToR") and held discussions with the internal auditors, external auditors and relevant members of Management. The AC is of the view that no material misstatements or losses, contingencies or uncertainties have arisen, based on the reviews made and discussions held.

COMPOSITION AND MEETINGS

The AC comprises three members, all of whom are Independent Non-Executive Directors. This meets the requirements of Paragraphs 15.09(1) and (2) of the MMLR. None of the members of the AC was a former partner of the External Auditors of the Group.

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

The AC Chairman, Soo Yuit Weng, is a fellow member of Malaysian Institute of Accountants and accordingly, the Company complies with Paragraph 15.09(1)(c)(ii)(bb) of the MMLR.

A total of 5 meetings were held in Financial Year 2022 ("FY2022"). In light of the COVID-19 pandemic, the AC meetings were held virtually in order for the AC members to discharge their duties and responsibilities effectively.

The AC members and details of attendance of each member at the AC meetings held during the FY2022 are as follows:

Audit Committee	Meeting Attendance
Soo Yuit Weng *(Senior Independent Non-Executive Director) Chairman* [(a)]	5/5
The Late Chan Thian Kiat *(Independent Non-Executive Director) Chairman* [(b)]	4/4
Tan Chuan Yong *(Independent Non-Executive Director) Member* [(c)]	5/5
Ng Lee Kuan *(Independent Non-Executive Director) Member* [(d)]	1/1
Ng Meng Kwai *(Independent Non-Executive Director) Member* [(d)]	0/1

Note:
(a) Appointed as the AC Chairman on 1 November 2022.
(b) Demised on 1 September 2022.
(c) Resigned as the AC Member on 1 March 2023.
(d) Appointed as AC Member on 1 November 2022.

The Executive Directors, Chief Financial Officer, External and Internal Auditors together with the relevant personnel from the Management were invited to attend the AC meetings and provide clarifications on the agenda items.

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

COMPOSITION AND MEETINGS (CONT'D)

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

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

TERMS OF REFERENCE & PERFORMANCE

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

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

As the appropriate level of knowledge, skills, experience, and commitment of its members is critical to the AC's ability to discharge its responsibilities effectively, an assessment of the AC members (self and peers) was also carried out for the FYE 31 December 2022.

The Board is satisfied that the AC and its members have discharged their functions, duties and responsibilities in accordance with the AC's ToR and supports the Board in ensuring that the Group upholds appropriate standards of corporate governance.

The ToR of the AC which are in line with the provisions of the MMLR, the MCCG 2021 and other best practices are available for reference on the Company's website.

SUMMARY OF ACTIVITIES OF THE FINANCIAL YEAR

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

Ensuring Financial Statements Comply with Applicable Financial Reporting Standards:

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

(b) Reviewed the audited financial statements and the External Auditors' findings and recommendations for the financial year ended 31 December 2021. In the review of the annual audited financial statements, the AC discussed with Management and the External Auditors the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements as well as issues and reservations arising from the statutory audit; and

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

SUMMARY OF ACTIVITIES OF THE FINANCIAL YEAR (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, and areas of audit emphasis prior to the commencement of their annual audit;

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

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

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

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

The non-audit services provided or to be provided by the External Auditors and their affiliates to the Group have been approved by the AC. The AC having considered the nature, scope, and quantum of non-audit fees, was satisfied that there was no conflict of interest and that the non-audit services would not impair the independence of the External Auditors. The details of the audit and non-audit services rendered by the External Auditors and their affiliates for FY2022 are disclosed in the Additional Compliance Information section of this Annual Report.

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

A questionnaire assessment was carried out to assess the independence and effectiveness of the External Auditors of the Company, namely Crowe Malaysia PLT based on the feedback from Management. The AC was satisfied that the External Auditors have the capability and expertise to act as the Auditors for the Company and recommended the re-appointment of Crowe Malaysia PLT as the External Auditors of the Company for FY2023 to the Board for consideration. The re-appointment of Crowe Malaysia PLT is subject to shareholders' approval being sought at the forthcoming Annual General Meeting ("AGM").

Overseeing the Governance Practices in the Group:

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

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

(c) Reviewed the adequacy and effectiveness of the Group's risk management and internal control systems based on the risk assessment report and IA report and reported to the Board;

(d) Reviewed and verified the allocation of shares under the Employee Share Scheme;

(e) Reviewed the revised ToR of the AC to be in line with the MMLR and the MCCG 2021; and

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

SUMMARY OF ACTIVITIES OF THE FINANCIAL YEAR (CONT'D)

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

(a) Reviewed and approved the annual internal audit plan as proposed by the Internal Auditors to ensure the adequacy of the scope and coverage of work;

(b) Reviewed and discussed the Internal Audit report, which outlined the recommendations towards correcting areas of weaknesses and ensured that management action plans were established for the implementation of the Internal Auditors' recommendations. Senior Management and Operating Management were invited to attend the AC meeting to provide clarification on specific issues raised in the Internal Audit report; and

(c) Reviewed the adequacy of the scope, functions, and competency of the outsourced Internal Audit function and the results of the Internal Audit process to ensure that appropriate actions are taken on the recommendations of the Internal Auditors.

INTERNAL AUDIT ("IA") FUNCTION

The Group's IA function is outsourced to GRC Consulting Services Sdn. Bhd. The IA function is independent of the activities and reports directly to the AC which assists the AC in the discharge of its duties and functions. Its role is to independently assess the adequacy and effectiveness of the system of internal control as established by KGB Management and make recommendations for improvement. The Engagement Executive Director is Mr. Affeiz Abdul Razak, who has diverse professional experience in internal audit, risk management and corporate governance advisory. He is currently one of the Governors in the Institute of Internal Auditors Malaysia's (IIAM) Board and has served previously as the Honorary Treasurer and Honorary Secretary of IIAM. He is a Chartered Member of the Institute of Internal Auditors Malaysia – CMIIA, Certified Financial Services Auditor – CFSA (US) and has Accreditation in Internal Audit Function Assessment Validation by IIA (US), Associate Member of the Association of Certified Fraud Examiners (US), Member of the Business Continuity Institute (UK) – MBCI (UK), Affiliate Member of the Institute of Risk Management (UK), Certified Business Continuity Institute (UK) Professional - CBCI with Merit (UK), Member of the Institute of Corporate Directors Malaysia and Associate Member of the Asian Institute of Chartered Bankers.

The number of staff deployed for the IA reviews ranges from 3 to 4 per visit, including the engagement Executive Director. The staff involved in the IA reviews possess professional qualifications and/or a university degree. Most of them are members of the IIAM. The IA staff on the engagement are free from any relationships or conflicts of interest that could impair their objectivity and independence. The IA were conducted using a risk-based approach and was guided by the International Professional Practice Framework.

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.

INTERNAL AUDIT ("IA") FUNCTION (CONT'D)

During the FYE 31 December 2022, the outsourced IA function undertook review on the following businesses of the Group:

Entity	Scope of Internal Audit
Kelington Engineering (Shanghai) Co., Ltd.	• Governance Review • Sales & marketing functions • Project Management • Supply Chain Management • Human Resources Management • Financing & Liquidity • Legal & Contract administration • Compliance risk & testing of Internal controls
Kelington Taiwan	• Governance Review • Sales & marketing functions • Project Management • Supply Chain Management • Human Resources Management • Financing & Liquidity • Legal & Contract administration • Compliance risk & testing of Internal Controls
Kelington Technologies Sdn Bhd (Kulim)	• Governance Review • Sales & marketing functions • Project Management • Supply Chain Management • Human Resources Management • Financing & Liquidity • Legal & Contract administration • Compliance risk & testing of Internal controls

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

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

The total cost incurred on the outsourced IA function is RM60,000 for the FYE 31 December 2022.

The AC Report was approved by the Board on 20 April 2023.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

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

2. AUDIT AND NON-AUDIT FEES

The auditors' remuneration including non-audit fees for the Company and the Group for the FYE 31 December 2022 is as follows:

Details of Auditors' Remuneration

	Group (RM)	Company (RM)
- Statutory Audit Fees	554,552	160,484
- Non-Audit Fees	6,000	6,000
Total	**560,552**	**166,484**

3. LIST OF PROPERTIES

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

4. MATERIAL CONTRACTS INVOLVING DIRECTORS' OR MAJOR SHAREHOLDERS' INTEREST

There were no material contracts entered into by the Group involving the interest of the Directors, chief executive who is not a director or Major Shareholders either still subsisting as at 31 December 2022 or entered into since the end of the previous financial year.

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

The Company did not enter into any RRPT during the FYE 31 December 2022.

6. EMPLOYEES' SHARE SCHEME ("ESS")

The ESS was approved by the shareholders at an EGM held on 31 May 2022 and governed by the By-Laws. The ESS is to be in force for a period of five (5) years (i.e. from 6 July 2022 to 6 July 2027), 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.

6. EMPLOYEES' SHARE SCHEME ("ESS") (CONT'D)

During the FYE 31 December 2022, the information in relation to the ESS is as follows:

	Total number of ESS Shares offered during the FYE 31 December 2022	Total number of KGB Shares awarded during the FYE 31 December 2022	Total ESS Shares outstanding as at 31 December 2022
Directors & Senior Management	18,004,000	Nil	18,004,000
Other Eligible Employees	7,716,000	Nil	7,716,000
TOTAL	**25,720,000**	**Nil**	**25,720,000**

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

Name of Directors	Number of ESS Shares Offered	Number of KGB Shares Awarded
Gan Hung Keng	1,100,000	Nil
Ong Weng Leong	1,100,000	Nil
Soh Tong Hwa	1,100,000	Nil
Cham Teck Kuang	1,100,000	Nil
Hu Keqin	1,100,000	Nil
Soo Yuit Weng	50,000	Nil
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	50,000	Nil
Ng Lee Kuan	50,000	Nil
Chan Thian Kiat (1)	50,000	Nil
Tan Chuan Yong (2)	50,000	Nil
TOTAL	**5,750,000**	**Nil**

Notes:
(1) *Demised on 1 September 2022*
(2) *Resigned on 1 March 2023*

FINANCIAL STATEMENTS

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 2022.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of providing engineering services, construction and general trading. The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

RESULTS

	The Group RM'000	The Company RM'000
Profit after taxation for the financial year	58,506	25,188
Attributable to:-		
Owners of the Company	55,752	25,188
Non-controlling interests	2,754	–
	58,506	25,188

DIVIDENDS

Dividends paid or declared by the Company since 31 December 2021 are as follows:-

	RM'000
Ordinary Share	
In respect of the financial year 31 December 2021	
An interim dividend of 1 sen per ordinary share, paid on 6 April 2022	6,430
In respect of the financial year 31 December 2022	
An interim dividend of 1 sen per ordinary share, paid on 22 September 2022	6,430

On 27 February 2023, the Company declared a second interim dividend of 1.50 sen per ordinary share amounting to RM9,645,107 in respect of the current financial year, payable on 21 April 2023, to shareholders whose names appeared in the record of depositors on 23 March 2023. 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 2023.

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) there were no changes in the issued and paid-up share capital of the Company; and

(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 2022, the Company held a total of 2,239,800 (2021 - 2,239,800) treasury shares out of the total 645,246,952 (2021 - 645,246,952) issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of approximately RM534,000 (2021 - RM534,000). The details on the treasury shares are disclosed in Note 18 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

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

EMPLOYEE SHARE SCHEME ("ESS")

The ESS of the Company is governed by the ESS By-Laws and was approved by shareholders on 31 May 2022. The ESS is to be in force for a period of 5 years effective from 6 July 2022.

The details of the ESS are disclosed in Note 19 (c) to the financial statements.

WARRANTS

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

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

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

As at 31 December 2022, the total number of warrants that remain unexercised were 214,338,821 units. The details of the warrants are disclosed in Note 19 (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.

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
Soo Yuit Weng
Laksamana Madya Datuk Haji Jamil Bin Haji Osman
Soh Tong Hwa
Cham Teck Kuang
Ng Lee Kuan
Hu Keqin
Ng Meng Kwai (Appointed on 1 November 2022)
Rahima Beevi Binti Mohamed Ibrahim (Appointed on 1 March 2023)
Tan Chuan Yong (Resigned on 1 March 2023)
Chan Thian Kiat (Demised on 1 September 2022)

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
Joshua Kalinoe
Roderick R.C. Salazar III
Lino Jose A. Equipilag
Ong Seng Heng
Chong Ann Tsun
Alan Lim Chui Boon
Richard Wee Liang Huat @ Richard Wee Liang Chiat (Appointed on 1 June 2022)
Bayani B. Loste (Resigned on 17 April 2023)

DIRECTORS' INTERESTS

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

	<-------------- Number of Ordinary Share			-------------->
	At 1.1.2022	**Bought**	**Sold**	**At 31.12.2022**
Direct Interests				
Gan Hung Keng	4,696,332	–	–	4,696,332
Ong Weng Leong	4,391,800	–	–	4,391,800
Soo Yuit Weng	1,224,000	210,000	–	1,434,000
Tan Chuan Yong	463,332	–	–	463,332
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	47,600	–	(47,600)	–
Soh Tong Hwa	1,475,532	–	–	1,475,532
Indirect Interests				
Gan Hung Keng *	135,406,980	–	–	135,406,980
Ong Weng Leong *	135,406,980	–	–	135,406,980
Soh Tong Hwa *	135,406,980	–	–	135,406,980
Cham Teck Kuang *	135,406,980	–	–	135,406,980
Hu Keqin *	135,406,980	–	–	135,406,980

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

	<----------------- Number of Warrants			----------------->
	At 1.1.2022	**Bought**	**Sold**	**At 31.12.2022**
Warrants of the Company				
Direct Interests				
Gan Hung Keng	1,565,444	–	–	1,565,444
Ong Weng Leong	1,463,933	–	–	1,463,933
Soo Yuit Weng	408,000	–	–	408,000
Tan Chuan Yong	154,444	–	–	154,444
Soh Tong Hwa	491,844	–	–	491,844
Indirect Interests				
Gan Hung Keng *	52,871,160	440,000	–	53,311,160
Ong Weng Leong *	52,871,160	440,000	–	53,311,160
Soh Tong Hwa *	52,871,160	440,000	–	53,311,160
Cham Teck Kuang *	52,871,160	440,000	–	53,311,160
Hu Keqin *	52,871,160	440,000	–	53,311,160

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

DIRECTORS' INTERESTS (CONT'D)

	<--- Number of Shares under ESS ---->		
	At 1.1.2022	**Offered**	**At 31.12.2022**
ESS of the Company			
Direct Interests			
Gan Hung Keng	–	1,100,000	1,100,000
Ong Weng Leong	–	1,100,000	1,100,000
Soo Yuit Weng	–	50,000	50,000
Tan Chuan Yong	–	50,000	50,000
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	–	50,000	50,000
Soh Tong Hwa	–	1,100,000	1,100,000
Cham Teck Kuang	–	1,100,000	1,100,000
Ng Lee Kuan	–	50,000	50,000
Hu Keqin	–	1,100,000	1,100,000

By virtue of their shareholdings in the Company, Gan Hung Keng, Ong Weng Leong, Soh Tong Hwa, Cham Teck Kuang and Hu Keqin are deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

The other directors holding office at the end of the financial year had no interest in shares, options over unissued shares or debentures of the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in "Directors' Remuneration" of this report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 37 to the financial statements.

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

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are as follows:-

	The Group RM'000	**The Company RM'000**
Fees	241	241
Salaries, bonuses and other benefits	4,868	2,339
Defined contribution benefit	285	158
Share-based payments	141	59
	5,535	2,797

The estimated monetary value of benefits-in-kind provided by the Group and the Company to the directors of the Group and of the Company were RM79,950 and RM56,000 respectively.

INDEMNITY AND INSURANCE COST

During the financial year, the total amounts of indemnity coverage and insurance premium paid for the directors and officers of the Company were RM5,000,000 and RM15,000 respectively.

SUBSIDIARIES

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

SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

The significant events during and after the financial year are disclosed in Note 41 to the financial statements.

AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration for the financial year are as follows:-

	The Group RM'000	**The Company RM'000**
Audit fees	554	160
Non-audit fees	6	6
	560	166

Signed in accordance with a resolution of the directors dated 20 April 2023

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 162 to 257 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 2022 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 20 April 2023

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: 29243, 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 162 to 257 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 20 April 2023

Jong Yu Huat

Before me

Yokheswarem A/L M. Thirunadesan (No. W-540)
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 2022 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 162 to 257.

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 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key Audit Matters (Cont'd)

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

Contract assets/(liabilities) and revenue recognition Refer to Notes 13 and 29 to the financial statements
Key Audit Matter
Construction contract accounting is inherently complex due to the contracting nature of the business, which involves significant judgements. This includes the determination of the total budgeted contract costs to complete the projects and the calculation of percentage of completion which affects the quantum of revenue and profit to be recognised. In estimating the revenue to be recognised, the management considers past experience and work done certified by customers and/or independent third parties, where applicable. In estimating the total budgeted contract costs to completion, the management considers the completeness and accuracy of its costs estimation, including its obligations to contract variations and claims. The total costs to completion are subject to a number of variables including the accuracy of designs, market conditions in respect of materials and sub-contractor cost and construction issues. An error in the estimated profit on contracts could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period. The profit recognition on contract includes key judgements over the expected recovery of costs arising from variations and claims and assessment on liquidated and ascertained damages costs, where applicable. In addition, changes in judgements, and the related estimates, as contracts progress, can result in material adjustments to margin, which can be both positive and negative. The potential outcome for contracts can have an individually and collectively material impact on the financial statements, whether through error or management bias. We determined this to be a key audit matter due to the complexity and judgemental nature of the budgeting of contract costs to completion, calculation of percentage of completion and the determination of revenue and profit to be recognised.
How our audit addressed the Key Audit Matter
Our procedures included, amongst others:- • Reviewed the contract value secured and projected budgeted costs; • Assessed the estimated total costs to complete through enquiries with management; • Assessed the management's assumptions in determining the liquidated and ascertained damages; • Inspected documentation to support cost estimates made including contract variations and cost contingencies; • Compared contract budgets to actual outcomes to assess the reliability of management's estimation; • Verified actual progress billings issued and actual costs incurred for the financial year; • Checked subsequent billings of contract assets; and • Recomputed profit recognised and checked calculation of the percentage of completion.

Key Audit Matters (Cont'd)

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

Key Audit Matter

The balance of trade receivables amounted to approximately RM385.5 million of which approximately RM40.6 million exceeded their credit terms.

Management recognised the allowance of impairment losses on trade receivables based on specific known facts or customers' ability to pay.

We focused on this area as the assessment on adequacy for allowance of impairment losses involves significant management judgement.

How our audit addressed the Key Audit Matter

Our procedures included, amongst others:-

- Obtained an understanding of:-
    - the Group's control over the trade receivables collection process;
    - how the Group identifies and assesses the impairment of trade receivables; and
    - how the Group makes the accounting estimates for impairment.
- Reviewed the ageing analysis of receivables and tested its reliability;
- Reviewed subsequent cash collections for major receivables and overdue amounts;
- Made inquiries to 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.

Key Audit Matters (Cont'd)

Goodwill impairment Refer to Note 8 to the financial statements
Key Audit Matter
Goodwill balance as at 31 December 2022 amounted to approximately RM6.8 million comprised mainly from a cash-generating unit ("CGU"). Management is required to conduct annual impairment assessment on the goodwill. For this purpose, management has estimated the recoverable amount of the CGU in which the goodwill is attached to, using the value in use approach. This is derived from the present value of the future cash flows from the cash-generating unit. This assessment of goodwill impairment is significant to our audit as it is highly subjective, involves significant judgement and is based on assumptions that may be affected by future market and economic conditions.
How our audit addressed the Key Audit Matter
Our procedures included, amongst others:- • Reviewed management's estimate of the recoverable amount and test of the cash flows forecast for their accuracy; • Reviewed the key business drivers underpinning the cash flows forecast prepared to support the recoverable amount; • Evaluated the appropriateness and reasonableness of the key assumptions by considering prior budget accuracy, comparison to recent performance and our understanding of the business, trend analysis and historical results; • Performed sensitivity analysis over the key assumptions to understand the impact of changes over the valuation model; and • Reviewed the adequacy of the Group's disclosures.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- 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.

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Elvina Tay Choon Choon
03329/10/2023 J
Chartered Accountant

Kuala Lumpur

20 April 2023

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	The Group 2022 RM'000	The Group 2021 RM'000	The Company 2022 RM'000	The Company 2021 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	–	–	48,963	48,672
Property, plant and equipment	6	106,791	68,756	2,915	3,009
Right-of-use assets	7	3,561	1,257	–	–
Goodwill	8	6,829	6,449	–	–
Deferred tax assets	9	682	272	–	–
		117,863	76,734	51,878	51,681
CURRENT ASSETS					
Inventories	10	21,871	6,856	550	–
Trade receivables	11	385,507	92,136	5,485	2,482
Other receivables, deposits and prepayments	12	63,712	10,186	1,230	764
Contract assets	13	196,558	111,111	2,766	5,196
Amount owing by subsidiaries	14	–	–	36,341	10,066
Current tax assets		10,163	448	274	441
Fixed deposits with licensed banks	15	25,586	25,410	16,466	16,110
Cash and bank balances	16	234,381	81,087	9,546	9,759
		937,778	327,234	72,658	44,818
TOTAL ASSETS		1,055,641	403,968	124,536	96,499

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

STATEMENTS OF FINANCIAL POSITION

	Note	The Group 2022 RM'000	The Group 2021 RM'000	The Company 2022 RM'000	The Company 2021 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	73,292	73,292	73,292	73,292
Treasury shares	18	(534)	(534)	(534)	(534)
Reserves	19	166,541	118,934	22,262	7,679
Equity attributable to the owners of the Company		239,299	191,692	95,020	80,437
Non-controlling interests	5	3,816	1,055	–	–
TOTAL EQUITY		243,115	192,747	95,020	80,437
NON-CURRENT LIABILITIES					
Deferred tax liabilities	9	2,675	777	–	–
Lease liabilities	20	1,423	432	–	–
Hire purchase payables	21	2,186	2,247	–	–
Term loans	22	31,863	23,168	–	–
		38,147	26,624	–	–
CURRENT LIABILITIES					
Trade payables	23	201,469	94,042	8,542	5,841
Contract liabilities	13	283,566	30,854	1,761	78
Other payables and accruals	24	60,786	24,868	3,480	2,263
Amount owing to subsidiaries	14	–	–	3,636	3,878
Provisions	25	1,284	403	97	93
Lease liabilities	20	2,018	685	–	–
Short-term borrowings	26	206,296	29,829	12,000	3,909
Bank overdrafts	27	1,253	160	–	–
Current tax liabilities		14,745	3,756	–	–
Derivative liabilities	28	2,962	–	–	–
		774,379	184,597	29,516	16,062
TOTAL LIABILITIES		812,526	211,221	29,516	16,062
TOTAL EQUITY AND LIABILITIES		1,055,641	403,968	124,536	96,499

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 2022

		The Group		The Company	
		2022	2021	2022	2021
	Note	RM'000	RM'000	RM'000	RM'000
REVENUE	29	1,278,837	514,554	32,075	12,877
COST OF SALES		(1,130,695)	(429,306)	(26,738)	(13,069)
GROSS PROFIT/(LOSS)		148,142	85,248	5,337	(192)
OTHER INCOME		5,037	6,081	33,924	14,956
		153,179	91,329	39,261	14,764
SELLING AND DISTRIBUTION EXPENSES		(2,588)	(2,579)	(143)	(84)
ADMINISTRATIVE EXPENSES		(56,396)	(44,093)	(8,140)	(7,232)
OTHER EXPENSES		(10,345)	(2,231)	(2,285)	(304)
FINANCE COSTS		(5,416)	(2,635)	(349)	(195)
NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS	30	(4,043)	(4,097)	(3,027)	(1,751)
PROFIT BEFORE TAXATION	31	74,391	35,694	25,317	5,198
INCOME TAX EXPENSE	32	(15,885)	(5,994)	(129)	157
PROFIT AFTER TAXATION		58,506	29,700	25,188	5,355
OTHER COMPREHENSIVE INCOME/(EXPENSES)					
Item that Will be Reclassified Subsequently to Profit or Loss					
Foreign currency translation differences		4,088	1,148	1,621	(1,372)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		62,594	30,848	26,809	3,983
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		55,752	28,958	25,188	5,355
Non-controlling interests		2,754	742	–	–
		58,506	29,700	25,188	5,355

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

		The Group		The Company	
		2022	2021	2022	2021
	Note	RM'000	RM'000	RM'000	RM'000
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
Owners of the Company		59,833	30,103	26,809	3,983
Non-controlling interests		2,761	745	–	–
		62,594	30,848	26,809	3,983
EARNINGS PER SHARE (SEN)	33				
- Basic		8.67	6.01		
- Diluted		8.67	6.01		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Group	Note	Share Capital RM'000	Treasury Shares RM'000	← Non-distributable → Capital Reserve RM'000	Exchange Fluctuation Reserve RM'000	Distributable Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
Balance at 1.1.2021		73,292	(534)	9,734	3,702	81,825	168,019	310	168,329
Profit after taxation for the financial year		–	–	–	–	28,958	28,958	742	29,700
Other comprehensive income for the financial year:									
- Foreign currency translation differences		–	–	–	1,145	–	1,145	3	1,148
Total comprehensive income for the financial year		–	–	–	1,145	28,958	30,103	745	30,848
Contributions by and distributions to owners of the Company:									
- Dividends	34	–	–	–	–	(6,430)	(6,430)	–	(6,430)
- Transfer of non-distributable reserve funds by a subsidiary		–	–	784	–	(784)	–	–	–
Total transactions with owners		–	–	784	–	(7,214)	(6,430)	–	(6,430)
Balance at 31.12.2021		73,292	(534)	10,518	4,847	103,569	191,692	1,055	192,747

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

STATEMENTS OF CHANGES IN EQUITY

The Group	Note	Share Capital RM'000	Treasury Shares RM'000	← Non-distributable → Capital Reserve RM'000	Employee Share Scheme Reserve RM'000	Exchange Fluctuation Reserve RM'000	Distributable Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
Balance at 31.12.2021/1.1.2022		73,292	(534)	10,518	–	4,847	103,569	191,692	1,055	192,747
Profit after taxation for the financial year		–	–	–	–	–	55,752	55,752	2,754	58,506
Other comprehensive income for the financial year:										
- Foreign currency translation differences		–	–	–	–	4,081	–	4,081	7	4,088
Total comprehensive income for the financial year		–	–	–	–	4,081	55,752	59,833	2,761	62,594
Contributions by and distributions to owners of the Company:										
- Dividends	34	–	–	–	–	–	(12,860)	(12,860)	–	(12,860)
- Share-based payments	19(c)	–	–	–	634	–	–	634	–	634
- Transfer of non-distributable reserve funds by a subsidiary		–	–	676	–	–	(676)	–	–	–
Total transactions with owners		–	–	676	634	–	(13,536)	(12,226)	–	(12,226)
Balance at 31.12.2022		73,292	(534)	11,194	634	8,928	145,785	239,299	3,816	243,115

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

STATEMENTS OF CHANGES IN EQUITY

				← Non-distributable →		Distributable	
The Company	**Note**	**Share Capital RM'000**	**Treasury Shares RM'000**	**Capital Reserve RM'000**	**Exchange Fluctuation Reserve RM'000**	**Retained Profits RM'000**	**Total Equity RM'000**
Balance at 1.1.2021		73,292	(534)	1,044	(1,743)	10,825	82,884
Profit after taxation for the financial year		–	–	–	–	5,355	5,355
Other comprehensive expenses for the financial year:							
- Foreign currency translation differences		–	–	–	(1,372)	–	(1,372)
Total comprehensive income for the financial year		–	–	–	(1,372)	5,355	3,983
Distribution to owners of the Company/ Total transaction with owners:							
- Dividends	34	–	–	–	–	(6,430)	(6,430)
Balance at 31.12.2021		73,292	(534)	1,044	(3,115)	9,750	80,437

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

STATEMENTS OF CHANGES IN EQUITY

The Company	Note	Share Capital RM'000	Treasury Shares RM'000	Capital Reserve RM'000	Employee Share Scheme Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
				← Non-distributable		→	Distributable	
Balance at 31.12.2021/1.1.2022		73,292	(534)	1,044	–	(3,115)	9,750	80,437
Profit after taxation for the financial year		–	–	–	–	–	25,188	25,188
Other comprehensive income for the financial year:								
- Foreign currency translation differences		–	–	–	–	1,621	–	1,621
Total comprehensive income for the financial year		–	–	–	–	1,621	25,188	26,809
Contributions by and distributions to owners of the Company/Total transaction with owners:								
- Dividends	34	–	–	–	–	–	(12,860)	(12,860)
- Share-based payments	19(c)	–	–	–	634	–	–	634
Total transactions with owners		–	–	–	634	–	(12,860)	(12,226)
Balance at 31.12.2022		73,292	(534)	1,044	634	(1,494)	22,078	95,020

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit before taxation	74,391	35,694	25,317	5,198
Adjustments for:-				
Depreciation of property, plant and equipment	5,958	5,235	280	263
Depreciation of right-of-use assets	1,210	451	–	–
Net impairment losses on financial assets and contract assets	4,043	4,097	3,027	1,751
Fair value loss on derivatives	2,943	–	–	–
Interest expense on lease liabilities	91	15	–	–
Other interest expenses	5,242	2,495	300	110
Changes on lease modification	342	–	–	–
Loss on disposal of property, plant and equipment	66	193	–	–
Property, plant and equipment written off	–	170	–	–
Net addition/(reversal) of provision for warranty costs	286	(397)	13	53
Provision for decommission liability	167	–	–	–
Struck off of a subsidiary	–	–	50	–
Share-based payments	634	–	293	–
Dividend income	–	–	(27,950)	(8,986)
Interest income	(470)	(582)	(1,109)	(513)
Net addition/(reversal) of provision for unutilised leave	453	(46)	–	–
Unrealised loss/(gain) on foreign exchange	2,918	(1,681)	1,266	(1,472)
Operating profit/(loss) before working capital changes	98,274	45,644	1,487	(3,596)
Increase in inventories	(15,662)	(3,848)	(568)	–
Increase in contract assets/liabilities	163,007	(46,045)	820	(2,627)
Increase in trade and other receivables	(345,744)	(21,417)	(3,888)	(1,052)
Increase in trade, other payables and provisions	147,561	26,479	4,589	3,909
(Increase)/Decrease in amount owing by subsidiaries	–	–	(3,425)	518
(Decrease)/Increase in amount owing to subsidiaries	–	–	(242)	506
CASH FROM/(FOR) OPERATIONS	47,436	813	(1,227)	(2,342)
Income tax (paid)/refunded	(13,583)	(5,326)	37	(112)
Interest paid	(64)	(18)	(41)	(1)
Interest received	470	582	225	298
NET CASH FROM/(FOR) OPERATING ACTIVITIES	34,259	(3,949)	(1,006)	(2,157)

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

STATEMENTS OF CASH FLOWS

	Note	The Group 2022 RM'000	The Group 2021 RM'000	The Company 2022 RM'000	The Company 2021 RM'000
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Additions to right-of-use assets	35(a)	–	(147)	–	–
Advances to subsidiaries		–	–	(22,850)	(950)
Dividends received		–	–	27,950	8,986
Interest income received		–	–	884	215
Purchase of property, plant and equipment	35(a)	(43,088)	(9,388)	(190)	(63)
Proceeds from disposal of property, plant and equipment		284	142	–	–
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(42,804)	(9,393)	5,794	8,188
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Dividends paid	34	(12,860)	(6,430)	(12,860)	(6,430)
Net drawdown/(repayment) of invoice financing	35(b)	38,719	(4,668)	(2,359)	2,304
Net drawdown of revolving credits	35(b)	10,500	1,500	10,500	1,500
Net drawdown/(repayment) of term loans	35(b)	19,486	(2,133)	–	(2,670)
Repayment of bankers' acceptances	35(b)	–	(2,140)	–	–
Net drawdown of trust receipts	35(b)	114,817	3,339	–	–
Repayment of lease liabilities	35(b)	(1,573)	(445)	–	–
Repayment of hire purchase	35(b)	(866)	(769)	–	–
Interest paid	35(b)	(4,439)	(2,492)	(259)	(109)
(Additions to)/Withdrawal of pledged cash and cash equivalents		(6,738)	(3,287)	(4,489)	581
NET CASH FROM/(FOR) FINANCING ACTIVITIES		157,046	(17,525)	(9,467)	(4,824)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		148,501	(30,867)	(4,679)	1,207
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(2,862)	2,126	333	(395)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		85,046	113,787	13,892	13,080
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	35(c)	230,685	85,046	9,546	13,892

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 20 April 2023.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of providing engineering services, construction and general trading. The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

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

Amendments to MFRS 3: Reference to the Conceptual Framework

Amendment to MFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021

Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use

Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018 - 2020

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

3. BASIS OF PREPARATION (CONT'D)

3.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendment to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The adoption of the above accounting standards and interpretations (including the consequential amendments) is expected to have no material impact on the financial statements of the Group upon their initial application.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

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 8 to the financial statements.

(c) Write-down of Inventories

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

(d) Impairment of Trade Receivables and Contract Assets

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales 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 trade receivables and contract assets as at the reporting date are disclosed in Notes 11 and 13 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 (probability of default) and expected loss if a default happens (loss given default). It also requires the Group to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions and forward-looking information. The carrying amounts of other receivables and amounts owing by subsidiaries as at the reporting date are disclosed in Notes 12 and 14 to the financial statements respectively.

(f) Revenue Recognition for Construction Contracts

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

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 amounts of current tax assets and current tax liabilities of the Group and of the Company as at the reporting date are as follows:-

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current tax assets	10,163	448	274	441
Current tax liabilities	14,745	3,756	–	–

(h) Discount Rates used in Leases

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

Critical Judgements Made in Applying Accounting Policies

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

(a) Lease Terms

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

(b) Share-based Payments

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

(d) Loss of Control

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

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

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

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss immediately.

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

4.4 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.

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 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 liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets

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

Debt Instruments

(i) Amortised Cost

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

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

(ii) Fair Value through Other Comprehensive Income

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

(iii) Fair Value through Profit or Loss

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

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

Equity Instruments

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

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(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.

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.

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%
Tools and equipment	10% - 20%
Furniture, fittings and renovation	10%
Plant and machinery	3.33% - 6.67%

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 LEASES

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and the estimated costs of dismantling and restoration costs, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount has been reduced to zero.

4.9 INVENTORIES

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

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

4.10 CONTRACT ASSET AND CONTRACT LIABILITY

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 CASH AND CASH EQUIVALENTS

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

4.12 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets, as well as on financial guarantee contracts.

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

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

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

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

(b) Impairment of Non-financial Assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 IMPAIRMENT (CONT'D)

(b) Impairment of Non-financial Assets (Cont'd)

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

4.13 PROVISIONS

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

(a) Warranties

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

(b) Onerous Contracts

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

(c) Dismantling, Removal and Restoration Costs

A provision is recognised when the Group has an obligation to dismantle and remove structures on identified sites and restore these sites to an acceptable condition under the tenancy contract. The provision is measured at the present value of the compounded future expenditure at current prices and is recognised as part of the cost of the relevant asset. The capitalised cost is depreciated over the expected life of the asset.

4.14 EMPLOYEE BENEFITS

(a) Short-term Benefits

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

(b) Defined Contribution Plans

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.14 EMPLOYEE BENEFITS (CONT'D)

(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 on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to employee 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 employee share option reserve.

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

When the share options are exercised, the employee 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 investments in subsidiaries in the Company's separate financial statements with any excess goes to profit or loss as a distribution from the subsidiary.

4.15 INCOME TAXES

(a) Current Tax

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

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

(b) Deferred Tax

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 INCOME TAXES (CONT'D)

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

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

4.16 OPERATING SEGMENTS

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

4.17 EARNINGS PER ORDINARY SHARE

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

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

4.18 BORROWING COSTS

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

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

4.19 FAIR VALUE MEASUREMENTS

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 FAIR VALUE MEASUREMENTS (CONT'D)

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

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

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

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

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

4.20 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:-

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

(a) Construction Services

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

A receivable is recognised when the construction services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.20 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

(b) Sales of Goods

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

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

(c) Rendering of Services

Revenue is recognised at a point in time when the services have been rendered to the customers and coincides with the delivery of services and acceptance by customers.

4.21 OTHER OPERATING INCOME

(a) Interest Income

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

(b) Dividend Income

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

(c) Rental Income

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

(d) Management Fees

Management fee is recognised on an accrual basis.

(e) Government Grant

Government grants are recognised at their fair value when there is reasonable assurance that they will be received and all conditions attached will be met.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis over the period necessary to match them with the related expenses which they are intended to compensate for. These grants are presented as other income in profit or loss.

5. INVESTMENTS IN SUBSIDIARIES

	The Company 2022 RM'000	2021 RM'000
Unquoted shares, at cost:		
- in Malaysia	26,343	26,224
- outside Malaysia	22,790	22,618
	49,133	48,842
Accumulated impairment losses	(170)	(170)
	48,963	48,672

	The Company 2022 RM'000	2021 RM'000
Unquoted shares, at cost:-		
At 1 January	48,842	48,842
Struck off during the financial year:		
- in Malaysia	(50)	–
Employee share scheme ("ESS") granted to employees of subsidiaries:		
- ESS offered	341	–
At 31 December	49,133	48,842

Included in the investments in subsidiaries is an amount of approximately RM1,480,000 (2021 - RM1,139,000) relating to the ESS granted by the Company to the employees of the subsidiaries.

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2022 %	2021 %	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	Providing engineering services and general trading. #

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2022 %	2021 %	Principal Activities
Subsidiaries of the Company (Cont'd)				
Kelington Nawik Sdn. Bhd. ("KNSB")	Malaysia	90	90	Providing engineering consultancy and services, construction, engineering process and installation. #
Kelington Analytical Services Sdn. Bhd. ("KASSB")	Malaysia	55	55	Provision of scientific and technical researches, laboratory testing service and experiments.
Ace Gases Sdn. Bhd. ("AGSB")	Malaysia	97.2	97.2	Construction of gas delivery system and manufacturing facilities, production, distribution, supply, import and trading of gases.
Hiti Engineering (M) Sdn. Bhd. ("HITI")	Malaysia	100	100	Provision of engineering services.
Puritec Technologies (M) Sdn. Bhd. ("PTM")	Malaysia	100	100	Provision of engineering services and general trading.
Cryotech Logistics Sdn. Bhd. ("CLSB")	Malaysia	82	82	Provision of skid tank renting and industrial gases transportation and logistics arrangement and general trading of industrial gases.
Subsidiary of KTSB				
Kelington Technologies (Sarawak) Sdn. Bhd. ("KTSSB")	Malaysia	100	100	Providing turnkey engineering services from initial system design up to maintenance and servicing after completion.

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 2022 %	2021 %	Principal Activities
Subsidiaries of KESH				
Kelington Trading (Shanghai) Co. Ltd. ("KTSH") *	PRC	100	100	Trading of machinery equipment and related parts and components.
Kelington System Integration (Chuzhou) Co., Ltd. ("KSICZ") *	PRC	100	100	Providing business of fabrication of gas and liquid delivery equipment and mechanical parts for semiconductor industry.
Subsidiaries of KESG				
Puritec Technologies (S) Pte. Ltd. ("PTS") *	Singapore	100	100	Provision of engineering services in clean energy system.
Kelington Solomon Philippines, Inc ("KSP") *	Philippines	90	90	Business of manufacturing, installation and trading of Ultra-High-Purity gas accessories. #
Subsidiary of KNSB				
Kelington Nawik (PNG) Limited ("KNPNG") *	Papua New Guinea	–	100	Provision of engineering services. #
Subsidiaries of AGSB				
Ace Gases Marketing Sdn. Bhd. ("AGMSB")	Malaysia	77.8	77.8	Manufacturing of gas delivery system, repair of gas manufacturing activities, production, distribution supply, import and trading of gases.
Ace Gases Marketing (S) Pte. Ltd. ("AGMS") *	Singapore	87.5	87.5	Wholesaling of chemicals and chemical products, manufacturing of industrial gases and dry ice.

Notes:-

* - *These subsidiaries were audited by other firms.*

\# - *These subsidiaries did not carry out any business activities during the financial year.*

^ - *This subsidiary has been struck off during the financial year.*

(a) On 21 June 2022, KNSB has disposed of its entire equity interest in KNPNG with the consideration of RM1.

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

	Effective Equity Interest		The Group	
	2022	2021	2022	2021
	%	%	RM'000	RM'000
KNSB	10	10	(91)	(89)
KASSB	45	45	183	147
AGSB Group	2.8	2.8	3,605	924
KESG Group:				
- KSP	10	10	40	41
CLSB	18	18	79	32
			3,816	1,055

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

6. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.1.2022 RM'000	Additions RM'000	Transfer From/(To) RM'000	Disposals RM'000	Exchange Fluctuation Differences RM'000	Depreciation Charges RM'000	At 31.12.2022 RM'000
2022							
Carrying amount							
Freehold land	4,030	–	–	–	–	–	4,030
Building	1,588	–	–	–	–	(43)	1,545
Motor vehicles	5,391	–	536	(276)	97	(725)	5,023
Office and computer equipment	1,916	1,302	16	(63)	19	(713)	2,477
Tools and equipment	4,803	4,742	259	-	2	(1,309)	8,497
Furniture, fittings and renovation	3,655	1,596	–	(11)	(66)	(589)	4,585
Plant and machinery	42,439	112	6,429	–	87	(2,579)	46,488
Capital work-in-progress	4,934	36,452	(7,240)	–	–	–	34,146
	68,756	44,204	–	(350)	139	(5,958)	106,791

The Group	At 1.1.2021 RM'000	Additions RM'000	Transfer From/(To) RM'000	Disposals RM'000	Written Off RM'000	Exchange Fluctuation Differences RM'000	Depreciation Charges RM'000	At 31.12.2021 RM'000
2021								
Carrying amount								
Freehold land	4,030	–	–	–	–	–	–	4,030
Building	1,631	–	–	–	–	–	(43)	1,588
Motor vehicles	5,147	1,036	201	(335)	–	40	(698)	5,391
Office and computer equipment	1,732	688	–	–	(2)	32	(534)	1,916
Tools and equipment	4,804	1,063	200	–	(168)	73	(1,169)	4,803
Furniture, fittings and renovation	3,407	552	–	–	–	141	(445)	3,655
Plant and machinery	42,028	771	1,983	–	–	3	(2,346)	42,439
Capital work-in-progress	1,100	6,218	(2,384)	–	–	–	–	4,934
	63,879	10,328	–	(335)	(170)	289	(5,235)	68,756

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

	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
The Group			
2022			
Freehold land	4,030	–	4,030
Building	2,150	(605)	1,545
Motor vehicles	7,736	(2,713)	5,023
Office and computer equipment	5,524	(3,047)	2,477
Tools and equipment	19,170	(10,673)	8,497
Furniture, fittings and renovation	7,089	(2,504)	4,585
Plant and machinery	54,750	(8,262)	46,488
Capital work-in-progress	34,146	–	34,146
	134,595	(27,804)	106,791
2021			
Freehold land	4,030	–	4,030
Building	2,150	(562)	1,588
Motor vehicles	7,556	(2,165)	5,391
Office and computer equipment	4,343	(2,427)	1,916
Tools and equipment	14,234	(9,431)	4,803
Furniture, fittings and renovation	5,766	(2,111)	3,655
Plant and machinery	48,109	(5,670)	42,439
Capital work-in-progress	4,934	–	4,934
	91,122	(22,366)	68,756

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

The Company	At 1.1.2022 RM'000	Additions RM'000	Exchange Fluctuation Difference RM'000	Depreciation Charges RM'000	At 31.12.2022 RM'000
2022					
Carrying Amount					
Freehold land	1,300	–	–	–	1,300
Building	868	–	–	(28)	840
Motor vehicles	7	–	–	(5)	2
Office and computer equipment	489	156	(1)	(156)	488
Tools and equipment	60	–	(2)	(46)	12
Furniture, fittings and renovation	285	34	(1)	(45)	273
	3,009	190	(4)	(280)	2,915

The Company	At 1.1.2021 RM'000	Additions RM'000	Exchange Fluctuation Difference RM'000	Depreciation Charges RM'000	At 31.12.2021 RM'000
2021					
Carrying Amount					
Freehold land	1,300	–	–	–	1,300
Building	896	–	–	(28)	868
Motor vehicles	12	–	1	(6)	7
Office and computer equipment	579	48	–	(138)	489
Tools and equipment	87	15	4	(46)	60
Furniture, fittings and renovation	329	–	1	(45)	285
	3,203	63	6	(263)	3,009

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

The Company	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
2022			
Freehold land	1,300	–	1,300
Building	1,400	(560)	840
Motor vehicles	158	(156)	2
Office and computer equipment	1,080	(592)	488
Tools and equipment	721	(709)	12
Furniture, fittings, and renovation	939	(666)	273
	5,598	(2,683)	2,915
2021			
Freehold land	1,300	–	1,300
Building	1,400	(532)	868
Motor vehicles	167	(160)	7
Office and computer equipment	932	(443)	489
Tools and equipment	761	(701)	60
Furniture, fittings, and renovation	911	(626)	285
	5,471	(2,462)	3,009

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 property, plant and equipment of the Group at the end of the reporting period were motor vehicles with a total carrying amount of approximately RM3,805,000 (2021 - RM4,398,000) which 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 21 to the financial statements.

Included in capital work-in-progress of the Group is term loan interest amounting to approximately RM86,000.

7. RIGHT-OF-USE ASSETS

The Group	At 1.1.2022 RM'000	Additions RM'000	Depreciation Charges RM'000	Exchange Fluctuation Differences RM'000	Modification of Lease Liabilities RM'000	At 31.12.2022 RM'000
2022						
Carrying Amount						
Leasehold land	146	–	(2)	–	–	144
Office premises	1,082	2,182	(915)	34	(196)	2,187
Warehouse	29	912	(104)	(6)	(201)	630
Motor vehicles	–	461	(83)	(2)	–	376
Hostels	–	336	(106)	(6)	–	224
	1,257	3,891	(1,210)	20	(397)	3,561

	At 1.1.2021 RM'000	Additions RM'000	Depreciation Charges RM'000	Exchange Fluctuation Differences RM'000	At 31.12.2021 RM'000
2021					
Carrying Amount					
Leasehold land	–	147	(1)	–	146
Office premises	66	1,297	(282)	1	1,082
Warehouse	112	83	(168)	2	29
	178	1,527	(451)	3	1,257

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

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

(i)	Leasehold land	The Group has entered into 1 (2021 - 1) non-cancellable operating lease agreement for the use of land. The lease is for a period of 60 years. The lease does not allow the Group to assign, transfer or sublease or create any charge, lien or trust in respect of or dispose of the whole or any part of the land. A tenancy is, however, allowed with the consent of the lessor.
(ii)	Office premises	The Group has leased a number of office premises between 2 and 3 (2021 - 1 and 2) years, with an option to renew the lease after that date. The Group is not allowed to sublease the office premises.
(iii)	Warehouse	The Group has leased a warehouse for 2 (2021 - 2) years, with an option to renew the lease after that date.
(iv)	Motor vehicles	The Group has leased a number of motor vehicles for 2 (2021 - Nil) years, with no option to renew the lease after that date.
(v)	Hostels	The Group has leased a number of hostels for 2 (2021 - Nil) years, with an option to renew the lease after that date.

8. GOODWILL

	The Group	
	2022	**2021**
	RM'000	**RM'000**
At 1 January	6,449	6,356
Foreign exchange adjustments	380	93
At 31 December	6,829	6,449

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

	The Group	
	2022	**2021**
	RM'000	**RM'000**
PTS:		
- provision of engineering services in clean energy system	6,599	6,219
Other cash-generating units without significant goodwill	230	230
	6,829	6,449

8. GOODWILL (CONT'D)

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

Budgeted Gross Margin		Growth Rates		Discount Rate	
2022	**2021**	**2022**	**2021**	**2022**	**2021**
12%	15%	-14% to 5%	3% to 6%	9.05%	13.53%

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

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

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

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

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

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

9. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group	
	2022 RM'000	**2021 RM'000**
Deferred Tax Assets		
At 1 January	272	308
Recognised in Profit or Loss (Note 32)	432	(55)
Effect of foreign exchange translation	(22)	19
At 31 December	682	272
Deferred Tax Liabilities		
At 1 January	777	218
Recognised in Profit or Loss (Note 32)	1,898	559
At 31 December	2,675	777

9. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

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

	The Group	
	2022 RM'000	2021 RM'000
Contract liabilities	682	272
Accelerated capital allowances	(2,675)	(777)

10. INVENTORIES

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Materials for contracts	19,558	5,940	550	–
Industrial gases	2,313	916	–	–
	21,871	6,856	550	–
Recognised in profit or loss:-				
Inventories recognised as cost of sales	12,572	5,932	–	–

11. TRADE RECEIVABLES

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade receivables	400,793	107,727	6,626	3,597
Allowance for impairment losses	(15,286)	(15,591)	(1,141)	(1,115)
	385,507	92,136	5,485	2,482
Allowance for impairment losses:-				
At 1 January	(15,591)	(11,181)	(1,115)	(30)
Additions during the financial year (Note 30)	(3,037)	(4,326)	(1,075)	(1,095)
Reversal during the financial year (Note 30)	2,353	128	1,002	–
Written off during the financial year	811	–	–	–
Effect of foreign exchange translation	178	(212)	47	10
At 31 December	(15,286)	(15,591)	(1,141)	(1,115)

(a) The Group's normal trade credit terms range from 30 to 120 (2021 - 30 to 120) days. Other credit terms are assessed and approved on a case-by-case basis.

11. TRADE RECEIVABLES (CONT'D)

(b) Included in trade receivables of the Group and of the Company at the end of the reporting period is an amount of approximately RM50,629,000 and RM24,000 (2021 - RM8,549,000 and RM25,000), being project retention sums to be received from customers in accordance with the terms of respective contracts. Details are:-

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Within 1 year	4,090	5,145	24	25
More than 1 year	46,539	3,404	–	–
	50,629	8,549	24	25

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	The Group		The Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other receivables:-					
Third parties		6,902	3,358	1	8
Advances paid to suppliers	(a)	47,757	1,816	–	–
Goods and Services Tax ("GST") recoverable		241	491	–	–
		54,900	5,665	1	8
Deposits		2,172	1,592	120	126
Prepayments		6,640	2,929	1,109	630
		63,712	10,186	1,230	764

(a) The advances paid to suppliers of the Group are unsecured and interest-free. The amount owing will be offset against future purchases from the suppliers.

13. CONTRACT ASSETS/(LIABILITIES)

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Contract Assets				
Contract assets relating to construction contracts	200,707	112,054	6,311	5,902
Allowance for impairment losses	(4,149)	(943)	(3,545)	(706)
	196,558	111,111	2,766	5,196
Allowance for impairment losses:-				
At 1 January	(943)	(989)	(706)	(51)
Addition during the financial year (Note 30)	(4,047)	(656)	(3,642)	(656)
Reversal during the financial year (Note 30)	688	757	688	-
Effect of foreign exchange translation	153	(55)	115	1
At 31 December	(4,149)	(943)	(3,545)	(706)
Contract Liabilities				
Contract liabilities relating to construction contracts	(283,566)	(30,854)	(1,761)	(78)

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

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

13. CONTRACT ASSETS/(LIABILITIES) (CONT'D)

(c) The changes to contract assets and contract liabilities balances during the financial year are summarised below:-

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	80,257	32,026	5,118	2,912
Revenue recognised in profit or loss during the financial year (Note 29)*	1,214,380	474,353	32,075	12,877
Billings to customers during the financial year	(1,385,614)	(430,750)	(32,882)	(10,377)
(Impairment losses)/Reversal of impairment losses on contract assets (Note 30)	(3,359)	101	(2,954)	(656)
Foreign exchange adjustments	7,328	4,527	(352)	362
At 31 December	(87,008)	80,257	1,005	5,118
Represented by:-				
Contract assets	196,558	111,111	2,766	5,196
Contract liabilities	(283,566)	(30,854)	(1,761)	(78)
	(87,008)	80,257	1,005	5,118

* - Included amount of approximately RM25,081,000 and RM70,000 (2021 - RM23,102,000 and RM70,000) of the Group and the Company that were included in contract liabilities at the beginning of the financial year.

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

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Within 1 year	1,303,923	595,873	19,892	10,277
Between 1 and 2 years	497,752	251,381	3,836	1,854
	1,801,675	847,254	23,728	12,131

14. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	The Company	
	2022 RM'000	2021 RM'000
Amount owing by:-		
Non-trade balances:		
- interest-free	7,806	4,381
- interest bearing ranging from 4.39% to 7.26% (2021 - 3.39% to 3.69%)	29,000	6,150
	36,806	10,531
Allowance for impairment losses	(465)	(465)
	36,341	10,066
Amount owing to:-		
Non-trade balances:		
- interest-free	(3,636)	(3,878)

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

15. FIXED DEPOSITS WITH LICENSED BANKS

	The Group		The Company	
	2022	2021	2022	2021
Effective interest rates (%)	1.65 - 3.92	1.25 - 3.50	1.65 - 3.92	1.25 - 2.65
Maturity periods (days)	30 to 365	30 to 365	30 to 365	30 to 365

Included in the fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period are amounts of approximately RM24,433,000 and RM16,466,000 (2021 - RM18,064,000 and RM11,977,000) respectively which have been pledged to licensed banks as security for banking facilities granted to the Group and the Company as disclosed in Notes 22 and 26 to the financial statements.

16. CASH AND BANK BALANCES

(a) Included in the cash and bank balances of the Group at the end of the reporting period was an amount of RM3,596,000 (2021 - RM3,227,000) which has been pledged to a licensed bank as security for banking facilities granted to the Group.

(b) Included in the cash and bank balances of the subsidiaries in the PRC which amounted to RM58,395,000 (2021 - RM25,273,000) at the end of reporting period were denominated in Chinese Yuan which is not freely convertible in the international market. The remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

17. SHARE CAPITAL

	The Group/The Company			
	2022	2021	2022	2021
	Number Of Shares		RM'000	RM'000
Issued And Fully Paid-Up				
Ordinary shares				
At 1 January	645,246,952	322,623,476	73,292	73,292
Bonus issue	–	322,623,476	–	–
At 31 December	645,246,952	645,246,952	73,292	73,292

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

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

(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.

18. TREASURY SHARES

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

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

Of the total 645,246,952 (2021 - 645,246,952) issued and fully paid-up ordinary shares at the end of the reporting period, 2,239,800 (2021 - 2,239,800) ordinary shares are held as treasury shares by the Company. None of the treasury shares were resold during the financial year.

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

19. RESERVES

		The Group		The Company	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Non-distributable reserves:-	Note				
Capital reserve	(a)	11,194	10,518	1,044	1,044
Exchange fluctuation reserve	(b)	8,928	4,847	(1,494)	(3,115)
Employees' share scheme reserve	(c)	634	–	634	–
		20,756	15,365	184	(2,071)
Distributable reserve:-					
Retained profits		145,785	103,569	22,078	9,750
		166,541	118,934	22,262	7,679

(a) Capital Reserve

	The Group		The Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Capital reserve is represented by:-				
Non-distributable reserve funds by subsidiaries	2,948	2,272	–	–
Bonus shares issued by:				
- branch	1,044	1,044	1,044	1,044
- subsidiaries	7,202	7,202	–	–
	11,194	10,518	1,044	1,044

According to the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of a wholly-owned foreign subsidiary in the PRC, non-distributable reserve funds, which includes a general reserve fund and an enterprise expansion fund, should be appropriated from net profit of the subsidiary. The percentage of net profit to be appropriated to the non-distributable reserve funds is not less than 10% of the net profit. With the balance of the non-distributable reserve funds reaches 50% of the registered capital, such transfer does not need to be made.

The Board of Directors of the subsidiary determines the amount of the annual allocations to the non-distributable reserve funds. Such allocations are reflected in the subsidiary's statement of financial position under equity. The allocations will not be available for distribution to shareholders once allocated, but may be used to set off against losses or be converted into paid-up share capital.

(b) Exchange Fluctuation Reserve

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

19. RESERVES (CONT'D)

(c) ESS Reserve

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

The ESS of the Company is governed by the ESS-By-Laws and was approved by shareholders at an Extraordinary General Meeting held on 31 May 2022. The ESS is to be in force for a period of 5 years effective from 6 July 2022.

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 four percent (4%) 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 were as follows:-

	The Group/ The Company
Share price on grant date (RM)	1.12
Exercise price (RM)	Not applicable*
Expected volatility (%)	46.41
Expected tenure (years)	5
Risk-free rate (%)	3.84
Expected dividend yield (%)	1.79

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

19. RESERVES (CONT'D)

(c) ESS Reserve (Cont'd)

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

	The Group 2022 RM'000	The Company 2022 RM'000
Expenses arising from equity-settled share-based payment transaction	(634)	(293)

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

		Number of Share Options Over Ordinary Shares		
Date Of Offer ("Offer Date")	Exercise Price	At 1.1.2022	Granted	At 31.12.2022
1 December 2022	Not applicable	–	2,572,000	2,572,000

The Company offered 25,720,000 share options under the ESS on 7 July 2022. The ESS will mature and are exercisable if the employee has been confirm in service for regular full time employment of any entity within the Group when the performance conditions are met.

(d) Warrant

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

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

As at 31 December 2022, the total number of warrants that remain unexercised were 214,338,821 units.

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

(i) Each warrant will entitle the registered holder to subscribe for 1 new ordinary share in the Company at an exercise price of RM1.38 each subject to adjustment in accordance with the conditions stipulated in the Deed Poll;

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

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

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

20. LEASE LIABILITIES

	The Group	
	2022	2021
	RM'000	RM'000
At 1 January	1,117	180
Addition during the financial year (Note 35(a))	3,891	1,380
Changes due to lease modification	(55)	–
Interest expense recognised in profit or loss (Note 31)	91	15
Repayment of principal	(1,573)	(445)
Repayment of interest expenses	(93)	(15)
Effect of foreign exchange translation	63	2
At 31 December	3,441	1,117
Analysed by:-		
Current liabilities	2,018	685
Non-current liabilities	1,423	432
	3,441	1,117

21. HIRE PURCHASE PAYABLES

	The Group	
	2022	2021
	RM'000	RM'000
Current liabilities (Note 26)	1,065	810
Non-current liabilities	2,186	2,247
	3,251	3,057

(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.

(b) The hire purchase payables of the Group at the end of the reporting period bore effective interest rates ranging from 3.00% to 5.97% (2021 - 2.68% to 5.91%). The interest rates are fixed at the inception of the hire purchase arrangements.

22. TERM LOANS

	The Group	
	2022	2021
	RM'000	RM'000
Current liabilities (Note 26)	19,906	8,874
Non-current liabilities	31,863	23,168
	51,769	32,042

22. TERM LOANS (CONT'D)

(a) The term loans are secured by:-

i. a first party charge over the freehold land and building of the Group as disclosed in Note 6 to the financial statements;
ii. a first party facility agreement;
iii. fixed deposits and bank balances with licensed banks of the Group and of the Company as disclosed in Notes 15 and 16 to the financial statements;
iv. an assignment of contractual proceeds;
v. a corporate guarantee of the Company;
vi. an all monies facility agreement; and
vii. a letter of undertaking.

(b) The interest rate profile of the term loans are summarised below:-

	Effective Interest Rate		The Group	
	2022 %	2021 %	2022 RM'000	2021 RM'000
Fixed rate term loans	3.85 - 6.53	3.09 - 6.53	3,243	3,416
Floating rate term loans	4.06 - 5.56	4.08 - 4.95	48,526	28,626
			51,769	32,042

23. TRADE PAYABLES

The normal trade credit terms granted to the Group and the Company range from 30 to 90 (2021 - 30 to 90) days.

24. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other payables:-				
Third parties	9,054	2,505	1	20
Advances received from customers	22,769	3,993	–	–
Goods and Services Tax payables	1,248	79	–	–
	33,072	6,577	1	20
Accruals	27,715	18,291	3,479	2,243
	60,786	24,868	3,480	2,263

25. PROVISIONS

		The Group		The Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Provision for warranty costs	(i)	628	354	97	93
Provision for unutilised leave	(ii)	456	3	–	–
Provision for decommission liability	(iii)	200	46	–	–
		1,284	403	97	93

		The Group		The Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Provision for warranty costs:-	(i)				
At 1 January		354	889	93	114
Addition during the financial year		359	168	13	53
Utilised during the financial year		(4)	(142)	(4)	(69)
Reversal during the financial year		(73)	(565)	–	–
Effect of foreign exchange translation		(8)	4	(5)	(5)
At 31 December	(a)	628	354	97	93
Provision for unutilised leave:-	(ii)				
At 1 January		3	49	–	–
Addition during the financial year		456	3	–	–
Reversal during the financial year		(3)	(49)	–	–
At 31 December		456	3	–	–
Provision for decommission liability:-	(iii)				
At 1 January		46	46	–	–
Addition during the financial year		167	–	–	–
Utilised during the financial year		(16)	–	–	–
Effect of foreign exchange translation		3	–	–	–
At 31 December	(b)	200	46	–	–
		1,284	403	97	93

(a) Provision for warranty costs is recognised for expected claims on the contract revenue during the financial year that is based on past experience of the level of repairs. It is expected that most of these costs will be incurred in the next financial year.

(b) Under lease arrangement, the Group has an obligation to dismantle and remove structures on office premises and restore those office premises at the end of the lease terms to an acceptable condition consistent with the lease arrangement.

The provisions are estimated using the assumption that decommissioning, removal and restoration will only take place upon expiry of the lease terms of 2 to 6 (2021 - 2 to 6) years. The discount rate used to determine the obligation as at the reporting date was 3.05% (2021 - 3.05%).

While the provisions are based on the best estimate of future costs and the economic lives of the affected assets, there is uncertainty regarding both the amount and timing of incurring these costs. All the estimates are reviewed on an annual basis or more frequently, where there is indication of a material change.

26. SHORT-TERM BORROWINGS

	The Group		The Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Term loans (Note 22)	19,906	8,874	–	–
Hire purchase payables (Note 21)	1,065	810	–	–
Invoice financing	52,275	15,306	–	2,409
Trust receipts	121,050	3,339	–	–
Revolving credits	12,000	1,500	12,000	1,500
	206,296	29,829	12,000	3,909

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

	Interest Rate	Effective Interest Rate			
		The Group		The Company	
		2022	2021	2022	2021
		%	%	%	%
Invoice financing	Floating	5.65 - 5.70	2.41 - 3.60	–	3.57
Trust receipts	Floating	2.41 - 6.70	2.67 - 2.73	–	–
Revolving credits	Floating	3.89 - 4.54	3.16	3.89 - 4.54	3.16

(b) The invoice financing, trust receipts and revolving credits are secured by:-

i. a first party facility agreement;
ii. fixed deposits and bank balances of the Group and of the Company as disclosed in Notes 15 and 16 to the financial statements;
iii. an assignment of contractual proceeds;
iv. a corporate guarantee of the Company;
v. a letter of undertaking;
vi. a first party charge over the freehold land and building of the Group as disclosed in Note 6 to the financial statements;
vii. a corporate guarantee of a subsidiary;
viii. a negative pledge;
ix. a first and third party trade financing general agreement;
x. a first and third party blanket counter indemnity;
xi. a letter of earmark;
xii. a first and third party master security agreement; and
xiii. an all monies facilities agreement.

27. BANK OVERDRAFTS

(a) The bank overdrafts of the Group are secured by:-

i. an all monies facilities agreement;
ii. an assignment of the contract proceeds;
iii. a corporate guarantee of the Company; and
iv. a charged by third party on fixed deposits with licensed banks.

(b) The bank overdrafts of the Group at the end of the reporting period bore floating interest rate ranging from 2.27% to 6.35% (2021 - 6.35%) per annum.

28. DERIVATIVE LIABILITIES

	Contract/ Notional Amount		The Group	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Forward currency contracts	79,099	–	2,962	–

The Group classified derivative financial instruments as financial liabilities at fair value through profit or loss. None of the derivatives are designated as hedges as the Group does not apply hedge accounting.

29. REVENUE

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue from contracts with customers				
Recognised over time				
Contract revenue (Note 13)	1,214,380	474,353	32,075	12,877
Services	537	327	–	–
Facility fee charged	1,646	1,628	–	–
	1,216,563	476,308	32,075	12,877
Recognised at a point in time				
Sale of goods	61,525	37,498	–	–
Services	749	748	–	–
	62,274	38,246	–	–
	1,278,837	514,554	32,075	12,877

(a) The information on the disaggregation of revenue by geographical market is disclosed in Note 38.2 to the financial statements.

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

30. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Impairment losses:				
- Trade receivables (Note 11)	3,037	4,326	1,075	1,095
- Contract assets (Note 13)	4,047	656	3,642	656
Reversal of impairment losses:				
- Trade receivables (Note 11)	(2,353)	(128)	(1,002)	–
- Contract assets (Note 13)	(688)	(757)	(688)	–
	4,043	4,097	3,027	1,751

31. PROFIT BEFORE TAXATION

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before taxation is arrived at after charging/(crediting):-				
Auditors' remuneration:				
- audit fees:				
- Crowe Malaysia PLT:				
- statutory audit for the financial year	276	249	129	123
- under/(over)provision in the previous financial year	21	(1)	2	–
- overseas affiliates of Crowe Malaysia PLT	29	30	29	30
- other auditors:				
- statutory audit for the financial year	228	189	–	–
- non-audit fees:				
- auditor of the Company	6	5	6	5
Directors' remuneration (Note 36(a))	5,535	4,604	2,797	2,644

31. PROFIT BEFORE TAXATION (CONT'D)

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before taxation is arrived at after charging/(crediting) (Cont'd):-				
Material Expenses/(Income)				
Depreciation of property, plant and equipment	5,958	5,235	280	263
Depreciation of right-of-use assets	1,210	451	–	–
Entertainment	1,045	1,323	76	54
Fair value loss on financial assets measured at fair value through profit or loss mandatorily:				
- derivatives	2,943	–	–	–
Interest expense on financial liabilities that are not at fair value through profit or loss:				
- bank overdrafts	64	18	41	1
- bankers' acceptances	-	45	–	–
- invoice financing	1,383	794	27	–
- hire purchase payables	134	159	–	–
- revolving credits	277	19	232	19
- term loans	1,482	1,420	–	90
- trust receipts	1,902	40	–	–
Interest expense on lease liabilities	91	15	–	–
Lease expenses:				
- short-term leases	930	933	180	189
- low-value assets	9	8	–	–
Loss on foreign exchange:				
- realised	626	241	358	45
- unrealised	3,132	131	1,577	–
Staff costs:				
- salaries, wages, bonuses, allowances and others	85,237	57,201	3,358	2,960
- defined contribution plan	7,479	5,950	157	150
- share-based payments	493	–	234	–
COVID-19-related subsidies from government	(279)	(2,206)	(4)	(5)
Dividend income from subsidiaries	–	–	(27,950)	(8,986)
Gain on foreign exchange:				
- realised	(2,249)	(30)	–	(1)
- unrealised	(214)	(1,812)	(311)	(1,472)
Interest income on financial assets measured at amortised cost:				
- financial institutions	(470)	(582)	(225)	(298)
- a subsidiary	–	–	(884)	(215)
Lease income from property	–	–	(228)	(229)
Management fees	–	–	(4,306)	(3,639)

32. INCOME TAX EXPENSE

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Income tax:				
- Malaysian tax	10,684	3,298	129	–
- Foreign tax	4,086	3,207	–	–
	14,770	6,505	129	–
(Over)/Underprovision in the previous financial year:				
- Malaysian tax	(27)	(1,354)	–	(157)
- Foreign tax	(324)	229	–	–
	(351)	(1,125)	–	(157)
	14,419	5,380	129	(157)
Deferred tax (Note 9):				
- Origination and reversal of temporary differences	1,466	867	–	–
- Overprovision in the previous financial year	–	(253)	–	–
	1,466	614	–	–
	15,885	5,994	129	(157)

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

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before taxation	74,391	35,694	25,317	5,198
Tax at Malaysian statutory tax rate of 24% (2021 - 24%)	17,854	8,567	6,076	1,248
Tax effects of:-				
Differential in tax rates	(2,007)	(1,120)	198	49
Non-deductible expenses	1,639	2,126	400	1,217
Tax-exempt income	(110)	(58)	–	–
Non-taxable gains	(1,499)	(1,022)	(6,708)	(2,326)
Overprovision in the previous financial year:				
- current tax	(351)	(1,125)	–	(157)
- deferred tax	–	(253)	–	–
Deferred tax assets not recognised during the current financial year	364	547	527	109
Utilisation of deferred tax assets not recognised in the previous financial year	(5)	(1,668)	(364)	(297)
Income tax expense for the financial year	15,885	5,994	129	(157)

32. INCOME TAX EXPENSE (CONT'D)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2021 - 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.

At the end of the reporting period, the amounts of deferred tax assets not recognised (stated at gross) due to uncertainty of their realisation are as follows:-

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unused tax losses:				
- expiring within 6 to 10 years	1,946	2,322	1,237	1,250
- indefinite (foreign entities)	5,123	2,927	5,123	2,927
Unabsorbed capital allowances	16	449	–	442
Other deductible temporary differences	9,020	8,912	–	1,061
	16,105	14,610	6,360	5,680

Based on Malaysia's current legislation, the unused tax losses up to the year of assessment 2018 can be carried forward until the year of assessment 2028 and the unused tax losses for 2019 onwards are allowed to be utilised for 10 consecutive years of assessment immediately following that year of assessment; whereas, the unabsorbed capital allowances are allowed to be carried forward indefinitely.

The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

33. EARNINGS PER SHARE

	The Group	
	2022	2021
Profit attributable to owners of the Company (RM'000)	55,752	28,958
Number of shares in issue as of 1 January	645,246,952	322,623,476
Effects through:		
- bonus issue	–	161,431,272
- treasury shares	(2,239,800)	(2,239,800)
Weighted average number of ordinary shares for basic earnings per share computation	643,007,152	481,814,948
Effect of dilution - ESS	218,444	–
Weighted average number of ordinary shares for diluted earnings per share computation	643,225,596	481,814,948

33. EARNINGS PER SHARE (CONT'D)

	The Group	
	2022	2021
Basic earnings per ordinary share attributable to owners of the Company (sen)	8.67	6.01
Diluted earnings per ordinary share attributable to owners of the Company (sen)	8.67	6.01

The potential conversion of warrants is anti-dilutive as its exercise price is higher than the average market price of the Company's ordinary shares during the current financial year. Accordingly, it is not included in the calculation of dilutive earnings per share.

34. DIVIDENDS

	The Group/ The Company	
	2022 RM	2021 RM
Paid:-		
Interim dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2020	–	3,215
Interim dividend of 0.5 sen per ordinary share in respect of the financial year ended 31 December 2021	–	3,215
Interim dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2021	6,430	–
Interim dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2022	6,430	–
	12,860	6,430

35. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property and equipment and the addition of right-of-use assets is as follows:-

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Property, plant and equipment				
Cost of property, plant and equipment purchased (Note 6)	44,204	10,328	190	63
Less: Acquired through hire purchase arrangements	(1,030)	(940)	–	–
Less: Capitalisation of interest charges of term loans	(86)	–	–	–
	43,088	9,388	190	63
Right-of-use assets				
Cost of right-of-use assets acquired (Note 7)	3,891	1,527	–	–
Addition of new lease liabilities (Note (b) below)	(3,891)	(1,380)	–	–
	–	147	–	–

35. CASH FLOW INFORMATION (CONT'D)

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

	Lease Liabilities RM'000	Hire Purchase Payables RM'000	Invoice Financing RM'000	Revolving Credits RM'000	Term Loans RM'000	Trust Receipts RM'000	Total RM'000
The Group							
2022							
At 1 January	1,117	3,057	15,306	1,500	32,042	3,339	56,361
Changes in Financing Cash Flows							
Proceeds from drawdown	–	–	61,817	13,500	36,037	279,989	391,343
Repayment of principal	(1,573)	(866)	(23,098)	(3,000)	(16,551)	(165,172)	(210,260)
Repayment of interests	(93)	(134)	(1,383)	(277)	(1,567)	(985)	(4,439)
	(1,666)	(1,000)	37,336	10,223	17,919	113,832	176,644
Other Changes							
Additions (Note (a) above)	3,891	1,030	–	–	–	–	4,921
Modification of lease	(55)	–	–	–	–	–	(55)
Interest expense recognised in profit or loss	91	134	1,383	277	1,482	1,902	5,269
Interest expense capitalised under capital work-in-progress	–	–	–	–	86	–	86
Foreign exchange adjustments	63	30	(1,750)	–	240	1,977	560
	3,990	1,194	(367)	277	1,808	3,879	10,781
At 31 December	3,441	3,251	52,275	12,000	51,769	121,050	243,786

35. CASH FLOW INFORMATION (CONT'D)

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

	Lease Liabilities RM'000	Hire Purchase Payables RM'000	Invoice Financing RM'000	Revolving Credits RM'000	Bankers' Acceptances RM'000	Term Loans RM'000	Trust Receipts RM'000	Total RM'000
The Group								
2021								
At 1 January	180	2,876	19,058	–	2,140	34,072	–	58,326
Changes in Financing Cash Flows								
Proceeds from drawdown	–	–	20,433	1,500	–	2,849	5,096	29,878
Repayment of principal	(445)	(769)	(25,101)	–	(2,140)	(4,982)	(1,757)	(35,194)
Repayment of interests	(15)	(159)	(794)	(19)	(45)	(1,420)	(40)	(2,492)
	(460)	(928)	(5,462)	1,481	(2,185)	(3,553)	3,299	(7,808)
Other Changes								
Additions (Note (a) above)	1,380	940	–	–	–	–	–	2,320
Interest expense recognised in profit or loss	15	159	794	19	45	1,420	40	2,492
Foreign exchange adjustments	2	10	916	–	–	103	–	1,031
	1,397	1,109	1,710	19	45	1,523	40	5,843
At 31 December	1,117	3,057	15,306	1,500	–	32,042	3,339	56,361

35. CASH FLOW INFORMATION (CONT'D)

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

	Invoice Financing RM'000	Revolving Credits RM'000	Total RM'000
The Company			
2022			
At 1 January	2,409	1,500	3,909
Changes in Financing Cash Flows			
Proceeds from drawdown	–	10,500	10,500
Repayment of principal	(2,359)	–	(2,359)
Repayment of interests	(27)	(232)	(259)
	(2,386)	10,268	7,882
Other Changes			
Interest expense recognised in profit or loss	27	232	259
Foreign exchange adjustments	(50)	–	(50)
	(23)	232	209
At 31 December	–	12,000	12,000

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

35. CASH FLOW INFORMATION (CONT'D)

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

	The Group		The Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks	25,586	25,410	16,466	16,110
Cash and bank balances	234,381	81,087	9,546	9,759
Bank overdrafts	(1,253)	(160)	–	–
	258,714	106,337	26,012	25,869
Less: Bank balance pledged to a licensed bank (Note 16)	(3,596)	(3,227)	–	–
Less: Fixed deposits pledged to licensed banks (Note 15)	(24,433)	(18,064)	(16,466)	(11,977)
	230,685	85,046	9,546	13,892

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

	The Group		The Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Payment of short-term leases	930	933	180	189
Payment of low-value assets	9	8	–	–
Interest paid on lease liabilities	93	15	–	–
Payment of lease liabilities	1,573	445	–	–
	2,605	1,461	180	189

36. KEY MANAGEMENT PERSONNEL COMPENSATION

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

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

	The Group		The Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
(a) Directors of the Company:-				
Short-term employee benefits:				
- fee	241	233	241	233
- salaries, bonuses and other benefits	4,868	4,152	2,339	2,266
Defined contribution benefits	285	219	158	145
Share-based payments	141	–	59	–
	5,535	4,604	2,797	2,644

36. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

The estimated monetary value of benefits-in-kind provided by the Group and the Company to the directors of the Group and of the Company were RM79,950 (2021 - RM71,250) and RM56,000 (2021 - RM50,000).

	The Group		The Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
(b) Other key management personnel:-				
Short-term employee benefits:				
- salaries, bonuses and other benefits	5,576	5,163	872	921
Defined contribution benefits	220	220	56	66
Share-based payments	74	–	25	–
	5,870	5,383	953	987

In the previous financial year, the estimated monetary value of benefits-in-kind provided by the Group and the Company to the other key management personnel were approximately RM6,000 and RM6,000 respectively.

37. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

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

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

(b) Significant Related Party Transactions and Balances

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

	The Company	
	2022 RM'000	**2021 RM'000**
Dividend from subsidiaries	27,950	8,986
Management fees from subsidiaries	4,306	3,639
Interest charged to a subsidiary	884	215
Rental charged to subsidiaries	228	229

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

38. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 3 main reportable segments as follows:-

(i) Service segment - involved in the renting of skid tank, provision of scientific and technical researches, laboratory testing service and experiments;

(ii) Manufacturing and trading segment - involved in the manufacturing and trading of industrial and specialty gases, equipment and materials; and

(iii) Construction segment - involved in the provision of engineering services and construction.

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

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

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

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

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

The Group is organised into following geographical segments:

- Malaysia
- Singapore
- PRC
- Others

38. OPERATING SEGMENTS (CONT'D)

38.1 BUSINESS SEGMENTS

	Service Segment RM'000	Manufacturing and Trading Segment RM'000	Construction Segment RM'000	The Group RM'000
2022				
Revenue				
External revenue	1,286	63,171	1,214,380	1,278,837
Inter-segment revenue	225	24,391	8,269	32,885
	1,511	87,562	1,222,649	1,311,722
Consolidated adjustments				(32,885)
				1,278,837
Represented by:-				
Revenue recognised at a point of time				
- Services	749	–	–	749
- Sale of goods	–	85,916	–	85,916
Revenue recognised over time				
- Contract revenue	–	–	1,222,649	1,222,649
- Services	762	–	–	762
- Facility fee charged	–	1,646	–	1,646
	1,511	87,562	1,222,649	1,311,722
				(32,885)
				1,278,837
Results				
Segment profit before interest and taxation	426	21,950	85,943	108,319
Interest income				470
Finance costs				(5,416)
				103,373
Consolidated adjustments				(28,982)
Consolidated profit before taxation				74,391
Income tax expense				(15,885)
Consolidated profit after taxation				58,506

38. OPERATING SEGMENTS (CONT'D)

38.1 BUSINESS SEGMENTS (CONT'D)

	Service Segment RM'000	Manufacturing and Trading Segment RM'000	Construction Segment RM'000	The Group RM'000
2022				
Results (Cont'd)				
Segment profit includes the following:-				
Interest income	–	18	452	470
Finance costs	–	(1,580)	(3,836)	(5,416)
Unrealised loss on foreign exchange	–	(677)	(2,241)	(2,918)
Loss on disposal of property, plant and equipment	–	(20)	(46)	(66)
Net (impairment losses)/reversal of impairment losses on financial assets and contract assets	(5)	168	(4,206)	(4,043)
Depreciation of property, plant and equipment	(139)	(3,461)	(2,358)	(5,958)
Depreciation of right-of-use assets	–	(15)	(1,195)	(1,210)
Fair value loss on derivatives	–	(139)	(2,804)	(2,943)
Assets				
Segment assets	7,245	180,287	920,580	1,108,112
Unallocated assets:				
- Current tax assets				10,163
- Deferred tax assets				682
Consolidation adjustments				(63,316)
				1,055,641
Additions to non-current assets other than financial instruments and deferred tax assets are:				
- Property, plant and equipment	3,076	35,309	5,819	44,204
- Right-of-use assets	–	–	3,891	3,891
Liabilities				
Segment liabilities	6,267	128,270	723,941	858,478
Unallocated liabilities:				
- Current tax liabilities				14,745
- Deferred tax liabilities				2,675
Consolidation adjustments				(63,372)
				812,526

38. OPERATING SEGMENTS (CONT'D)

38.1 BUSINESS SEGMENTS (CONT'D)

	Service Segment RM'000	Manufacturing and Trading Segment RM'000	Construction Segment RM'000	The Group RM'000
2021				
Revenue				
External revenue	1,075	39,126	474,353	514,554
Inter-segment revenue	125	14,937	2,429	17,491
	1,200	54,063	476,782	532,045
Consolidated adjustments				(17,491)
				514,554
Represented by:-				
Revenue recognised at a point of time				
- Services	748	–	–	748
- Sale of goods	–	52,435	–	52,435
Revenue recognised over time				
- Contract revenue	–	–	476,782	476,782
- Services	452	–	–	452
- Facility fee charged	–	1,628	–	1,628
	1,200	54,063	476,782	532,045
				(17,491)
				514,554
Results				
Segment profit before interest and taxation	356	7,496	40,162	48,014
Interest income				582
Finance costs				(2,635)
				45,961
Consolidated adjustments				(10,267)
Consolidated profit before taxation				35,694
Income tax expense				(5,994)
Consolidated profit after taxation				29,700

38. OPERATING SEGMENTS (CONT'D)

38.1 BUSINESS SEGMENTS (CONT'D)

	Service Segment RM'000	Manufacturing and Trading Segment RM'000	Construction Segment RM'000	The Group RM'000
2021				
Results (Cont'd)				
Segment profit includes the following:-				
Interest income	–	9	573	582
Finance costs	–	(1,536)	(1,099)	(2,635)
Unrealised gain on foreign exchange	–	(63)	1,744	1,681
Impairment losses on financial assets and contract assets	(1)	(1,056)	(3,925)	(4,982)
Reversal of impairment losses on financial assets	–	25	860	885
Depreciation of property, plant and equipment	(96)	(3,097)	(2,042)	(5,235)
Depreciation of right-of-use assets	–	(72)	(379)	(451)
Assets				
Segment assets	3,986	86,298	330,892	421,176
Unallocated assets:				
- Current tax assets				448
- Deferred tax assets				272
Consolidation adjustments				(17,928)
				403,968
Additions to non-current assets other than financial instruments and deferred tax assets are:				
- Property, plant and equipment	862	6,707	2,759	10,328
- Right-of-use assets	–	230	1,297	1,527
Liabilities				
Segment liabilities	3,397	55,623	164,899	223,919
Unallocated liabilities:				
- Current tax liabilities				3,756
- Deferred tax liabilities				777
Consolidation adjustments				(17,231)
				211,221

38. OPERATING SEGMENTS (CONT'D)

38.2 GEOGRAPHICAL INFORMATION

Revenue is based on the country in which the customers are located.

Non-current assets are determined according to the country where these assets are located. The amounts of non-current assets do not include financial instruments, goodwill and deferred tax assets.

	Revenue		Non-current Assets	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
The Group				
Malaysia	571,623	199,109	97,324	61,413
Singapore	477,616	169,454	9,261	5,149
PRC	178,995	129,217	3,709	3,347
Others	50,603	16,774	58	104
	1,278,837	514,554	110,352	70,013

The information on the disaggregation of revenue based on geographical region is summarised below:-

	At A Point In Time		Over Time		The Group	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
The Group						
Malaysia	30,365	19,766	541,258	179,343	571,623	199,109
Singapore	12,447	10,045	465,169	159,409	477,616	169,454
PRC	745	4,525	178,250	124,692	178,995	129,217
Others	18,717	3,910	31,886	12,864	50,603	16,774
	62,274	38,246	1,216,563	476,308	1,278,837	514,554

38. OPERATING SEGMENTS (CONT'D)

38.3 MAJOR CUSTOMERS

The following is major customer with revenue equal to or more than 10% of the Group's total revenue:-

	Revenue		Segment
	2022 RM'000	2021 RM'000	
Customer 1	285,437	–	Construction
Customer 2	287,160	–	Construction

39. CAPITAL COMMITMENTS

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Purchase of property, plant and equipment	96,667	2,038	–	–

40. 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.

40.1 FINANCIAL RISK MANAGEMENT POLICIES

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

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily Chinese Yuan ("CNY"), United States Dollar ("USD"), New Taiwan Dollar ("NTD"), Singapore Dollar ("SGD") and Euro ("EUR"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign currency exposure

The Group	CNY RM'000	USD RM'000	NTD RM'000	SGD RM'000	EUR RM'000
2022					
Financial Assets					
Trade receivables	9,708	8,414	5,485	110,643	–
Other receivables	2,608	–	–	975	–
Fixed deposits with licensed banks	–	4,660	–	–	–
Cash and bank balances	58,397	13,024	2,791	75,487	2
	70,713	26,098	8,276	187,105	2
Financial Liabilities					
Lease liabilities	–	–	–	(3,394)	–
Hire purchase payables	–	–	–	(410)	–
Term loans	(1,454)	–	–	(9,167)	–
Invoice financing	(52,275)	–	–	–	–
Trust receipts	–	–	–	(82,579)	–
Derivative liabilities	–	(2,937)	–	–	(25)
Trade payables	(45,049)	(41,831)	(8,454)	(39,478)	(7,619)
Other payables and accruals	(12,249)	(1)	(1,403)	(13,428)	–
	(111,027)	(44,769)	(9,857)	(148,456)	(7,644)
Net financial (liabilities)/ assets	(40,314)	(18,671)	(1,581)	38,649	(7,642)
Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	34,369	–	1,581	(37,405)	–
Net currency exposure	(5,945)	(18,671)	–	1,244	(7,642)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency exposure (Cont'd)

The Group	CNY RM'000	USD RM'000	NTD RM'000	SGD RM'000	EUR RM'000
2021					
Financial Assets					
Trade receivables	16,805	2,044	2,482	14,502	–
Other receivables	2,231	–	8	373	–
Fixed deposits with licensed banks	–	1,370	–	–	–
Cash and bank balances	24,395	2,691	1,761	27,177	2
	43,431	6,105	4,251	42,052	2
Financial Liabilities					
Lease liabilities	–	–	–	(1,014)	–
Hire purchase payables	–	–	–	(540)	–
Term loans	–	–	–	(1,851)	–
Invoice financing	(7,628)	–	(2,409)	–	–
Trade payables	(30,131)	(8,452)	(5,599)	(12,027)	–
Other payables and accruals	(4,712)	(5)	(329)	(8,851)	–
	(42,471)	(8,457)	(8,337)	(24,283)	–
Net financial assets/ (liabilities)	960	(2,352)	(4,086)	17,769	2
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(2,021)	–	4,086	(13,235)	–
Net currency exposure	(1,061)	(2,352)	–	4,534	2

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 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	CNY RM'000
2022				
Financial Assets				
Trade receivables	–	5,485	–	–
Amount owing by subsidiaries	326	–	4,495	–
Fixed deposits with licensed banks	4,660	–	–	–
Cash and bank balances	753	2,791	1,982	–
	5,739	8,276	6,477	–
Financial Liabilities				
Trade payables	(88)	(8,454)	–	–
Other payables and accruals	–	(1,403)	–	–
Amount owing to subsidiaries	(2,874)	–	–	(762)
	(2,962)	(9,857)	–	(762)
Net financial assets/(liabilities)	2,777	(1,581)	6,477	(762)
Less: Net financial liabilities denominated in the entity's functional currency	–	1,581	–	–
Net currency exposure	2,777	–	6,477	(762)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency exposure (Cont'd)

The Company	USD RM'000	NTD RM'000	SGD RM'000
2021			
Financial Assets			
Trade receivables	–	2,482	–
Other receivables	–	8	–
Amount owing by subsidiaries	–	–	559
Fixed deposits with licensed banks	1,370	–	–
Cash and bank balances	1,205	1,761	4,467
	2,575	4,251	5,026
Financial Liabilities			
Invoice financing	–	(2,409)	–
Trade payables	(242)	(5,599)	–
Other payables and accruals	–	(329)	–
Amount owing to subsidiaries	(3,789)	–	–
	(4,031)	(8,337)	–
Net financial (liabilities)/assets	(1,456)	(4,086)	5,026
Less: Net financial liabilities denominated in the entity's functional currency	–	4,086	–
Net currency exposure	(1,456)	–	5,026

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 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	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Effects on profit after taxation				
CNY				
- strengthened by 10%	(595)	(106)	(76)	–
- weakened by 10%	595	106	76	–
USD				
- strengthened by 10%	(1,867)	(235)	278	(146)
- weakened by 10%	1,867	235	(278)	146
SGD				
- strengthened by 10%	124	453	648	503
- weakened by 10%	(124)	(453)	(648)	(503)
EUR				
- strengthened by 10%	(764)	*	-	-
- weakened by 10%	764	*	-	-

* - *Less than RM1,000*

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

The Group's fixed rate borrowings and fixed deposits with licensed banks are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 22 and 26 to the financial statements.

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

Interest rate risk sensitivity analysis

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

	The Group		The Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Effects on profit after taxation				
Increase of 100 basis points	(2,381)	(489)	(120)	(39)
Decrease of 100 basis points	2,381	489	120	39

(iii) Equity Price Risk

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

(b) Credit Risk

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

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

(i) Credit Risk Concentration Profile

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

	2022	**2021**
The Group		
Major concentration of credit risk	59%	15%
Number of customers	3	1
The Company		
Major concentration of credit risk	77%	81%
Number of customers	5	3

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(i) Credit Risk Concentration Profile (Cont'd)

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

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Malaysia	252,328	56,938	–	–
Singapore	109,187	14,502	–	–
PRC	9,708	16,805	–	–
Taiwan	5,500	2,482	5,485	2,482
Others	8,784	1,409	–	–
	385,507	92,136	5,485	2,482

(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 and the Company assess whether any of the financial assets at amortised cost, contract assets are credit impaired.

The gross carrying amounts of financial assets are written off against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- Significant financial difficulty of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty; and
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

The Group and the Company considers a receivable to be in default when the receivable is unlikely to repay its debt to the Group and the Company in full or is more than 1 year past due.

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

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

Trade Receivables and Contract Assets

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

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

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

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

The expected loss rates are based on the payment profiles of sales over 2 years (2021 - 1 year) from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts. The Group and the Company have identified the unemployment rate, Gross Domestic Product (GDP) and inflation rate as the key macroeconomic factors of the forward-looking information.

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

Allowance for Impairment Losses

The Group	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
2022				
Current (not past due)	345,009	–	(133)	344,876
Less than 3 months past due	39,703	–	(933)	38,770
3 to 6 months past due	2,614	–	(901)	1,713
More than 6 months past due	1,262	–	(1,114)	148
Credit impaired	12,205	(11,603)	(602)	–
Trade receivables	400,793	(11,603)	(3,683)	385,507
Contract assets	200,707	–	(4,149)	196,558
	601,500	(11,603)	(7,832)	582,065

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

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

Trade Receivables and Contract Assets (Cont'd)

Allowance for Impairment Losses (Cont'd)

The Group	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
2021				
Current (not past due)	73,702	–	(189)	73,513
Less than 3 months past due	9,373	–	(743)	8,630
3 to 6 months past due	8,499	(11)	(376)	8,112
More than 6 months past due	4,425	–	(2,544)	1,881
Credit impaired	11,728	(11,728)	–	–
Trade receivables	107,727	(11,739)	(3,852)	92,136
Contract assets	112,054	(394)	(549)	111,111
	219,781	(12,133)	(4,401)	203,247

The Company	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
2022				
Current (not past due)	4,555	–	–	4,555
Less than 3 months past due	1,030	–	(100)	930
Credit impaired	1,041	(1,041)	–	–
Trade receivables	6,626	(1,041)	(100)	5,485
Contract assets	6,311	–	(3,545)	2,766
	12,937	(1,041)	(3,645)	8,251
2021				
Current (not past due)	2,379	–	(120)	2,259
Less than 3 months past due	474	–	(260)	214
3 to 6 months past due	33	–	(33)	–
More than 6 months	711	–	(702)	9
Trade receivables	3,597	–	(1,115)	2,482
Contract assets	5,902	(394)	(312)	5,196
	9,499	(394)	(1,427)	7,678

The movements in the loss allowances in respect of trade receivables and contract assets are disclosed in Notes 11 and 13 to the financial statements respectively.

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

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

Other Receivables

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

Under this approach, the Group assesses whether there is a significant increase in credit risk for receivables by comparing the risk of a default as at the reporting date with the risk of default as at the date of initial recognition. The Group considers there has been a significant increase in credit risk when there are changes in contractual terms or delay in payment. Regardless of the assessment, a significant increase in credit risk is presumed if a receivable is more than 30 days past due in making a contractual payment.

The Group uses 3 categories to reflect their credit risk and how the loss allowance is determined for each category:-

Category	Definition of Category	Loss Allowance
Performing:	Receivables have a low risk of default and a strong capacity to meet contractual cash flows	12-months expected credit losses
Underperforming:	Receivables for which there is a significant increase in credit risk	Lifetime expected credit losses
Not performing:	There is evidence indicating the receivable is credit impaired or more than 365 days past due	Lifetime expected credit losses

The Group measures the expected credit losses of receivables having significant balances, receivables that are credit impaired and receivables with a high risk of default on individual basis. Other receivables are grouped based on shared credit risk characteristics and assessed on collective basis.

Loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

In deriving the PD and LGD, the Group considers the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the receivable to settle its debts. The Group has identified the unemployment rate, Gross Domestic Product (GDP) and inflation rate as the key macroeconomic factors of the forward-looking information.

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

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

Other Receivables (Cont'd)

Allowance for Impairment Losses

Based on the assessment performed, 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 the licensed banks have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Amount Owing By Subsidiaries (Non-trade Balances)

The Company applies the 3-stage general approach to measure expected credit losses for all inter-company balances.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

The Company measures the expected credit losses on individual basis, which is aligned with its credit risk management practices on the inter-company balances.

The Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly.

For loans and advances that are repayable on demand, impairment loss is assessed based on the assumption that repayment of the outstanding balances is demanded at the reporting date. If the subsidiary does not have sufficient highly liquid resources when the loans and advances are demanded, the Company will consider the expected manner of recovery to measure the impairment loss; the recovery manner could be either through 'repayable over time' or a fire sale of less liquid assets by the subsidiary.

For loans and advances that are not repayable on demand, impairment loss is measured using techniques that are similar for estimating the impairment losses of other receivables as disclosed above.

Allowance for Impairment Losses

Based on the assessment performed, the identified impairment loss was immaterial, and hence, it is not provided for.

Financial Guarantee Contracts

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

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

Maturity Analysis

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

The Group	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
2022					
Non-derivative Financial Liabilities					
Lease liabilities	3,441	3,534	2,087	1,447	–
Hire purchase payables	3,251	3,587	1,213	2,368	6
Term loans	51,769	62,264	22,761	37,263	2,240
Invoice financing	52,275	52,275	52,275	–	–
Trust receipts	121,050	121,050	121,050	–	–
Revolving credits	12,000	12,000	12,000	–	–
Trade payables	201,469	201,469	201,469	–	–
Other payables and accruals	36,769	36,769	36,769	–	–
Bank overdrafts	1,253	1,253	1,253	–	–
Derivative Financial Liabilities					
Forward currency contracts	2,962	2,962	2,962	–	–
	486,239	497,163	453,839	41,078	2,246
2021					
Non-derivative Financial Liabilities					
Lease liabilities	1,117	1,133	660	473	–
Hire purchase payables	3,057	3,362	886	2,476	–
Term loans	32,042	41,180	10,101	28,547	2,532
Invoice financing	15,306	15,851	15,851	–	–
Trust receipts	3,339	3,339	3,339	–	–
Revolving credits	1,500	1,500	1,500	–	–
Trade payables	94,042	94,042	94,042	–	–
Other payables and accruals	20,796	20,796	20,796	–	–
Bank overdrafts	160	160	160	–	–
	171,359	181,363	147,335	31,496	2,532

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 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):-

The Company	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000
2022			
Non-derivative Financial Liabilities			
Revolving credits	12,000	12,000	12,000
Amount owing to subsidiaries	3,636	3,636	3,636
Trade payables	8,542	8,542	8,542
Other payables and accruals	3,480	3,480	3,480
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	–	290,974	290,974
	27,658	318,632	318,632

The Company	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000
2021				
Non-derivative Financial Liabilities				
Invoice financing	2,409	2,495	2,495	–
Revolving credits	1,500	1,500	1,500	–
Amount owing to subsidiaries	3,878	3,878	3,878	–
Trade payables	5,841	5,841	5,841	–
Other payables and accruals	2,263	2,263	2,263	–
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	–	99,133	99,133	–
	15,891	115,110	115,110	–

The contractual undiscounted cash flows of financial guarantee contracts represent the outstanding credit facilities of the subsidiaries at the end of the reporting period. The financial guarantees have not been recognised in the financial statements since their fair value on initial recognition were not material.

40. FINANCIAL INSTRUMENTS (CONT'D)

40.2 CAPITAL RISK MANAGEMENT

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

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	The Group 2022 RM'000
Lease liabilities	3,441
Hire purchase payables	3,251
Term loans	51,769
Invoice financing	52,275
Trust receipts	121,050
Revolving credits	12,000
Bank overdrafts	1,253
	245,039
Less: Cash and cash equivalents (Note 35(c))	(230,685)
Net debts	14,354
Total equity	243,115
Debt-to-equity ratio	0.06

The debt-to-equity ratio of the Group at the end of the previous reporting period was not presented as its cash and cash equivalents exceeded the total borrowings.

There was no change in the Group's approach to capital management during the financial year. The Group is 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.

40. FINANCIAL INSTRUMENTS (CONT'D)

40.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Financial Asset				
Amortised Cost				
Trade receivables	385,507	92,136	5,485	2,482
Other receivables	6,902	3,358	1	8
Amount owing by subsidiaries	–	–	36,341	10,066
Fixed deposits with licensed banks	25,586	25,410	16,466	16,110
Cash and bank balances	234,381	81,087	9,546	9,759
	652,376	201,991	67,839	38,425
Financial Liabilities				
Fair Value Through Profit or Loss				
Derivative liabilities	2,962	–	–	–
Amortised Cost				
Lease liabilities	3,441	1,117	–	–
Hire purchase payables	3,251	3,057	–	–
Term loans	51,769	32,042	–	–
Invoice financing	52,275	15,306	–	2,409
Trust receipts	121,050	3,339	–	–
Revolving credits	12,000	1,500	12,000	1,500
Amount owing to subsidiaries	–	–	3,636	3,878
Trade payables	201,469	94,042	8,542	5,841
Other payables and accruals	36,769	20,796	3,480	2,263
Bank overdrafts	1,253	160	–	–
	483,277	171,359	27,658	15,891

40.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Financial Asset				
Amortised Cost				
Net gains/(losses) recognised in profit or loss by:				
- mandatorily required by MFRS 9	(5,337)	(1,834)	(3,533)	(382)
Financial Liabilities				
Fair Value Through Profit or Loss				
Net gains/(losses) recognised in profit or loss by:				
- mandatorily required by MFRS 9	(2,943)	–	–	–
Amortised Cost				
Net gains/(losses) recognised in profit or loss by:				
- mandatorily required by MFRS 9	(4,943)	(2,846)	(358)	377

40. FINANCIAL INSTRUMENTS (CONT'D)

40.5 FAIR VALUE INFORMATION

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

As the Group and the Company does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are not carried at fair value at the end of the reporting period:

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value				
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total Fair Value RM'000	Carrying Amount RM'000
The Group								
2022								
Financial Liability								
Term loans:								
- fixed rate	–	–	–	–	3,241	–	3,241	3,243
- floating rate	–	–	–	–	48,526	–	48,526	48,526
Hire purchase payables	–	–	–	–	3,251	–	3,251	3,251
Derivative liabilities:								
- forward currency contracts	–	2,962	–	–	–	–	2,962	2,962
2021								
Financial Liability								
Term loans:								
- fixed rate	–	–	–	–	3,409	–	3,409	3,416
- floating rate	–	–	–	–	28,626	–	28,626	28,626
Hire purchase payables	–	–	–	–	3,057	–	3,057	3,057

40. FINANCIAL INSTRUMENTS (CONT'D)

40.5 FAIR VALUE INFORMATION (CONT'D)

(a) Fair Value of Financial Instruments Carried at Fair Value

(i) The fair values of forward currency contracts are determined by discounting the difference between the contractual forward prices and the current forward prices for the residual maturity of the contracts using a risk-free interest rate.

(b) Fair Value of Financial Instruments Not Carried at Fair Value

(i) The fair value of the Group's and the Company's term loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.

(ii) The fair value of term loans that carry fixed interest rates are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	The Group	
	2022	**2021**
	%	**%**
Term loans (fixed rate)	3.85 - 6.54	3.09 - 6.54
Hire purchase payables (fixed rate)	3.00 - 5.97	2.68 - 5.91

41. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

(a) On 2 March 2020, KESG has lodged with Singapore Mediation Centre ("SMC") a response under section 15(1) of the Building and Construction Industry Security of Payment Act ("SOP Act"), to each of the adjudication applications lodged by Mutiara (FE) Pte Ltd ("Mutiara"), a subcontractor engaged by KESG under two separate sub-contracts for a project in Singapore, for a total adjudication claims amounted to SGD4,140,325.

On 16 March 2020, KESG served a Notice of Arbitration dated 18 March 2020 as the Claimant on Mutiara to refer KESG's claims on back charges and liquidated damages in respect of Mutiara's failure, refused and/or neglected to complete the works timely and with due diligence and/or to carry out its contractual obligations under the sub-contracts.

The Arbitration proceedings commenced under the Notice of Arbitration filed pursuant to the Arbitration Rules of the Singapore International Arbitration Centre.

The arbitration proceeding is commenced against Mutiara to seek, among others, the following relief:-

1. Value of work done (including variations) by Mutiara to be assessed;
2. A declaration that Mutiara has breached its obligations under the sub-contracts;
3. An award for the sum of SGD6,375,475 being the payment that is due and payable by Mutiara to KESG as back charges and liquidated damages and scope deductions incurred to rectify the defects and/or non-compliant works, pursuant to the terms and conditions of the various purchase orders;
4. Losses and damages incurred by KESG arising out of Mutiara's breached of sub-contracts and/or disputes in relation to the valuation of work done (including variations) by KESG and/or such other losses to be assessed; and
5. Interest, costs, and other relief that the arbitrator shall deemed fit.

41. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

(a) KESG had received the following adjudication determination in for both adjudication application no. SOP/AA51 and SOP/AA52 from the SMC:-

1. SOP/AA51

   i. On 31 March 2020, the adjudicator determined that KESG shall pay Mutiara the sum of SGD1,051,245 (inclusive of GST) within 7 days after the service of the adjudication determination and shall bear 70% of adjudication expenses at SGD27,279.

   ii. On 1 April 2020, KESG had make payment of SGD1,051,245 to Mutiara.

   iii. On 3 April 2020, KESG has filed an Adjudication Review Application ("ARA") in support of KESG application for an adjudication review of an adjudication determination.

   KESG submitted that the Adjudicator had erred in law and on the facts in that he had failed to discharge his independent duty to adjudicate the claim and had:

   a. over-valued the Mutiara's claim for original sub-contract works by SGD86,570;
   b. over-valued the Mutiara's claim for variations by SGD371,231; and
   c. erroneously allowed the Claimant to amend its adjudication application.

   iv. On 8 May 2020, KESG has received the Adjudication Review Determination for Adjudication Review Application SOP/ARA02 in relation to Adjudication Application SOP/AA51, from the SMC. Pursuant to Section 19(4)(a) of the SOP Act, the Adjudicator substitutes the adjudicate amount determined in SOP/AA51 with the review adjudicated amount of SGD969,367.84.

   The adjudication amount in relation to Adjudication Application SOP/AA51 was deemed fully settled by KESG within 7 days after the service of the Adjudication Determination.

2. SOP/AA52

   i. On 3 April 2020, the adjudicator determined that KESG shall pay Mutiara the sum of SGD1,745,080 (inclusive of GST) within 7 days after the service of the adjudication determination and shall bear 60% of the adjudication expenses at SGD13,617. KESG submitted its ARA to SMC and requested for correction of Adjudication Determination made in Adjudication Application SOP/AA52.

   ii. On 13 April 2020, SMC had via it's Addendum to the Adjudication Determination revised the adjudicated amount from SGD1,745,079.51 to SGD1,739,893.22.

   iii. On 4 May 2020, KESG has filed a Summons to the High Court of the Republic of Singapore and made an application for set aside the Adjudication Determination dated 3 April 2020 and the Addendum to the Adjudication Determination (Collectively, "the AD") in relation to Adjudication Application SOP/AA52 or the execution or enforcement of the AD be stayed, pending the disposal of the action in an arbitration commenced by the KESG against Mutiara which is currently ongoing.

   iv. On 22 July 2020, KESG had lodged an amount of SGD1,739,893.22 in the high court of the Republic of Singapore, being the funds and securities for unpaid portion of adjudicated amount that KESG is required to pay in consequence of the AD in relation to the SOP/AA52.

41. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

(a) On 16 September 2020, KESG has filed a Statement of Claim under the Arbitration Rules of the Singapore International Arbitration Centre and sets out its claims against Mutiara ("the Respondent") as follows:-

1. Back charges and/or claims in the sum of SGD5,033,066.99 and/or any amounts to be assessed by the Tribunal;
2. Liquidated damages in the sum of SGD738,535.88 in respect of the Package 1 Subcontract and liquidated damages in the sum of SGD780,384.80 in respect of the Package 2 Subcontract and/or any amounts to be assessed by the Tribunal;
3. Further and/or in the alternative, general damages to be assessed;
4. A credit of the sum of SGD373,732.85 that was overpaid in respect of the Package 1 Subcontract and a credit of the sum of SGD693,266.00 that will be overpaid in respect of the Package 2 Subcontract and/or any amounts to be assessed by the Tribunal;
5. Costs on an indemnity basis;
6. Interest; and
7. Such further and other relief as may be deemed appropriate by the Tribunal.

On 5 January 2021, the Honourable Court has rendered its judgement and ordered that the Remitted Questions to be remitted to the Adjudicator. The Court's Decision on KESG as stated in the announcement made on 28 August 2020 are held over pending the Adjudicator Determination of the Remitted Questions.

On 19 January 2021, in the matter of Adjudication Application No. SOP/AA52/2020 between Mutiara as the Claimant and KESG as the Respondent, KESG has submitted its written submissions pursuant to the directions of the learned Adjudicator given on 14 January 2021.

By way of summary, KESG submits that the Claimant's Adjudication's Application ("AA") was lodged prematurely and that the AA is therefore invalid, with the costs to be borne by the Claimant. For avoidance of doubt, the written submissions herein relate only to Package 2 Subcontract.

On 28 January 2021, in the matter of AA No. SOP/AA52/2020, KESG, as Respondent has received the Adjudicator Determination dated 27 January 2021 for the Remission Application.

Based on the timelines in the Building and Construction Industry Security of Payment Act, the Adjudicator determined that the Claimant's Adjudication Application SOP/AA52/2020 was not lodged prematurely and the Respondent shall bear 100% of the costs of the Remission Application amounting to SGD4,840.68.

On 3 February 2021, KESG as Claimant has filed a Statement of Reply and Defence to Counterclaim under the Arbitration Rules of the Singapore International Arbitration Centre.

41. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

(a) The following claims against KESG as stated in the Respondent's Statement of Defence and Counterclaim dated 25 November 2020 was denied:

1. The sum of SGD5,845,018.31 (excluding GST) being the balance value of work (including variations) done under the terms of the Subcontracts or under general law or on a quantum meruit to be assessed and determined by the Tribunal;
2. Loss and expense to be assessed arising from the prolongation of the Subcontracts;
3. Costs and expenses of SGD195,725.05 (excluding GST) incurred by the Respondent in SOP process;
4. The Guaranteed Sum paid under the Performance Bond (SGD679,070);
5. The additional costs and expenses incurred by the Respondent to procure workers without man-year entitlement under the terms of the Subcontracts or under general law or on a quantum meruit to be assessed and determined by the Tribunal;
6. Financing and/or interest charges as special damages;
7. GST on all amounts to be found due to the Respondent;
8. Costs on an indemnity basis;
9. Interest; and
10. Such further or other relief as this Tribunal may deem fit or appropriate.

In addition, KESG as Claimant has provided particulars of the Respondent's failure, refusal and/or negligence to carry out and/or complete the works satisfactorily, on a timely basis and/or with due diligence, as well as the Claimant's responses to the Respondent's allegations in respect of the Claimant's alleged delay and/or acts of prevention and/or omissions. Accordingly, the Claimant avers that the Respondent has no basis to claim for the claims set out above.

On 5 March 2021, following the Adjudicator's determination that the Claimant's Adjudication Application in SOP/AA52/2020 was not lodged prematurely, a further affidavit was filed by Mutiara presenting evidence of their ongoing business/projects, its latest available financial information, the Guaranteed Sum of SGD679,070.00 has been paid out to KESG, and there is no other ongoing litigation/arbitration involving Mutiara, apart from the ongoing arbitration.

On 12 March 2021, KESG has filed an affidavit in response to the Affidavit filed on behalf of Mutiara, and humbly requested for an order to stay the enforcement of the Adjudicator's determination pending the disposal of the ongoing arbitration proceedings between KESG and Mutiara.

On 12 April 2021, KESG has received a Court Order dated 5 April 2021 from the High Court of the Republic of Singapore and the Court ordered that:

1. KESG's application for set aside the Adjudication Determination dated 3 April 2020 and the AD in relation to Adjudication Application SOP/AA52 is dismissed;
2. KESG's application for an order to stay the enforcement of the AD pending the disposal of the ongoing arbitration proceedings between KESG and Mutiara is dismissed;
3. The sum of SGD1,739,893.22 paid into court by KESG together with any interest accrued thereon, is to be paid out and released to Mutiara; and
4. KESG to pay the costs of SGD25,000 plus reasonable disbursements to Mutiara.

On 7 April 2021, KESG has made a payment amounting to SGD41,709.43 to Mutiara, being payment for the costs plus reasonable disbursements incidental to this Court application.

On 18 June 2021, KESG replied to the Respondent's request dated 3 May 2021 for further and better particulars ("F&BP") of KESG's Statement of Reply and Defence to Counterclaim dated 3 February 2021.

The Respondent has provided KESG with F&BP in respect of their Defence and Counterclaim on 13 April 2021 and filed and served its Statement of Reply on 23 April 2021.

On 18 August 2022, KESG and Mutiara ("the Parties") had, prior to the exchange of witness statements, managed to amicably settle the matter in full with a Nil final settlement sum.

On 29 August 2022, the arbitrator had noted and acknowledged that the Parties had discontinued their respective claims and counterclaims in the Arbitration Proceeding.

41. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

(b) On 25 April 2018, KTSB was appointed by JCT Industries Group Sdn. Bhd. ("JCT") as the Contractor to construct the main factory, warehouse, TNB Sub Station and infrastructural work in Kuala Muda, Kedah Darul Aman ("Works"). The Works were completed on 30 August 2020.

On 18 February 2020, as JCT failed to make payment to KTSB, KTSB has served a Payment Claim to JCT in accordance with Section 5 of Construction Industry Payment & Adjudication Act 2012 ("CIPAA") for the sum of RM8,226,943.48 together with interest on the sum from 14 February 2020 to the date full payment is received at the interest rate of 7.4% per annum.

On 5 August 2020 and after the service of Payment Response, JCT made a further payment of RM430,000.00. Therefore, the total unpaid amount for the payment certificates issued is now reduced to RM7,134,518.81.

On 14 August 2020, KTSB served a Notice of Adjudication to JCT in accordance with Section 7 and 8 of CIPAA to seek for reliefs or remedies from JCT:-

1. Payment Certificates issued and unpaid - RM7,134,518.81;
2. Variation works not certified and unpaid - RM244,800.00;
3. Interest due to late payment - RM417,624.67;
4. Interest on the unpaid amounts from 15 February 2020 to the date full payment is received at the rate of 7.40% per annum; and
5. All costs incurred by KTSB in referring the dispute to adjudication, including but not limited to our claim consultant's cost, the registration and administrative fee of Asian International Arbitration Centre, and the adjudicator's fee.

On 30 November 2020, KTSB has received a Notice of Arbitration dated 27 November 2020 served on behalf of JCT.

The Arbitration proceedings commenced under the Notice of Arbitration filed pursuant to the Arbitration Act 2005 and the PAM Arbitration Rules.

JCT has alleged that KTSB had failed to complete the Works within the stipulated completion timeframe as stipulated in the Contract and failed, refused and/or neglected to make good of its defects despite demand from JCT. JCT will be seeking against KTSB in the arbitration for the following reliefs:-

1. Liquidated damages to be ascertained by the tribunal;
2. Damages for defects to be ascertained by the tribunal;
3. Such other claims as may be raised in due course in the Statement of Claim;
4. Interest;
5. Costs; and
6. Such further and/or other reliefs.

On 8 June 2021, KTSB received the Adjudication Determination under the Construction Industry Payment & Adjudication Act 2012 ("CIPAA").

The adjudicator determined that:-

1. JCT shall pay to KTSB the sum of RM1,292,484.84;

2. JCT shall pay to KTSB interest at the prevailing Maybank Base Lending Rate plus one percent (1%) per annum calculated upon the sum of:

    i. RM407,788.33 from 17th April 2019 to 14th February 2020;
    ii. RM1,031,826.28 from 13th May 2019 to 14th February 2020;
    iii. RM1,743,379.36 from 12th June 2019 to 14th February 2020;
    iv. RM1,490,397.45 from 19th July 2019 to 14th February 2020;
    v. RM713,958.59 from 15th August 2019 to 14th February 2020;
    vi. RM784,004.25 from 16th October 2019 to 14th February 2020;
    vii. RM1,001,114.41 from 25th December 2019 to 14th February 2020; and
    viii. RM392,050.14 from 5th February 2020 to 14th February 2020.

41. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

(b) The adjudicator determined that (Cont'd):-

3. JCT shall pay to KTSB interest at the prevailing Maybank Base Lending Rate plus one percent (1%) per annum calculated upon the sum of:

   i. RM7,564,518.81 from 21st February 2020 to 5th March 2020;
   ii. RM1,292,484.84 from 6th March 2020 to the date of this Adjudication Decision; and
   iii. RM1,292,484.84 from the date of this Adjudication Decision to the date of full payment.

4. Each Party is to bear its own legal costs.

5. KTSB and JCT shall bear the adjudicator's fees and minimum expenses in the total sum of RM50,500 and the AIAC's administrative fee (including SST) in the sum of RM10,600 in equal shares.

On 13 June 2022, KTSB disputes JCT entitlement to the relief sought in the Notice of Arbitration and claims against the JCT by way of counterclaims, including but not limited to:

1. The sum of RM6,272,033.97;
2. Further, or alternatively, such sums as may be determined by this Honourable Tribunal on a quantum meruit basis;
3. Interest of such period and rate as the Honourable Tribunal deems fit;
4. Costs of the arbitration; and
5. Such further relief as the Honourable Tribunal deems fit and proper.

On 19 August 2022, KTSB accepted JCT's decision to withdraw the Previous Notice of Arbitration in order for both parties to resolve all the disputes as soon as possible via commencement of fresh arbitration proceedings. KTSB has served a Notice of Arbitration to JCT. The arbitration proceedings commenced under the Notice of Arbitration filed pursuant to the Arbitration Act 2005 and the PAM Arbitration Rules.

On 14 November 2022, KTSB had received a notice dated 8 November 2022 from Pertubuhan Akitek Malaysia (PAM) that a sole arbitrator has been appointed for the Arbitration Proceedings.

The Board of Directors is of the view that the above Adjudication Determination will not have significant impact on its earnings for the financial year ended 31 December 2022 as the relevant provision for impairment on trade receivables for JCT has been made during the financial years ended 31 December 2019 and 31 December 2020.

The Company will make the necessary announcements on material development in respect of this matter from time to time.

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

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

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.

41. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

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

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

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

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

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

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

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

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

On 12 September 2018, the High Court, Taiwan has delivered its court decision and ordered that Hui Neng shall pay KTW the sum of NTD29,328,814 (equivalent to RM3,946,129) plus interest of 5% per annum thereon since 10 October 2015.

On 11 January 2021, the Company has received a judgement from the Supreme Court of Taiwan which in response to Hui Neng's petition made on 23 October 2018 that the original court judgement made on 12 September 2018 was set aside except for the provisional execution, and the case shall re-submit to the Taiwan High Court in Kaohsiung.

On 18 October 2021, the High Court, Taiwan has fixed the final hearing on 25 November 2021.

On 25 November 2021, the High Court, Taiwan has requested for further clarification and fixed the next hearing on 27 December 2021.

On 27 December 2021, the High Court, Taiwan has fixed the final hearing on 14 February 2022.

On 14 February 2022, the High Court, Taiwan has fixed the final hearing on 8 June 2022 for judgement.

On 8 June 2022, the High Court, Taiwan has fixed the next hearing on 5 September 2022.

On 5 September 2022, the High Court, Taiwan has fixed the next hearing on 17 November 2022.

On 17 November 2022, the High Court, Taiwan informed that the next hearing date will be fixed once the new issue raised by Hui Neng has been clarified.

On 23 February 2023, the High Court, Taiwan has directed both parties to resolve the dispute through mediation process on 6 April 2023.

On 6 April 2023, Hui Neng refused to proceed with the negotiation with KTW and the mediation proceeding was called off. The High Court, Taiwan will fix the next hearing date.

The Company will make the necessary announcement on further material development of the above matter in due course.

41. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

(d) On 2 March 2022, the Company proposed to undertake the following:-

(i) termination of the Company's existing employees' share scheme ("Proposed ESS Termination"); and

(ii) establishment and implementation of an employees' share scheme which entails a share grant scheme of up to 4% of the issued shares of the Company (excluding treasury shares of the Company, if any) at any point in time during the duration of the Proposed ESS for the eligible employees and Directors (including Non-Executive Directors) of the Company and its subsidiary companies, which are not dormant, who fulfil the eligibility criteria as set out in the by-laws of the employee share scheme ("Eligible Employees") ("Proposed ESS").

On 16 March 2022, the listing application in relation to the Proposed ESS has been submitted to Bursa Malaysia Securities Berhad.

On 31 March 2022, Bursa Malaysia Securities Berhad had approved the listing of and quotation for such number of new Shares representing up to 4% of the total number of issued Shares of the Company (excluding treasury shares) to be issued pursuant to the Proposed ESS.

The approval granted by Bursa Malaysia Securities Berhad for the Proposed ESS is subject to the following conditions:-

(i) the Company and UOB Kay Hian Securities (M) Sdn. Bhd. ("UOBKH") must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed ESS;
(ii) UOBKH is required to submit a confirmation to Bursa Malaysia Securities Berhad of full compliance of the Proposed ESS pursuant to Paragraph 6.43(1) of the Listing Requirement and stating the effective date of the implementation together with certified true copy of the resolution passed by shareholders in general meeting approving the Proposed ESS; and
(iii) The Company is required to furnish Bursa Malaysia Securities Berhad on a quarterly basis of summary of the total number of Shares listed pursuant to the Proposed ESS as at the end of each quarter together with a detail computation of listing fees payable.

The Company offered 25,720,000 share options under the ESS on 7 July 2022.

42. COMPARATIVE FIGURES

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

	The Group		The Company	
	As Previously Reported RM'000	As Restated RM'000	As Previously Reported RM'000	As Restated RM'000
Consolidated Statement of Financial Position (Extract):-				
Property, plant and equipment	64,358	68,756	–	–
Right-of-use assets	5,655	1,257	–	–
Consolidated Statement of Cash Flows (Extract):-				
Net cash (for)/from investing activities	(12,680)	(9,393)	8,769	8,188
Net cash for financing activities	(14,238)	(17,525)	(5,405)	(4,824)

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2023

Issued and Paid-up share capital	:	RM 73,291,770.85 comprising of 645,246,952 ordinary shares. (Including 2,239,800 treasury shares)
Class of shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share

Size of shareholdings	No. of Holders	Percentage (%)	No. of Shares	Percentage (%)
Less than 100	103	1.57	4,304	0.00
100-1,000	883	13.43	575,670	0.09
1,001-10,000	3,514	53.44	17,639,654	2.73
10,001-100,000	1,699	25.84	53,543,893	8.30
100,001- less than 5%	374	5.69	398,440,985*	61.75
5% and above	2	0.03	175,042,446	27.13
TOTAL	**6,575**	**100.00**	**645,246,952**	**100.00**

* Including 2,239,800 treasury shares.

LIST OF SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2023

Names	Direct Interest No. of Shares	%	Indirect Interest No. of Shares	%
Palace Star Sdn. Bhd.	135,406,980	21.06	–	–
Sun Lead International Limited	39,635,466	6.16	–	–
Gan Hung Keng	4,696,332	0.73	135,406,980 (1)	21.06 (1)
Ong Weng Leong	4,391,800	0.68	135,406,980 (1)	21.06 (1)
Cham Teck Kuang	–	–	135,406,980 (1)	21.06 (1)
Hu Ke Qin	–	–	135,406,980 (1)	21.06 (1)
Soh Tong Hwa	1,475,532	0.23	137,877,778 (2)	21.44 (2)
Fortune Dragon Holding Inc.	–	–	39,635,466 (3)	6.16 (3)
Lien Hwa Industrial Holdings Corp.	–	–	39,635,466 (4)	6.16 (4)

Note:

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

(2) Deemed interested under Section 8 of the Act by virtue of his direct interests in Palace Star and Sin Huat Hing Farm Sdn. Bhd and deemed interested under Section 59(11)(c) of the Companies Act 2016 by virtue of shares held by his spouse and child.

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

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

LIST OF DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2023

	Direct Interest		Indirect Interest	
Names	No. of Shares	%	No. of Shares	%
Gan Hung Keng[(1)]	4,696,332	0.73	135,406,980 [(1)]	21.06 [(1)]
Ong Weng Leong[(1)]	4,391,800	0.68	135,406,980 [(1)]	21.06 [(1)]
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	–	–	–	–
Soo Yuit Weng	1,464,00	0.23	–	–
Cham Teck Kuang	–	–	135,406,980 [(1)]	21.06 [(1)]
Soh Tong Hwa	1,475,532	0.23	137,877,778 [(2)]	21.44 [(2)]
Hu Keqin	–	–	135,406,980 [(1)]	21.06 [(1)]
Ng Lee Kuan	–	–	–	–
Ng Meng Kwai	–	–	–	–
Rahima Beevi Binti Mohamed Ibrahim	–	–	–	–

Note:

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

[(2)] *Deemed interested under Section 8 of the Act by virtue of his direct interests in Palace Star and Sin Huat Hing Farm Sdn. Bhd and deemed interested under Section 59(11)(c) of the Companies Act 2016 by virtue of shares held by his spouse and child.*

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 31 MARCH 2023

(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name of Shareholders	No. of Shares	%
1	PALACE STAR SDN BHD	135,406,980	21.06%
2	SUN LEAD INTERNATIONAL LIMITED	39,635,466	6.16%
3	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	30,238,400	4.70%
4	CARTABAN NOMINEES (TEMPATAN) SDN BHD ICAPITAL.BIZ BERHAD	28,383,200	4.41%
5	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND	23,253,400	3.62%
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)	15,116,500	2.35%
7	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 19)	13,770,000	2.14%
8	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (PF)	10,138,100	1.58%
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AMUNDI)	8,347,900	1.30%
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN)(PRINCIPAL EQITS)	7,773,300	1.21%

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 31 MARCH 2023 (CONT'D)
(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name of Shareholders	No. of Shares	%
11	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA SHARIAH GROWTH OPPORTUNITIES FUND (50156 TR01)	7,559,100	1.18%
12	LEE BEE SENG	7,150,300	1.11%
13	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	6,500,000	1.01%
14	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT SHARIAH PROGRESS FUND	6,494,500	1.01%
15	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG DIVIDEND FUND	6,000,000	0.93%
16	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG	5,897,357	0.92%
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM KENANGA) (410196)	5,677,500	0.88%
18	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD - KENANGA SYARIAH GROWTH FUND	5,635,300	0.88%
19	CARTABAN NOMINEES (TEMPATAN) SDN BHD CN CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA GROWTH FUND SERIES 2	5,345,000	0.83%
20	AMANAHRAYA TRUSTEES BERHAD PB ISLAMIC SMALLCAP FUND	5,021,400	0.78%
21	GAN HUNG KENG	4,696,332	0.73%
22	ONG WENG LEONG	4,391,800	0.68%
23	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR PRINCIPAL DALI EQUITY FUND	3,961,800	0.62%
24	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PETROLIAM NASIONAL BERHAD (ACF-KENANGA-EQ)	3,416,900	0.53%
25	AMANAHRAYA TRUSTEES BERHAD PUBLIC EMERGING OPPORTUNITIES FUND	2,800,000	0.44%
26	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (TMEF)	2,800,000	0.44%
27	CHIA ZHEN CONG	2,772,100	0.43%
28	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR SOH CHIN LEH	2,746,200	0.43%
29	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (PRINCIPAL 2)	2,708,900	0.42%
30	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	2,689,800	0.42%

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2023

Type of Securities	:	Warrants 2021/2026
Date of Expiry	:	5 years (expiring on 24 July 2026)
Exercise Rights	:	Each warrant carries the entitlement to subscribe for one (1) new ordinary share in the Company at an exercise price of RM1.38
Voting Right	:	The holder of warrants is not entitled to any voting rights

Size of Holdings	**No. of Holders**	**Percentage (%)**	**No. of Warrant**	**Percentage (%)**
Less than 100	925	18.59	42,939	0.02
100-1,000	682	13.71	386,287	0.18
1,001-10,000	1,954	39.28	8,748,134	4.08
10,001-100,000	1,190	23.92	39,562,447	18.46
100,001- less than 5%	223	4.48	112,282,854	52.39
5% and above	1	0.02	53,311,160	24.87
TOTAL	**4,975**	**100**	**214,333,821**	**100**

LIST OF DIRECTORS' WARRANT HOLDINGS AS PER THE REGISTER OF DIRECTORS' WARRANTS HOLDINGS AS AT 31 MARCH 2023

	Direct Interest		**Indirect Interest**	
Names	**No. of Warrant**	**%**	**No. of Warrant**	**%**
Gan Hung Keng	1,565,444	0.73	53,311,160 (1)	24.87
Ong Weng Leong	1,463,933	0.68	53,311,160 (1)	24.87
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	–	–	–	–
Soo Yuit Weng	408,000	0.19	–	–
Soh Tong Hwa	491,844	0.23	54,134,758 (2)	25.26
Cham Teck Kuang	–	–	53,311,160 (1)	24.87
Hu Keqin	–	–	53,311,160 (1)	24.87
Ng Lee Kuan	–	–	–	–
Ng Meng Kwai	–	–	–	–
Rahima Beevi Binti Mohamed Ibrahim	–	–	–	–

Note:

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

(2) *Deemed interested under Section 8 of the Act by virtue of his direct interests in Palace Star and Sin Huat Hing Farm Sdn. Bhd and deemed interested under Section 59(11)(c) of the Companies Act 2016 by virtue of shares held by his spouse and child.*

ANALYSIS OF WARRANT HOLDINGS

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 31 MARCH 2023
(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name of Warrant Holders	No. of Warrant	%
1	PALACE STAR SDN BHD	53,311,160	24.87%
2	SUN LEAD INTERNATIONAL LIMITED	10,182,422	4.75%
3	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	9,712,800	4.53%
4	CARTABAN NOMINEES (TEMPATAN) SDN BHD ICAPITAL.BIZ BERHAD	9,461,066	4.41%
5	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR SOH CHIN LEH	2,805,400	1.31%
6	AMANAHRAYA TRUSTEES BERHAD PB ISLAMIC SMALLCAP FUND	2,423,466	1.13%
7	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN KAM TONG	2,158,666	1.01%
8	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG CHEN VOON	1,991,600	0.93%
9	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEH SEH BEE (E-KPG)	1,800,333	0.84%
10	LOW FUI KIEN	1,600,000	0.75%
11	GAN HUNG KENG	1,565,444	0.73%
12	OOI POH KEOH	1,470,000	0.69%
13	ONG WENG LEONG	1,463,933	0.68%
14	CHUA ENG KIAT	1,345,977	0.63%
15	LOH AIK BIN	1,244,200	0.58%
16	CHANG KIN MOH	1,209,000	0.56%
17	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO PUI MENG (7004172)	1,200,000	0.56%
18	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HAU HAN KEE (MY4421)	1,035,800	0.48%
19	KOH TAT MENG	1,000,000	0.47%
20	LAU PENG LEE	978,700	0.46%
21	ONG SENG HENG	939,533	0.44%
22	GOH SEOW KHONG	925,000	0.43%
23	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (AMUNDI 2)	880,000	0.41%
24	ANAS BIN AHMAD FARIS	840,100	0.39%
25	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (PF)	835, 666	0.39%
26	CHAN CHEE CHOY	803,400	0.37%
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD CAPITAL DYNAMICS ASSET MANAGEMENT SDN BHD FOR KESM INDUSTRIES BERHAD (CDAM30-990472)	789,800	0.37%
28	CHIA MOI LING	714,400	0.33%
29	SOH CHIN SENG	706,200	0.33%
30	TAN CHONG HENG	705,100	0.33%

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Third Annual General Meeting ("23rd AGM") of **Kelington Group Berhad** ("KGB" or "Company") will be conducted virtually from the Broadcast Venue at Lot 9-11 Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur on Wednesday, 21 June 2023 at 10:00 a.m. or at any adjournment thereof, 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 2022 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) Ng Lee Kuan **(Ordinary Resolution 1)**

   (ii) Hu Keqin **(Ordinary Resolution 2)**

   (iii) Cham Teck Kuang **(Ordinary Resolution 3)**

3. To re-elect the following Directors who are retiring in accordance with the Clause 104 of the Company's Constitution, and being eligible, have offered themselves for re-election:

   (i) Ng Meng Kwai **(Ordinary Resolution 4)**

   (ii) Rahima Beevi Binti Mohamed Ibrahim **(Ordinary Resolution 5)**

4. To approve the payment of Directors' remuneration payable to the Board of the Company amounting to RM287,000 for the period from 1 July 2023 until 30 June 2024. **(Ordinary Resolution 6)**

5. 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 7)**

Special Business

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

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

   (i) "THAT approval be and is hereby given to Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company." **(Ordinary Resolution 8)**

   (ii) "THAT approval be and is hereby given to Soo Yuit Weng who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company." **(Ordinary Resolution 9)**

7. **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. **(Ordinary Resolution 10)**

THAT the Directors be 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.

THAT in connection with the above, pursuant to Section 85 of the Act, to be read together with Clause 54 of the Constitution of the Company, approval be hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered with new shares ranking equally to the existing issued shares of the Company arising from any issuance of new shares in the Company pursuant to this mandate.

AND THAT the new shares to be issued shall, upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or other forms of distribution that which may be declared, made or paid before the date of allotment of such new shares."

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

"THAT subject to the Companies Act 2016 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Constitution and the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that: **(Ordinary Resolution 11)**

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

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

(iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends or transfer the shares under employee share scheme or as purchase consideration, AND THAT the authority conferred by this resolution will commence after the passing of this ordinary resolution and will continue to be in force until:

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

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

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

whichever occurs first.

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

9. **Proposed Provision of Performance-Based Gratuity Payment upon Retirement as part of Remuneration Package for the Founder, Executive Director and Chief Executive Officer of the Company, Ir. Gan Hung Keng**

"THAT approval be and is hereby given for the Company to provide a **performance-based** retirement gratuity payment to the founder, Executive Director and Chief Executive Officer of the Company, Ir. Gan Hung Keng upon his retirement from the Executive role in recognition of his valuable contributions to the continuous growth of Kelington Group Berhad, which shall be calculated based on two (2) months of his last drawn monthly basic salary for each completed year of service as Executive of the Company, subject to fulfilling a performance condition which the Company shall achieved at least **10%** compound annual growth rate (**CAGR**) in profit after tax (**PAT**) over a period of five years prior to the year of his retirement. **(Ordinary Resolution 12)**

THAT the achievement of the performance condition shall be assessed based on the latest five years approved audited financial statements of the Company available on the date of retirement.

THAT the lump sum performance-based retirement gratuity fee upon satisfying the performance condition and approval by the Remuneration Committee and Board of Directors of the Company shall be due and payable to Ir. Gan Hung Keng and shall be paid in accordance with the terms and conditions outlined in the service contract.

THAT authority be hereby given to the Board to take all such actions as they may consider necessary to give full effect to this resolution and to include the above provision in the remuneration package of Ir. Gan Hung Keng and to execute all relevant documents for and on behalf of the Company."

NOTICE OF ANNUAL GENERAL MEETING

10. **Proposed Provision of Performance-Based Gratuity Payment upon Retirement as part of Remuneration Package for the Founder, Executive Director and Chief Operating Officer of the Company, Mr. Ong Weng Leong**

    "THAT approval be and is hereby given for the Company to provide a **performance-based** retirement gratuity payment to the founder, Executive Director and Chief Operating Officer of the Company, Mr. Ong Weng Leong upon retirement from the Executive role in recognition of his valuable contributions to the continuous growth of Kelington Group Berhad, which shall be calculated based on two (2) months of his last drawn monthly basic salary for each completed year of service as Executive Director of the Company, subject to fulfilling a performance condition which the Company shall achieved at least **10%** compound annual growth rate (**CAGR**) in profit after tax (**PAT**) over a period of five years prior to the year of his retirement. **(Ordinary Resolution 13)**

    THAT the achievement of the performance condition shall be assessed based on the latest five years approved audited financial statements of the Company available on the date of retirement.

    THAT the lump sum performance-based retirement gratuity fee upon satisfying the performance condition and approval by the Remuneration Committee and Board of Directors of the Company shall be due and payable to Mr. Ong Weng Leong and shall be paid in accordance with the terms and conditions outlined in the service contract.

    THAT authority be hereby given to the Board to take all such actions as they may consider necessary to give full effect to this resolution and to include the above provision in the remuneration package of Mr. Ong Weng Leong and to execute all relevant documents for and on behalf of the Company."

11. To transact any other ordinary business of which due notice shall have been given.

BY ORDER OF THE BOARD

TEO MEE HUI (SSM PC No. 202008001081 & MAICSA 7050642)
ZEENATH BEGUM BINTI MOHAMED MASTAN (SSM PC No. 202008002974 & LS 0009462)

Company Secretaries

Kuala Lumpur
Dated this 28th day of April 2023

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.

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

   (i) In hard copy form

   To be deposited at the Company's Share Registrar's office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan; or

   (ii) By electronic means

   To be sent via e-mail to:
   khairul.iqram@boardroomlimited.com
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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 14 June 2023 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.

Explanatory notes on Ordinary and Special Business

(a) Item 1 of the Agenda

Audited Financial Statements for the financial year ended 31 December 2022.

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

(b) Ordinary Resolutions 1 to 5 – Re-election of Directors

Ms Ng Lee Kuan, Mr Hu Keqin and Mr Cham Teck Kuang are retiring by rotation in accordance with Clause 97 of the Constitution of the Company whilst Mr Ng Meng Kwai and Puan Rahima Beevi Binti Mohamed Ibrahim are retiring in accordance with Clause 104 of the Constitution of the Company.

The profiles of the retiring Directors are set out in the Annual Report 2022.

The Nomination Committee has taken into account the Board Evaluation Assessment including the results of the assessment for the retiring Directors and concurred that they have met the Board's expectations in terms of experience, expertise, integrity, competency, commitment and individual contribution by continuously performing their duties diligently as Directors of the Company. The Board recommended them to be re-elected as Directors of the Company.

(c) Ordinary Resolution 6

The Remuneration Committee and the Board had reviewed the Directors' Remuneration for the period from 1 July 2023 until 30 June 2024 ("Relevant Period"), after taking into consideration market trends for similar positions, time commitment and responsibilities of the respective Directors.

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

	Executive Directors RM	Non-Executive Directors RM
Director Fee	–	270,000
Meeting allowance	–	17,000
Total	**–**	**287,000**

In determining the estimated total amount of the Directors' remuneration, the Board considered various factors including the number of scheduled meetings for the Board and Board Committees as well as the 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 6 has been passed at the 23rd AGM.

(d) *Ordinary Resolutions 8 and 9*
Continuing in Office as Independent Non-Executive Directors

The Board has assessed the independence of Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman and Soo Yuit Weng, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine years, and has 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 Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman and Soo Yuit Weng to be independent based on the above justifications and recommended them to be retained as Independent Non-Executive Directors of the Company.

(e) *Ordinary Resolution 10*
Authority to Issue and Allot Shares

The proposed Ordinary Resolution 10, if passed, will give flexibility to the Directors to issue shares to such persons at any time in their absolute discretion without convening a general meeting. This authorisation will expire at the conclusion of the next Annual General Meeting of the Company.

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

This is also to approve the disapplication of statutory pre-emption rights under Section 85 of the Companies Act 2016, to allot new shares (or grant rights over shares) without first offering them to the existing shareholders in proportion to their holdings pursuant to the general mandate.

The previous mandate obtained from the members at the last AGM was not utilised and, accordingly no proceeds were raised.

(f) *Ordinary Resolution 11*
Proposed Authority for Purchase of Own Shares by the Company

The proposed Ordinary Resolution 11, if approved, will empower the Company to purchase and/or hold up to ten per centum (10%) of the total number of issued shares of the Company through Bursa Malaysia Securities Berhad. For more information, please refer to the Share Buy-Back Statement dated 28 April 2023.

(g) *Ordinary Resolutions 12 and 13*
Proposed Provision of Performance-Based Retirement Gratuity Payment

The Proposed Provision of Performance-based Retirement Gratuity Payment as part of Remuneration Package was recommended to attract, retain, motivate and reward Ir. Gan Hung Keng and Mr. Ong Weng Leong to focus on strategic planning and maintain a healthy growth rate for the Company; and in recognition of their commitment, dedication and contribution to the success of the KGB Group and as gesture of appreciation for their long-term tenure and service rendered. Their diverse knowledge and expertise, strategic oversight and top executive leadership have combined to contribute to our achievements today.

Ir. Gan Hung Keng and Mr. Ong Weng Leong have contributed valuable knowledge, experience, and insights that are crucial for the Company's continued success. In addition, by offering a performance-based retirement gratuity, the Company can incentivize them to stay involved during the transition period, share their expertise, and provide guidance to successors, which can contribute to a smooth succession process.

The Board of Directors is of the opinion that it is in the best interest of the Company to offer a performance-based retirement gratuity payment as an additional benefit to Ir. Gan Hung Keng and Mr. Ong Weng Leong and be included as part of their remuneration package, as a means to promote healthy growth for Kelington, attract and retain a talented executive director for a smooth transition and recognise their long-term commitment and contributions to the Company.

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KELINGTON GROUP BERHAD
(Registration No. 199901026486 (501386-P))
(Incorporated in Malaysia)

Number of Shares Held

CDS Account No.

FORM OF PROXY

* I/We ....NRIC/Passport/Registration No.

....of ....

Tel No./Email .... being a Member(s) of KELINGTON GROUP BERHAD (Registration No. 199901026486 (501386-P)), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

***And/or (delete as appropriate)**

or failing him/her, #THE CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us on *my/our behalf at the Twenty-Third Annual General Meeting of the Company to be conducted virtually from the Broadcast Venue at Lot 9-11 Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur on Wednesday, 21 June 2023 at 10:00 a.m. or at any adjournment thereof and to vote as indicated below:

	Ordinary Business	Resolution	For	Against
1	To re-elect Ng Lee Kuan as Director	Resolution 1		
2	To re-elect Hu Keqin as Director	Resolution 2		
3	To re-elect Cham Teck Kuang as Director	Resolution 3		
4	To re-elect Ng Meng Kwai as Director	Resolution 4		
5	To re-elect Rahima Beevi Binti Mohamed Ibrahim as Director	Resolution 5		
6	To approve the payment of Directors' remuneration payable to the Board of the Company for the financial period from 1 July 2023 until 30 June 2024	Resolution 6		
7	To re-appoint Messrs Crowe Malaysia PLT as Auditors of the Company	Resolution 7		
Special Business				
8	To approve the continuing in office for Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman as an Independent Non-Executive Director	Resolution 8		
9	To approve the continuing in office for Soo Yuit Weng as an Independent Non-Executive Director	Resolution 9		
10	Authority to Issue and Allot Shares	Resolution 10		
11	Proposed Authority for purchase of own shares by the Company	Resolution 11		
12	To approve the provision of performance-based retirement gratuity payment to Ir. Gan Hung Keng	Resolution 12		
13	To approve the provision of performance-based retirement gratuity payment to Mr Ong Weng Leong	Resolution 13		

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 2023

....
Signature / Common Seal of Shareholder

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Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Share Registrar
Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13 46200 Petaling Jaya, Selangor

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KELINGTON GROUP BERHAD
[Registration No. 199901026486 (501386-P)]

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Bukit Jelutong Industrial Park,
40150 Shah Alam,
Selangor Darul Ehsan, Malaysia

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