KELINGTON GROUP BERHAD

[Registration No. 199901026486 (501386-P)]

POISED FOR SUSTAINABLE GROWTH

ANNUAL REPORT 2023

INSIDE THIS REPORT

24th ANNUAL GENERAL MEETING

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

Date:
21 June 2024

Time:
Friday,
10:00 am

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

Scan the QR code to download our Annual Report 2023 or visit our website https://kelington-group.com/report-presentation/

www.kelington-group.com

ABOUT US

24 Years of Engineering Excellence

At Kelington Group Berhad, we are proud to be industry leaders in providing Ultra High Purity ("UHP") gas and chemical delivery solutions. With a relentless commitment to innovation, quality, and customer satisfaction, we have established ourselves as trusted partners to businesses across a wide range of industries.

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.

OUR VISION

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

OUR MISSION

Cultivate 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, ensuring safety and cost effectiveness.

OUR CORE VALUES

BUILDING PARTNERSHIP

Commitment to create a network of shared success.

CONTINUOUS IMPROVEMENT

Always pushing the boundaries of what's possible

ENCOURAGE INNOVATION

Establish a workplace that nurtures creativity and empowers individuals to shape the future.

SAFETY FIRST

Committed to being responsible stewards of safety in everything we do.

RM1.6 BILLION
REVENUE

RM1.4 BILLION
MARKET CAPITALISATION

OUR BUSINESS

With a dedicated workforce of approximately 800 professionals, we maintain regional offices in Malaysia, Singapore, China, and Taiwan, enabling us to serve our clients efficiently across multiple locations.

ENGINEERING BUSINESS

	01 ULTRA HIGH PURITY	02 PROCESS ENGINEERING	03 GENERAL CONTRACTING
	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 specialised facilities such as clean rooms and Research & Development ("R&D") centers.
Revenue	62% RM1,006.0 mil	8% RM123.9 mil	23.0% RM370.7 mil
We Serve	Semiconductor players, Electronic manufacturers, Gas Plants, etc.	Oil and gas, petrochemicals, industrial plants, etc.	Manufacturing facilities and Industrial plants.

INDUSTRIAL GASES

	01 MANUFACTURING OF LIQUID CARBON DIOXIDE AND DRY ICE	02 ON-SITE GAS SUPPLY	03 TRADING OF SPECIALTY GASES
	We manufacture and distribute liquid carbon dioxide and dry ice to various users.	We invest, operate and maintain on-site gas generators via supply scheme contracts to various users.	We distribute specialty gases via portable high-pressure gas storage tanks to various users.

Revenue: 7% RM113.8 mil

We Serve: Semiconductor players, Electronic manufacturers, Resellers, Food & Beverages sector, commercial businesses etc.

FINANCIAL HIGHLIGHTS

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2019	2020	2021	2022	2023
Revenue (RM'000)	379,768	394,599	514,554	1,278,837	**1,614,449**
Profit Before Taxation (RM'000)	31,579	20,945	35,694	74,391	**133,903**
Profit After Taxation (RM'000)	23,920	17,591	29,700	58,506	**106,018**
Shareholders' Funds (RM'000)	155,534	168,329	192,747	243,115	**338,392**
Total Assets (RM'000)	303,055	350,343	403,968	1,055,641	**1,071,328**
Net Assets Per Share (RM)*	0.25	0.26	0.30	0.38	**0.52**
Basic Earning Per Share (RM'Cent)*#	5.19	3.67	6.0	8.67	**16.17**
Dividend per share (RM'Cent)	2	1.5	1.5	2.5	**4.0**
Number of Shares in Issue ('000)*#	620,678	643,007	643,007	643,007	**644,797**
Share Price (RM)*^	0.61	0.831	1.72	1.37	**2.17**
Market Capitalisation (RM'000)#^	378,614	534,339	1,105,972	880,920	**1,399,209**

* 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.

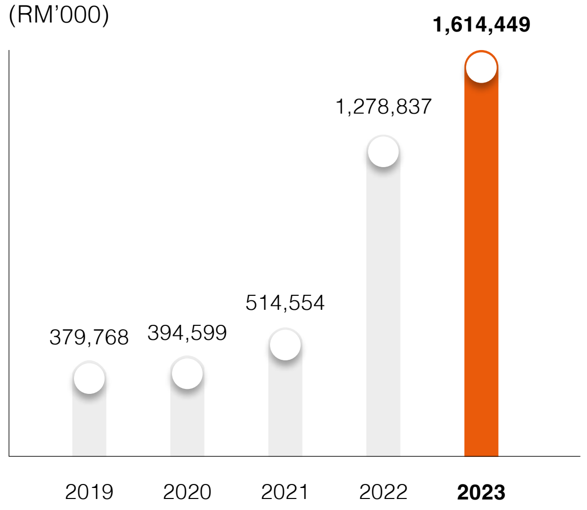
\# Based on Company's issued and paid-up share capital, excluding treasury shares.

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

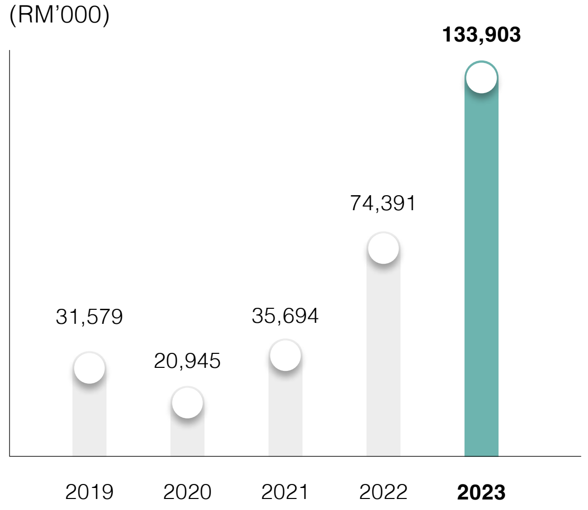
RM2.42 MILLION

REVENUE PER EMPLOYEE

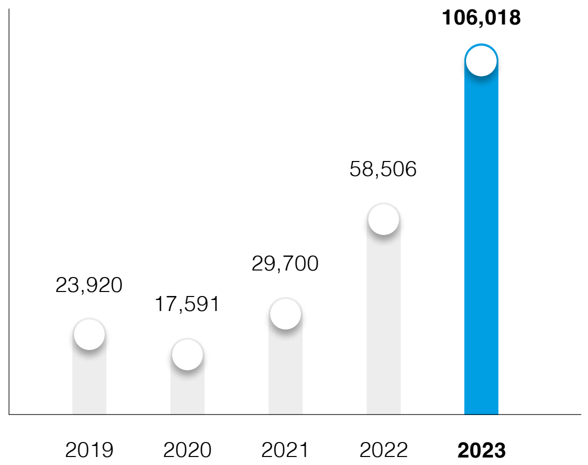
REVENUE
(RM'000)



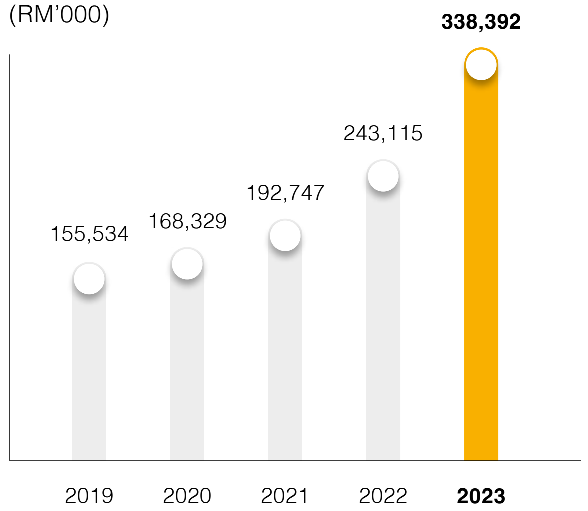
PROFIT BEFORE TAXATION
(RM'000)



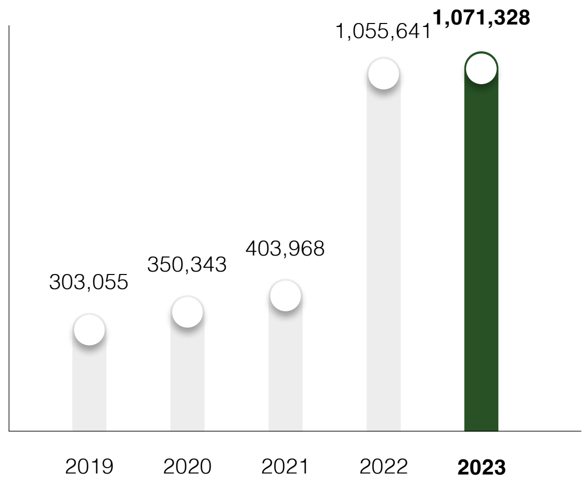
PROFIT AFTER TAXATION
(RM'000)



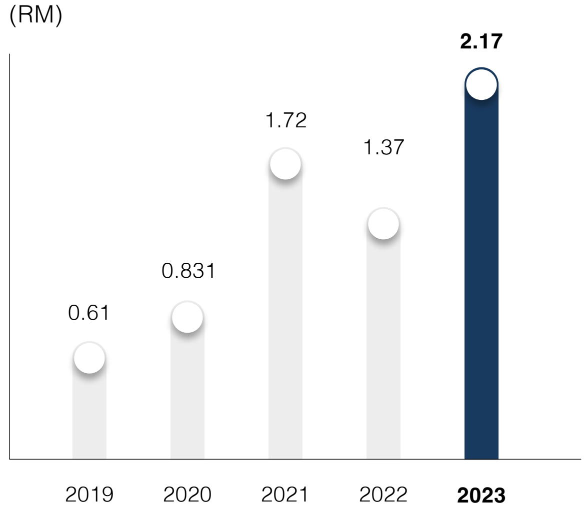
SHAREHOLDERS' FUNDS
(RM'000)



TOTAL ASSETS
(RM'000)



SHARE PRICE
(RM)



KEY MILESTONES

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

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 RM 490 million

First full year operation of our new liquid CO_2 plant and started exporting liquid CO_2 products

2021 Secured a landmark RM 420 million contracting project from world leading data storage devices and solutions specialist

2022 New LCO_2 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 RM 1.85 billion

Received a Silver award for "most improved performance over three years" in the Edge ESG Awards 2022 for companies with RM 300 million - RM 800 million market capitalisation

2023 Net profit surpassed the RM100 million mark for the first time.

FTSE4Good Bursa Malaysia ESG rating has improved to four stars. This places the Group within the top 25% for ESG performance among public listed companies in the FBM EMAS, as assessed by FTSE Russell.

Maintained its position as a constituent of both the FTSE4Good Bursa Malaysia Index and FTSE4Good Bursa Malaysia Shariah Index.

CORPORATE STRUCTURE

Kelington Group Berhad & Branch in Taiwan

- 100% **Kelington Technologies Sdn Bhd.** *(Incorporated in Malaysia)*
  - 100% **Kelington Technologies (Sarawak) Sdn. Bhd.** *(Incorporated in Malaysia)*
- 100% **Puritec Technologies (M) Sdn. Bhd.** *(Incorporated in Malaysia)*
- 100% **Kelington Engineering (S) Pte. Ltd.** *(Incorporated in Singapore)*
  - 100% **Puritec Technologies (S) Pte. Ltd.** *(Incorporated in Singapore)*
  - 90% **Kelington Solomon Philippines, Inc.** *(Incorporated in Philippines)*
  - 100% **Kelington Engineering (HK) Limited** *(Incorporated in Hong Kong)* Become a subsidiary on 5 September 2023
  - 100% **Kelington Engineering (Germany) GmbH** *(Incorporated in Germany)* Become a subsidiary on 6 March 2024
- 100% **Kelington Engineering (Shanghai) Co., Ltd** *(Incorporated in the People's Republic of China)*
  - 100% **Kelington Trading (Shanghai) Co., Ltd** *(Incorporated in the People's Republic of China)*
  - 100% **Kelington System Integration (ChuZhou) Co., Ltd** *(Incorporated in the People's Republic of China)*
- 90.71% **Ace Gases Sdn. Bhd.** *(Incorporated in Malaysia)*
  - 100% **Ace Gases Marketing Sdn. Bhd.** *(Incorporated in Malaysia)*
  - 100% **Ace Gases Marketing (S) Pte. Ltd** *(Incorporated in Singapore)*
  - 100% **Cryotech Logistics Sdn. Bhd.** *(Incorporated in Malaysia)*
- 100% **Hiti Engineering (M) Sdn. Bhd.** *(Incorporated in Malaysia)*
- 55% **Kelington Analytical Services Sdn. Bhd.** *(Incorporated in Malaysia)* Ceased to be a subsidiary on 4 October 2023
- 90% **Kelington Nawik Sdn. Bhd.** *(Incorporated in Malaysia)* Dissolved on 5 April 2024

OUR BUSINESS MODEL

OUR CAPITALS

F FINANCIAL CAPITAL

- Shareholder's Equity **RM338.4 million**
- Retained Earnings **RM204.8 million**
- Banking Facilities **approximately RM1.0 billion**
- Revenue **RM1.6 billion**

M MANUFACTURED CAPITAL

- **RM168.8 million** worth of properties and equipment.

I INTELLECTUAL CAPITAL

- **24** years of industry experience.
- UHP & cleanroom protocols.
- Training Modules for technicians.
- Data, process & systems.

H HUMAN CAPITAL

- **>700** employees.
- **RM450,000** invested in training & development.

S SOCIAL CAPITAL

- Shared values, norms, outlook in life.
- Government agencies & NGOs.

N NATURAL CAPITAL

- Minerals and metals as essential components of project materials.
- **16,329 MWh** electricity consumption.
- **76,813 m³** water consumption.

VALUE CREATION PROCESS

01 INPUTS
02 BUSINESS ACTIVITIES
03 OUTPUTS
04 DELIVERING VALUES

Vision & Mission

- Primary Activities
- Supporting Activities
- Governance
- Strategy & Resources Allocation
- Risk & Opportunities
- Performance Management

Supporting SDGs

- Managing Impact
- Sustainable Value Creations

- CARE FOR BUSINESS
- CARE FOR PEOPLE
- CARE FOR ENVIRONMENT
- CARE FOR SOCIAL

VALUE DELIVERED TO OUR STAKEHOLDERS AND THE ENVIRONMENT

SHAREHOLDERS
- Financial performance & growth potential
- Increased share price
- Dividend payment
- Corporate Governance
- Risk Management

ENVIRONMENT
- Strive to lower carbon emissions and waste in our operations.
- Promote and installed green exhaust systems.
- Value engineering to reduce environmental impact and optimise resources utilisation.

CUSTOMERS
- Offer customisable solutions tailored to the specific needs of semiconductor and biotechnology manufacturing facilities.
- Deliver reliable UHP gas and chemical delivery systems on schedule.
- Construction of spherical ball tanks serves multiple industries, providing customers with storage and handling solutions for a diverse range of liquids and gases.

EMPLOYEES
- Competitive Compensation.
- Employee benefits and perks.
- Career Development & Opportunities.
- Supporting work-life balance through flexible work arrangements.
- Prioritising employee health & safety, fostering positive work environment.
- Recognition and rewards.

COMMUNITIES
- Engaging employees in corporate social responsibility initiatives.
- We are taking proactive initiatives to facilitate the transition to a low-carbon economy, aiming contribute to building stronger, healthier, and more resilient communities for the benefit of present and future generations.
- Promoting social justice, fair labour practices via ethical supply chain management.

VENDORS
- Increased innovation via collaboration and synergy.
- Fair and timely payment.
- Transparent communication and build sustain and grow partnerships.
- Continuous supply chain development.

FINANCIAL INSTITUTION
- Commitment to build a resilient and profitable business.
- Understand the expectations of bankers and work collaboratively to address challenges and seize opportunities.
- Implementing robust risk management practices.

GOVERNMENT / REGULATORS
- Contribute to economic growth and contribute to increased tax revenues for governments.
- Contribute to achieving national and local environmental goals.
- Compliance with regulations standards and contribute to the overall well-being of society.

STAKEHOLDERS ENGAGEMENT

Kelington Group Berhad ("Kelington" or "KGB") 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.

EMPLOYEES

Employees are the driving force behind KGB's operations. Sustaining operations relies heavily on effective leadership.

Engagement Channels & Frequency

- Annual Performance Appraisal Review
- Annual Staff Meeting
- Daily Toolbox meeting
- Weekly Safety & Health Committee Meeting at Sites
- Bi-annual Safety & Health Communication Report
- Always welcome employees' feedback
- Annual Dinner & Festive Celebration

As & when required:

- Recreational, training and employee engagement activities.
- Environment, Safety & Health Campaign
- On-job training & workshops
- Internal Newsletters

KGB's Response

- Actively engage employee to promote a strong dedication to high performance.
- Regular quality, environmental, safety and health training to raise awareness on potential risks.
- Educate and raise awareness of urgent need to address climate change.
- Leadership training and personal development workshops to enable personal growth.
- Recognising and rewarding employees' contribution.
- Competitive compensation and benefit packages for employees.
- Maintain an inclusive workplace culture that leads to more creativity and innovation.

Value Created for Stakeholders

- **Environmental Value:** Promote sustainability and minimising waste and pollution.
- **Social Value:** Promote diversity and inclusion within the workforce, comply with rules and regulations.
- **Employee Value:** Fair wages and benefits, offering opportunities for career growth and development, ensuring health & safety at workplace, promoting work-life balance and employee engagement activities.

Material Matters Concerned:

- SI 2 **Pollution & Waste Management** - environmental compliance
- SI 5 **Occupational Safety & Health** - safe & humane workplace
- SI 6 **Talent Management & Development** - career enhancement
- SI 7 **Diverse & Inclusive Workplace**
- SI 8 **Respect Human Rights** - fair & equitable compensation
- SI 13 **Quality Products & Services** - delivering positive customer experience

Capital:

- Contribute to KGB's H
- Contribute to S by fostering internal relationships, demonstration of leadership etc.
- Contribute to I by generating innovative ideas, conducting R&D activities etc.

CUSTOMERS

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 support our customers to achieve sustainable manufacturing process.

Engagement Channels & Frequency

As & when required:

- Qualification process
- Regular project meetings
- Customer Visit
- Customer Satisfaction Surveys

KGB's Response

- Engaging in dialogue to identify customer expectations and preferences, and pain points.
- Provide customised solutions tailored to meet the unique needs of customer.
- Prioritise quality assurance and adhering to industry standards and best practices.
- Timely delivering projects.
- Maintain open lines of communication with customers, providing regular updates, addressing concerns promptly and transparent about project progress, challenges, and outcomes.
- Commitment on sustainability management to meet customers' expectation.
- Committed to continuous improvement.

Value Created for Stakeholders

- **Technical Expertise & Support:** Provide customers with access to technical expertise, support, and guidance throughout the project lifecycle.
- **Quality & Reliability:** Delivering high-quality, dependable solutions and help customers minimise downtime, reduce risks, and enhance operational efficiency.
- **Innovation & Sustainable Practices:** By leveraging cutting-edge technologies, expertise, and design approaches, we integrating resilience measures into design and planning and help customers minimise risks, enhance safety, and protect investments.

Material Matters Concerned:

- SI 2 **Pollution & Waste Management** - environmental compliance
- SI 8 **Respect Human Rights** - social compliance
- SI 9 **Sustainable Supply Chain** - risk management
- SI 13 **Quality Products & Services** - ensuring customer satisfaction
- SI 14 **Technology and Operational Innovation** - fulfil the high expectation of semiconductor and electronics industries

Capital:

- Contribute F via revenue and profit.
- Contribute to S through brand advocacy.

SHAREHOLDERS / INVESTORS, ANALYSTS / BANKERS

Investors and bankers investing in the Group's business and we have obligations rooted in the principles of transparency, accountability, and fiduciary duty.

Engagement Channels & Frequency

- Annual General Meeting
- Annual Report
- Quarterly Analyst Briefing

As & when required:

- Company announcements and press released
- Updated investor relations webpage
- Social media platform

KGB's Response

- Meeting or exceeding financial targets.
- Disclosures of transparent and accurate information about our financial health, operations and strategic direction.
- Rewarding shareholders according to dividend policy.
- Maintaining good corporate governance practices.
- Addressing ESG issues.
- Manage risks and prepare to handle unexpected challenges.
- Ensuring adherence to relevant rules and regulations.
- Overseeing compliance with bank covenants.
- Respect shareholders' right.

Value Created for Stakeholders

- **Shareholder Value:** Financial returns on investment such as capital appreciation and dividends.
- **Government and Regulators:** Compliance with laws and regulations, contributing to economic growth and stability.
- **Environmental Value:** Enhance environmental value through management of carbon footprint, adopting of sustainable practices, and active measures to mitigate climate change.

Material Matters Concerned:

- SI 1 **Preventing Climate Change** - manage environmental risks
- SI 2 **Pollution & Waste Management** - environmental compliance
- SI 8 **Respect Human Rights** - social compliance
- SI 11 **Governance & Ethics** - safeguarding shareholder interests
- SI 12 **Economic Growth & Profitability**

Capital:

- Direct contribute to F via investment / bank facilities.
- Indirectly contribute to the acquisition and development of M and I.
- Contribute to S by supporting long term sustainable growth and value creation.

CONTRACTORS, INDUSTRY PARTNERS AND SUPPLIERS

We build partnerships and leverage external expertise, resources and capabilities to deliver high quality solutions on time and within budget.

Engagement Channels & Frequency

- Annual Suppliers and Sub-Contractors Evaluation

As & when required:

- Communication of Kelington's Expectations
- Vendors Due Diligence Questionnaire

KGB's Response

- Strive to be transparent when dealing with subcontractors and supplier.
- Fair tender practice and ensure transparent procurement process.
- Setting realistic expectations regarding project deliverables, timelines and performance standards.
- Proactively identify and mitigate risked associated with vendors including potential delays, cost overruns and quality issues.
- Monitor performance via annual vendor evaluation.
- Communicate Kelington's Code of Ethics and Conduct and Company Policies.

Value Created for Stakeholders

- **Economic Value:** Provide business opportunities which in turn generates revenue for them.
- **Social Value:** Promote social responsibility such as fair labor standards, environmental sustainability, and community involvement.
- **Innovation and Collaboration:** Leverage expertise and improved products and services.

Material Matters Concerned:

- SI 2 **Pollution & Waste Management** - environmental compliance
- SI 5 **Occupational Safety & Health** - safe & humane workplace
- SI 8 **Respect Human Rights** - social compliance
- SI 9 **Sustainable Supply Chain**
- SI 11 **Governance & Ethics**
- SI 13 **Quality Products & Services**

Capital:

- Contribute to M to KGB via supply raw materials and components; provide production equipment, machinery and tools.
- Contribute to KGB's I via provide access to innovative technologies and sharing of knowledge.
- Contribute F via trade credit and early payment discounts.

GOVERNMENTS / REGULATORS

Governmental bodies regulate day-to-day business activities of Kelington and we are committed to adhering to all relevant local, national, and international laws and regulations.

Engagement Channels & Frequency

As & when required:

- Submission of statutory documents such as financial reports, tax filings, permits and licenses.

KGB's Response

- Prioritising legal adherence.
- Disclosure accurate and timely information.
- Proactive risk management.
- Upholding ethical standards and contribute positively to the communities where we operate.
- ISO 14001 environmental management system certification.

Value Created for Stakeholders

- KGB align with government priorities related to sustainable development and social equity via managing carbon emissions, conserving natural resources, supporting local communities, and promoting diversity and inclusion.
- Demonstrate commitment to compliance and accountability.

Material Matters Concerned:

- SI 2 **Pollution & Waste Management** - governing environmental protection
- SI 5 **Occupational Safety & Health** - governing workplace safety
- SI 8 **Respect Human Rights** - protecting human rights
- SI 11 **Governance & Ethics** - create responsible business environment

Capital:

- Contribute S via infrastructure development, healthcare and social services, implement labor market regulations etc.
- Contribute I of KGB via education and R&D funding.
- Government enacts regulations and policies to protect natural resources, mitigate pollution and preserve biodiversity.

LOCAL COMMUNITIES

KGB is dedicated to actively fostering social economic development through sustainable practices, job creation, and community engagement initiatives.

Engagement Channels & Frequency

As & when required:

- Community Investment Programme
- Local employment and internship opportunities

KGB's Response

- KGB provide employment opportunities and offering training program to enhance career path.
- Prioritising local suppliers and contractors.
- Established working group to implement community investment programme.
- Provide medical benefits to employees and their immediate family members.

Value Created for Stakeholders

- Job creation and improving economic well-being of individuals and families in the community.
- Enhancing overall human capital of the community through investment in training and development programs.
- Stimulate economic growth by generating revenue, paying taxes and supporting local suppliers and business.
- Address pressing social and environmental issue via community investment programme.
- Protect natural resources and mitigate the negative impacts of business activities.
- Contribute to improving the health & well-being of individuals and families in the community via employee wellness program.

Material Matters Concerned:

- SI 1 Preventing Climate Change
- SI 2 Pollution & Waste Management
- SI 8 Respect Human Rights
- SI 10 Community Investment

Capital:

- F : from retail investor.
- H : The skills, knowledge, and expertise of local residents contribute to the success of KGB business in the community.
- S : provide valuable support, connection and resources.
- N : natural resources and environmental assets utilised.

NON-GOVERNMENTAL ORGANISATIONS

NGOs serve as a crucial link connecting KGB with other stakeholders and offer valuable insights into our social and environmental initiatives.

Engagement Channels & Frequency

As & when required:

- Discussion on collaboration and partnership
- Support campaign of environmental sustainability
- Donations and sponsorships

KGB's Response

- Implement sustainability initiatives that align with the goals and priorities of NGOs.
- Making public statement on sustainable development and climate change.
- Participated in campaigns aimed at promoting sustainable development and environmental conservation.

Value Created for Stakeholders

- Stakeholder engagement and trust building.
- Foster positive workplace culture.
- Long term value creation for investors.
- Supplier diversity and inclusions.
- Create positive impacts on community well-being and quality of life.

Material Matters Concerned:

- SI 1 Preventing Climate Change
- SI 2 Pollution & Waste Management
- SI 8 Respect Human Rights
- SI 10 Community Investment
- SI 11 Governance & Ethics

Capital:

- Wealth of H.
- S : extensive networks and relationships with diverse stakeholders.
- I : conduct research, gather data, and develop innovative solutions to address social, environmental, and economic challenges.

MEDIA

The Media has great influence over the public perception of the Group.

Engagement Channels & Frequency

- Quarterly press released on financial results

As & when required:

- Interviews
- Media inquiries

KGB's Response

- Providing access to key executives and spokespersons and ensure that accurate and balanced information is conveyed to the public.
- Transparent and open in communication.
- Leverage social media platforms to engage with the media and the public, share news and updates.

Value Created for Stakeholders

- Increases the visibility of KGB, reaching a wider audience of stakeholders.
- Timely and relevant information dissemination.
- Influencing market perceptions.
- Engaging stakeholders.

Material Matters Concerned:

- SI 2 Pollution & Waste Management
- SI 11 Governance & Ethics
- SI 5 Occupational Safety & Health
- SI 12 Economic Growth & Profitability
- SI 8 Respect Human Rights

Capital:

- Brand visibility and awareness leading to increased market demand and investor interest.
- Favourable media coverage attract investment capital.

MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGIC OVERVIEW:

OPERATING ENVIRONMENT: KEY MARKET TRENDS

IN 2023, THE GLOBAL ECONOMY GREW BY 3.0%, A SLOWDOWN FROM THE 3.5% EXPANSION OBSERVED IN 2022. THIS WAS LARGELY DRIVEN BY AGGRESSIVE MONETARY POLICY MEASURES TO CURB INFLATION AND ESCALATING GEOPOLITICAL TENSIONS THAT BROUGHT ABOUT UNCERTAINTIES AND DISRUPTED GLOBAL TRADE.

The Malaysian economy grew 3.7% in 2023, coming in below target of 4% to 5% due to "prolong weakness" of external demand. Growth moderated from 8.7% pace recorded for the previous year amid a challenging external environment, mainly due to slower global trade, geopolitical tensions and tighter monetary policies.

The semiconductor industry experienced a contraction in global sales, totalling $526.8 billion in 2023. This represented an 8.2% decline from the record-breaking $574.1 billion sales figure in 2022.

Despite these broader economic and industry challenges, Kelington demonstrated remarkable resilience with net profit surpassing the RM100 million threshold for the first time, setting a new record.

This accomplishment underscores Kelington's strong business model and adaptability in strategy, reflecting our commitment to value creation and growing shareholder value. From our foundations as an engineering solutions provider, this value-driven philosophy has guided our strategic decisions and targeted investments, propelling continued growth.

Kelington's strategic diversification into both engineering services and industrial gas manufacturing creates a balanced portfolio for long-term success. Engineering services provide project-based income, while industrial gas manufacturing ensures a steady stream of revenue, strengthening our financial resilience and growth potential across diverse markets and sectors. This balanced approach allows us to capitalise on opportunities across various economic cycles.

During the year, the FTSE4Good Bursa Malaysia ESG rating for the Group has been elevated to a four-star level, positioning it in the top quartile for ESG performance among public listed companies in the FBM EMAS, as evaluated by FTSE Russell. Additionally, the Group has maintained its position as a member of both the FTSE4Good Bursa Malaysia Index and the FTSE4Good Bursa Malaysia Shariah Index.

Key Market Trends : US-China Trade Tensions

Since 2018, US and China, the world's two largest economies have been in disagreements over trade practices and tariffs.

Actual / Potential Impact

- Increased tariffs and trade barriers have disrupted supply chains. Companies are re-evaluating their supply chain strategies, seeking diversification and resilience against geopolitical uncertainties.
- China is intensifying its efforts in semiconductor production to move towards self-sufficiency and to build a stronger position in the global semiconductor industry.
- Multinational corporations are adopting the "China Plus One" strategy, by adding an alternative manufacturing location beyond China.

How We Responded

- With established operations in strategic locations (Malaysia, China, and Singapore), we are in a favourable position amidst the US-China trade tensions.
- We have further expanded our global footprint by incorporating two new indirect wholly-owned subsidiaries: Kelington Engineering (Germany) GmbH in March 2024 and Kelington Engineering (HK) Limited in September 2023. It forms part of our strategic global expansion plan to capitalise on the strong demand for semiconductor manufacturing facilities globally.

Outlook

The diversification of manufacturing locations beyond China, coupled with China's own ramp-up in semiconductor production present significant opportunities for us.

Germany and Hong Kong are key hubs for innovation in these sectors, and we are optimistic of capturing a larger market share of the global semiconductor capex in these two markets.

Our diversified service portfolio and strong track record positions us well to leverage this market shift. We are actively pursuing projects in these regions, with a tenderbook valued at RM1.9 billion.

Key Market Trends : Semiconductor Industry is Cyclical in Nature

This was exemplified during the pandemic when demand rose significantly as people went online to stay in touch with their families and loved ones and corporations quickly rode on the digitalisation wave and embraced cloud computing.

Actual / Potential Impact

- As pandemic eased and supply caught up with demand, the semiconductor sector entered a cyclical downtrend that began in the second half of 2022, continuing into 2023 with a further contraction in global semiconductor sales.
- Despite a downturn in 2023, World Semiconductor Trade Statistics (WSTS) projects a robust recovery for 2024 with global semiconductor sales growing 13.1%.
- Semiconductor manufacturing equipment growth is expected to resume in 2024 with sales expected to strongly rebound in 2025 and 2026.
- Global 300mm fab equipment spending for front-end facilities is expected to begin a growth streak from US$74 billion in 2023 to rise 12% to a US$82 billion in 2024, 24% to US$102 billion in 2025 and 17% to US$119 billion record high in 2026. (Source: Quarterly report 300m Fab Outlook Report to 2026 by SEMI).

How We Responded

- Over the years, we broadened our engineering services, from UHP to Process Engineering and General Contracting. This has extended our reach across multiple sectors, including semiconductor, industrial plants and oleochemical industries.
- We diversified into a new business segment, the Industrial Gas Segment, involved in manufacturing and trading of industrial gases to buffer against the cyclical nature of the semiconductor industry.

Outlook

Structural semiconductor growth in the areas of high-performance computing, renewable energy, electromobility, especially in China, and microcontrollers for the automotive industry remains strong, and will fuel double-digit spending in equipment over the three-year period from 2024 to 2026.

With chips playing a larger and more important role in countless products the world depends on, the long-term outlook for the semiconductor market is extremely strong.

Advancing government policies that invest in R&D, strengthen the semiconductor workforce, and reduce barriers to trade will help the industry continue to grow and innovate for many years to come.

MANAGEMENT DISCUSSION AND ANALYSIS

Key Market Trends : Green Energy Transition

Global shift from fossil fuel-based systems of energy production and consumption to renewable energy sources.

Actual / Potential Impact

- The closure of petrochemical plants has disrupted the supply chain to produce Liquid CO_2 ("LCO2"). These closures have led to the limited availability of CO2 waste gas, a key raw material in LCO2 production.
- This presents opportunity as shortage of CO_2 waste gas has led to a global shortage of LCO2 for industrial use. LCO2 plays a vital role in a wide range of industrial applications, including food and beverage ("F&B") production, construction welding, and many others.

How We Responded

- In our Industrial Gas segment, we invested to increase our production capacity of LCO2, with our second LCO2 plant commenced operations in March 2024. This significantly expands our production capacity, adding an additional 70,000 tonnes annually, bringing our total capacity to 120,000 tonnes annually.
- Our LCO2 plant purifies CO_2 waste gas sourced from Petronas Gas Processing Plant and converts it into food-grade LCO2, catering for use across diverse applications, particularly in the "F&B" sector for the production of carbonated drinks and the creation of dry ice for food freezing.
- We have obtained HALAL certification for our LCO2 plant from Jabatan Kemajuan Islam Malaysia.

Outlook

With our first LCO2 plant operating at full capacity, our second LCO2 plant strategically positions us to tap the growing demand for LCO2 in both local and overseas markets.

Currently, over 70% of our Group's LCO2 is exported, catering to shortages in Singapore, Australia, New Zealand, Fiji, Indonesia, and the Philippines.

Contribution from the industrial gas segment is expected to provide steady, and recurring income for our Group and allows us to capitalise on opportunities across different market cycles and sectors.

Key Market Trends : Rising Inflationary Pressures

Pandemic-induced supply chain disruptions and surging post-lockdown demand have led to inflationary pressures globally.

Actual / Potential Impact

- Increased raw material, labor, and logistics costs. Disruptions in shipping routes due to geopolitical tensions further exacerbate these pressures.
- Higher interest rates lead to higher cost of borrowings.
- Continuous decline of Ringgit.

How We Responded

- Our China fabrication facility provides Engineering, Procurement, Construction and Commissioning ("EPCC") of process systems for the electronics industry and fabrication of own-brand UHP gas and chemical delivery equipment.
- By manufacturing own design UHP equipment for our operations as well as offering it to other customers, this will lead to higher cost savings and better quality control, enhancing operational efficiencies and cost competitiveness.
- We prioritise strengthening our financial fundamentals by focusing on building a strong order book while actively managing costs and adjusting prices.
- Capital spending is directed towards strategic areas that enhance our competitive advantage and deliver high returns on investment.
- Increase competitiveness by focusing on delivering high-quality products and services across all business segments to ensure customer satisfaction.

Outlook

Building on our strong foundation and strategic initiatives, we are confident in navigating the current economic landscape.

Our commitment to quality, operational efficiency, and competitive pricing allows us to capture new opportunities and expand our market share domestically and internationally.

By staying agile, adaptable, and customer-centric, we are well-positioned to capitalise on emerging market trends and solidify our position as a leading player in the segments we operate in.

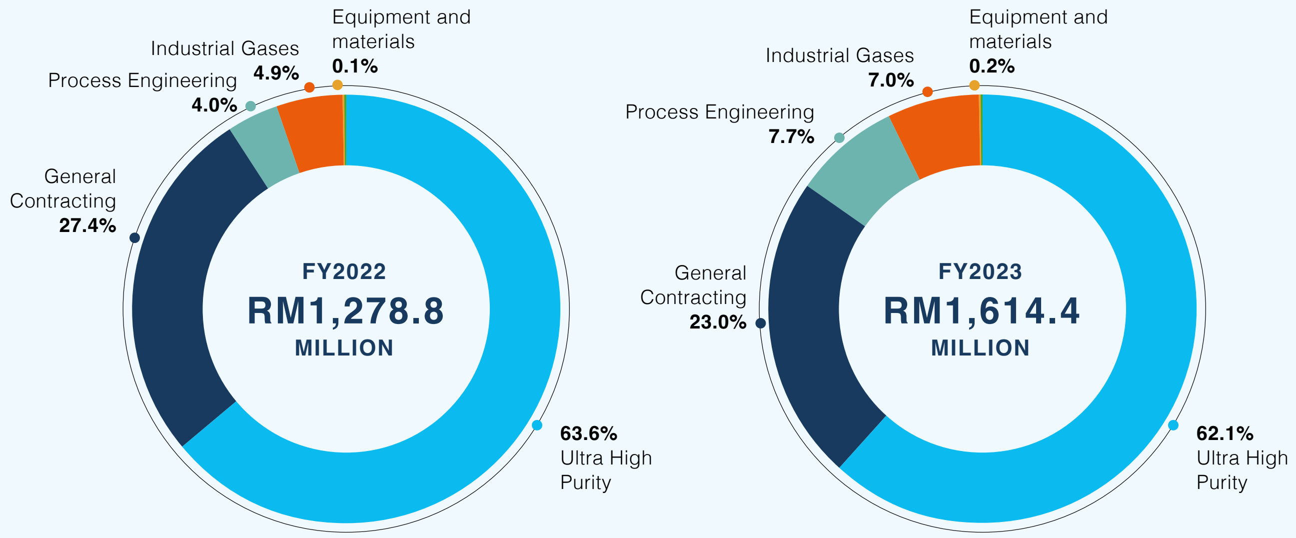
MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE

Despite headwinds from a semiconductor market downturn, Kelington's revenue continued to soar to a second year of record high of RM1,614.4 million for the financial year ended 31 December 2023. This strong 26% year-on-year growth from RM1,278.8 million a year ago reflects the significant orderbook carried over from the previous year and new orders secured throughout the year.

The Group also reached a new significant financial milestone, surpassing the RM100 million mark in net profit for the first time.

Revenue breakdown by business segment



All business segments achieved revenue growth during the year, demonstrating the effectiveness of our robust strategy to capture market share and solidify our competitive edge.

In terms of business segments, UHP continued to be the major contributor to Group's revenue with RM1,002.2 million recorded for the year. The increase of 23% y-o-y from RM813.1 million recorded in FY2022 was largely due to project contributions from Singapore, China and Malaysia. Revenue contribution by UHP remain robust at 62% of our group's total revenue.

General Contracting business segment was the second major revenue contributor to the Group, with RM370.2 million revenue recorded for FY2023, representing an increase of 6% y-o-y from revenue recorded in FY2022 of RM350.3 million. This was mainly due to positive operating conditions in Singapore.

Revenue from the Process Engineering segment more than doubled to RM123.9 million from RM51.0 million previously due to a significant project undertaken in Malaysia.

The revenue for the equipment and materials division experienced an increase, reaching RM3.8 million, up from RM0.7 million in FY2022. However, it's important to note that this figure represents the adjusted revenue after excluding substantial intercompany sales. Meanwhile, revenue from our in-house fabrication, which forms part of the equipment and materials sales, escalated to RM105.4 million from RM24.5 million in FY2022. A significant portion of this, 98%, pertains to the fabrication of equipment for our UHP projects, underscoring the certification and recognition of our in-house fabricated equipment for advanced wafer production facilities.

Manufacturing and trading of industrial gases grew at a remarkable 82% to RM113.8 million from RM63.0 million a year ago. The higher contribution from the Industrial Gases segment was mainly boosted by increased demand for LCO2 from both local and export markets.

During the year, the Group further expanded its footprint in international markets, exporting 74% of total capacity. Our LCO2 plant achieved 100% capacity utilisation during the year, maximising production output to meet strong demand.

Our Group recognised that there is a growing demand for industrial gas currently as the closure of petrochemical plant overseas due to environmental concerns have led to global shortage of LCO2 and this represents a potential opportunity for our Group to broaden our footprint into existing territories and new regions.

MANAGEMENT DISCUSSION AND ANALYSIS

	FY2022	FY2023	Variance
Industrial Gas Segment Revenue (RM' million)	62.4	**113.8**	+82%
Utilisation Rate of LCO2 Plant	80%	**100%**	

Revenue breakdown by geographical segment

	Revenue	
	31.12.2023 (RM'mil)	31.12.2022 (RM'mil)
Malaysia	**699.5**	571.6
China	**238.2**	179.0
Taiwan	**30.5**	33.6
Singapore	**610.5**	477.6
Indonesia	**7.1**	2.1
Philippines	**8.9**	7.2
Australia	**7.4**	1.0
Fiji	**5.5**	2.9
New Zealand	**5.6**	2.9
Others	**1.2**	0.9
Total	**1,614.4**	1,278.8

Revenue contribution for our Group in terms of geographical segment continue to be dominated by its key operating markets, ie Malaysia (43%), Singapore (38%) and China (15%). The 3 countries cumulatively contributed approximately 96% of the total Group's contribution.

China's contribution to the Group's revenue from on-going projects has increased by [33%] y-o-y, with a close following by both Singapore [(+28%)] from General Contracting projects currently in progress and Malaysia [(+22%)].

The growth in Malaysia's revenue resulted from enhanced contributions of one UHP project and one Process Engineering project, both of which were awarded in the second half of FY2022. Additionally, the improved contribution from General Contracting jobs and favourable impact from the Industrial Gas segment in the Malaysia market has further fuelled the increase in revenue contribution from Malaysia.

The Industrial Gas segment has experienced a notable increase in export revenue from LCO2. As a result, revenue contribution from Indonesia, Philippines, Australia, Fiji and New Zealand grew from the previous year.

It also strengthens our Group's profile of being well diversified in terms of geographical position and enables our Group to mitigate region specific risks.

	FY2022 (RM' mil)	FY2023 (RM' mil)	Variance
Revenue	1,278.8	**1,614.4**	26%
Cost of sales	1,130.7	**1,384.9**	22%
Gross profit	148.1	**229.5**	55%
Gross profit margin (%)	11.6%	**14.2%**	
Other income	4.2	**9.6**	128.6%
Administrative expenses	(56.4)	**(72.9)**	29%
Selling and distribution expenses	(2.6)	**(3.8)**	46%
Other expenses	(13.5)	**(17.5)**	29.6%
Finance costs	(5.4)	**(11.0)**	103.7%
Profit before tax	74.4	**133.9**	80%
Profit before tax margin (%)	5.8%	**8.3%**	
Taxation	(15.9)	**(27.9)**	76%
Effective tax rate (%)	21.4%	**20.8%**	
Profit after tax	58.5	**106.0**	81%
Profit after tax margin (%)	4.6%	**6.6%**	
Net profit attributable to shareholders	55.8	**104.1**	87%
Net profit margin (%)	4.4%	**6.4%**	

MANAGEMENT DISCUSSION AND ANALYSIS

RM9.6 MILLION

OTHER INCOME INCREASED BY 128.6%

Other income increased by 128.6% from RM4.2 million in FY2022 to RM9.6 million in FY2023 mainly due higher interest income derived for the year of RM2.5 million (FY2022: RM0.5 million). This was due to the change of major current accounts to interest bearing bank accounts, and stronger cash and bank balances as a result of the change and also overall improvement in our Group's financial performance.

The increase of administrative expenses for FY2023 of RM72.9 million from RM56.4 million in FY2022 mainly due to higher bonus awarded to our employees. This underscores our Group's commitment to sharing our financial success, rewarding and retaining our employees in line with the Group's stronger financial performance.

Finance costs have increased by 103.7% from RM5.4 million in FY2022 to RM11.0 million in FY2023 due to the upswing in term loans and revolving credit, primarily a result of capital expenditure and working capital for the industrial gases division.

Improvements in gross profit, profit before tax and profit after tax margins can be attributed to a favourable project profile mix as revenue from segments with higher profit margin increased.

Our Group recorded Profit After Tax of RM106.0 million in FY2023, almost doubled (approximately 1.8x) from the PAT of RM58.5 million generated in FY2022. This record breaking PAT is in tandem with the increase in revenue for the year and favourable project mix with higher proportion of higher margin projects.

A lower effective tax rate for the Group also contributed to the higher PAT achieved for the year. The effective tax rate for the Group for the current financial year is lower than the statutory tax rate due to the lower tax rate in Singapore and some tax exemptions received by our Group from China due to expenditure on research and developments.

CASH FLOW AND CAPITAL RESOURCES

Net Cash from/(used in)	FY2022 (RM' mil)	FY2023 (RM' mil)
Operating Activities	29.3	**177.0**
Investing Activities	(39.0)	**(68.1)**
Financing Activities	157.0	**(106.8)**
Net increase in Cash and Cash Equivalents	147.3	**2.1**
Cash and Cash Equivalents at end of the financial period	229.5	**237.3**

The healthy cash flow generated from operations allowed our Group to deliver steady cash dividends while keeping up with capital expenditure requirements. Our cash and cash equivalents as of 31 December 2023 stood at RM237.3 million as a result of the following:

(i) Net cash generated from operating activities of RM177.0 million in FY2023 compared with RM29.3 million in FY2022;
(ii) Total cash spent in investing activities of RM68.1 million in FY2023 compared with RM39.0 million spent in the previous financial year. The 75% increase was mainly due to capital expenditure for industrial gas division representing investment for continued expansion of production facilities and increases in production capacity mainly for the new LCO2 plant; and
(iii) Financing activities registered a net outflow of RM106.8 million in the financial year mainly due to repayment of project financing.

MANAGEMENT DISCUSSION AND ANALYSIS

BALANCE SHEET

	FY2022 (RM' mil)	FY2023 (RM' mil)	Variance (%)
Total Assets	1,055.6	**1,071.3**	1.5
Fixed deposits, cash and bank balances	260.0	**269.3**	3.6
Total Liabilities	812.5	**732.9**	(9.8)
Total Borrowing	245.0	**188.2**	(23.1)
Total Equity	243.1	**338.4**	39.2
Gearing Ratio (times)	1.01	**0.56**	(44.6)

In FY2023, our Group maintained a strong balance sheet with total assets standing at RM1.07 billion, increasing marginally from RM1.06 billion in FY2022. This was mainly due to the capital expenditure for industrial gases division, and also a decrease in contract assets and other receivables.

Meanwhile, our Group's total liabilities for FY2023 has reduced by approximately 10% y-o-y, with a decrease in borrowings of approximately RM56.8 million. The decrease was mainly due to settlement of project financing loan as specific projects reached their final stage. The upswing in term loans and revolving credit is primarily a result of capital expenditure and working capital for the Industrial Gases division.

Capital structure of our Group is sound with overall reduced borrowings for the year, leading to a lower gearing ratio, dropping from 1.01 times in the previous year to 0.56 times as at 31 December 2023. Furthermore, our cash and bank balances of RM269.3 million exceeds total borrowings of RM188.2 million, resulting in a net cash position of RM81.1 million for our Group.

Consistent profits through the years have enabled us to grow retained earnings and thus, our equity attributable to ordinary shareholders to RM332.6 million in FY2023.

The increase in shareholders' value has allowed our Group to continue to reward our shareholders by distributing dividends, which we have been doing since our listing.

Resulting from the stellar performance during the year, our Group's net asset value per share increased from RM0.38 as of 31 December 2022 to RM0.52 as of 31 December 2023.

4.0 SEN

TOTAL DIVIDEND PER SHARE IN FY2023, REPRESENTING AN INCREASE OF 60% Y-O-Y

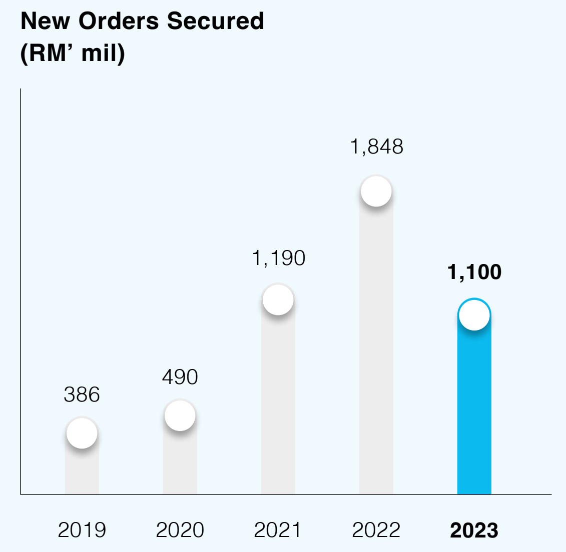
Our Board has declared a total dividend of 4.0 sen per share in FY2023, representing an increase of 60% y-o-y from the dividend per share paid in FY2022. The total dividend was made up of the first interim tax-exempt dividend of 1.5 sen per ordinary share, amounting to RM9.7 million paid on 2 October 2023. This was followed by a second interim tax-exempt dividend of 2.5 sen per ordinary share, amounting to RM16.6 million paid on 5 April 2024. Total dividend payout for the year amounted to approximately RM26.3 million and represents a dividend payout ratio of 25%, consistent with our dividend policy.

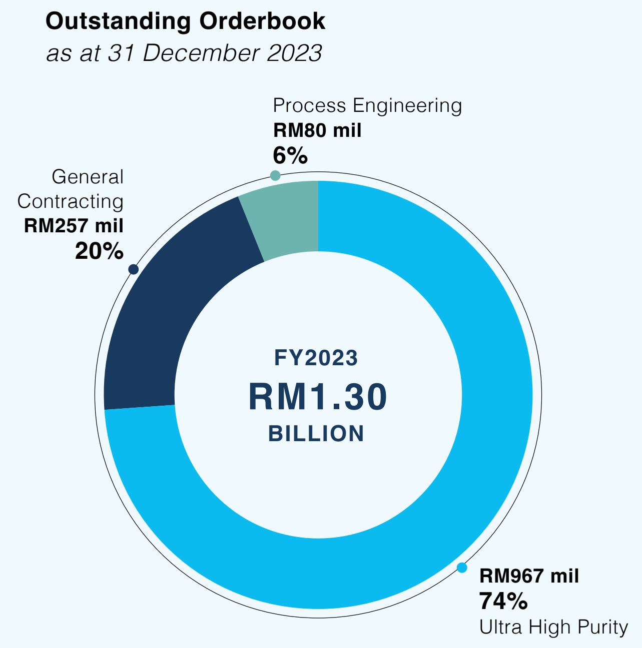
2024 OUTLOOK AND PROSPECTS

In 2024, the International Monetary Fund projects a rebound in global trade, with growth anticipated at 3.3%, from 0.4% in the previous year. In addition, capital expenditure spending for semiconductor industry is also expected to rise, driven by capacity expansion, new fab projects, and high demand for advanced technologies and solutions across the front-end and back-end segments.

Bank Negara Malaysia is projecting GDP to grow between 4% and 5% in 2024, supported by more resilient domestic spending and improvement in external demand fuelled by the rebound in global trade and the tech upcycle.

MANAGEMENT DISCUSSION AND ANALYSIS





For the past 3 years, our Group has had a healthy replenishment of orderbook and have been able to secure new orders exceeding RM1 billion annually. The streak continued this year with RM1.1 billion new contracts secured, resulting in a total outstanding orderbook of RM1.3 billion as at 31 December 2023 which includes projects carried forward from the previous years.

We have started strong this year with secured orders totalling RM200 million in January and February 2024, which includes a major contract amounting to RM143 million in China. The contract is awarded by China's largest semiconductor foundry, to perform design, procurement, construction, and commissioning of gas hookup systems in Shanghai, China.

74% of the total outstanding orderbook is attributable to our UHP division, amounting to RM967 million. Contracts secured under UHP division carries higher profit margins, and having a big proportion of it as part of our outstanding orderbook is beneficial for our Group. It also represents a solid testament to our brand name and leadership position in the UHP industry as we have been able to consistently secure contracts in the UHP industry.

The General Contracting and Process Engineering divisions have contracts worth RM257 million and RM80 million respectively to contribute the remaining 26% to the orderbook.

Geographically, our outstanding orderbook is well spread between Malaysia, Singapore and China, with each representing circa 30% of the total outstanding orderbook. Malaysia is leading with 35% of orders with contracts amounting to RM455 million, followed by Singapore with RM434 million (33%) and China (RM404 million or 31%). We also have outstanding orders in Taiwan worth RM10 million.

The outlook for our Industrial Gas segment is promising, especially with our second LCO2 plant which has begun operations in March 2024. This expansion will elevate our total annual production capacity to 120,000 tonnes. Given the global LCO2 shortage, triggered by the shutdown of petrochemical plants amid environmental considerations, we are optimistic that our increased capacity will position us well to cater to the escalating demand both locally and internationally.

Moving forward, our Group expects growth momentum to continue in 2024, buoyed by the strong demand in the semiconductor industry and our strategic initiatives to enhance competitiveness and strengthen our position in the market.

Despite ongoing economic challenges, we are confident in our ability to capitalise on the solid relationships we've built with customers across various markets and offerings. We are poised to benefit from the anticipated market upswing in 2024 and beyond, leveraging our established reputation to secure new contracts and opportunities.

As we eye expansion into new markets such as Germany and Hong Kong, our key markets - Malaysia, Singapore and China - remain crucial to the growth of our Group. We will continue to focus on strategies to improve production capacity and utilisation, while strengthening our operational efficiencies to maintain competitiveness. This is expected to drive higher revenue and improved profitability, and allow us to continue charting an accelerated growth path.

SUSTAINABILITY STATEMENT

What Sustainability Means to Us

Sustainability holds paramount importance at Kelington Group ("Kelington" or "the Group"), where Environmental, Social, and Governance (ESG) considerations guide our every action. We recognise our impact on the environment and natural resources as we pursue our organisational goals. Our commitment extends to upholding the quality of our products and services for our valued customers, while delivering sustainable value to our stakeholders.

At Kelington, we are committed to establishing a robust framework of policies, dedicated committees, and management systems. These structures, along with regular process reviews, are designed to uphold the highest levels of integrity and transparency at our management practices. We prioritise regular employee training and engagement to ensure that Kelington's sustainability approach is not only well understood but also effectively implemented across the Group.

In essence, sustainability at Kelington means conscientiously balancing our business objectives with our responsibility towards environmental stewardship, social welfare, and ethical governance. Through our unwavering commitment to sustainable practices, we aim to make a positive impact on the world around us while fulfilling our obligations to all our stakeholders.

REPORTING PERIOD AND SCOPE

This Sustainability Statement covers the non-financial performance of the Group's operating units during the period from 1 January 2023 to 31 December 2023:

Engineering Business

UHP

Process Engineering

General Contracting

Industrial Gases

Manufacturing of liquid carbon dioxide and dry ice, trading of specialty gases and on-site gas supply.

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

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	Committing to reduce carbon emissions and protecting the environment through sustainable practices and implementation of climate change strategy	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

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

Care for Business	Care for Environment	Care for People	Care for Society
Principles 1, 9, 10	Principles 7, 8, 9	Principles 2, 4, 5, 6	Principle 1

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

RECOGNITIONS

FTSE4Good

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

OUR VISION FOR ENGINEERING A SUSTAINABLE SOCIETY

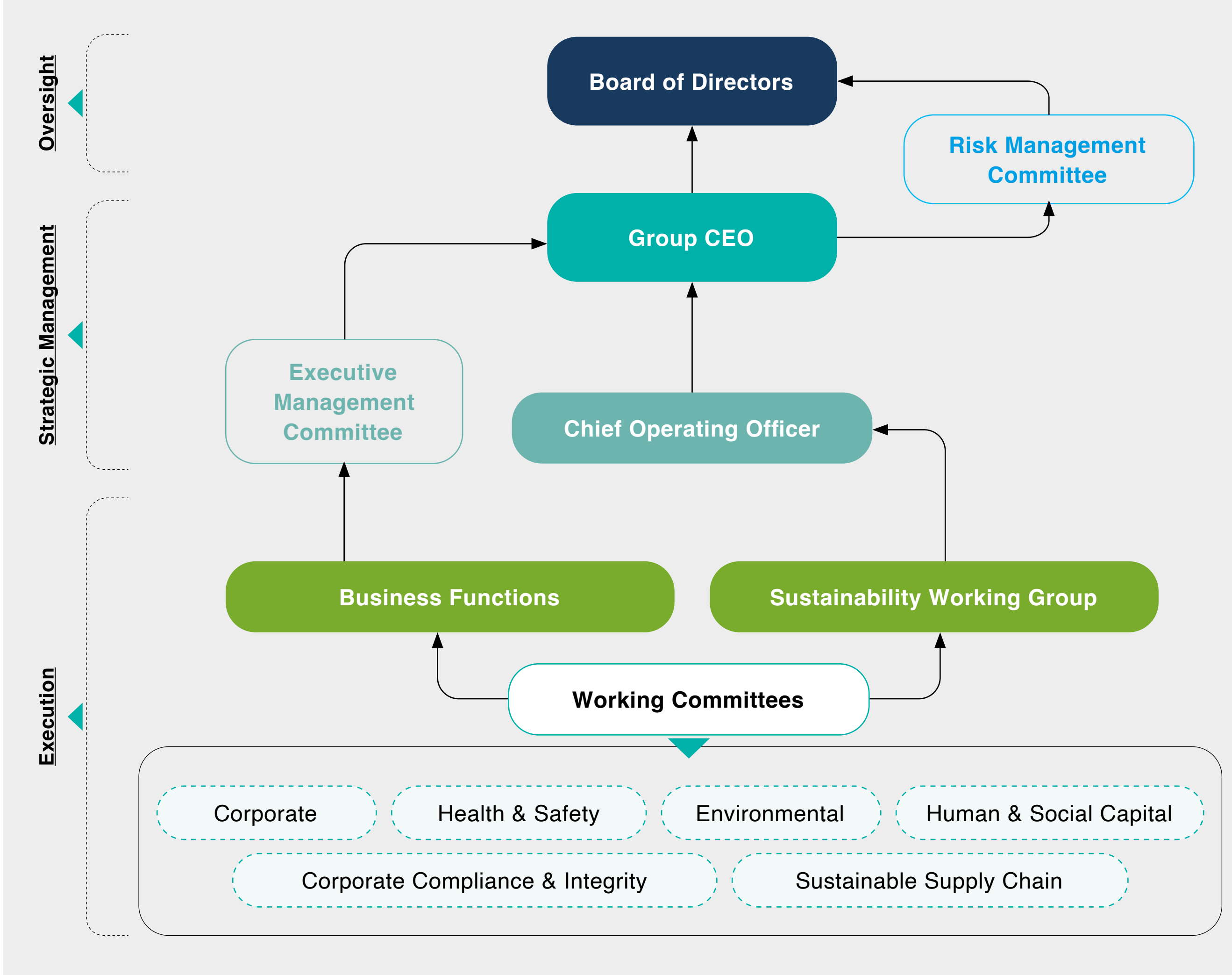
Various issues exist in the society surrounding Kelington, including environmental challenges such as climate change, energy, and resources depletion; as well as social matters including unequal opportunities and digital divide. Keeping that in mind, Kelington strives to contribute and become part of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

Our Approach to Sustainability

Elements of Sustainability Management

Policies & Rules	Organisational Structure	Processes	Continuous Improvements	Communication	Preparatory tasks
• Policies & Rules • Code of Conduct	• Board of director responsibilities • Senior Management responsibilities • Sustainability Working Group • Other working committees	• Integration in business processes • System to ensure compliance	• Goals and measures for progress tracking • Monitoring indicators and performance evaluation • Management of ESG risks • Grievance mechanisms • Training	• Leadership & Commitment • Stakeholders dialogue • Sustainability Reporting • Internal Communication • Stakeholder engagement	• Understanding the organisation and its context • Understanding the needs of interested parties • Determining the relevant aspects • Determining the scope of management systems

SUSTAINABILITY GOVERNANCE STRUCTURE



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.

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.

Execution

The Sustainability Working Group ("SWG") identify 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.

SUSTAINABILITY STATEMENT

CORPORATE COMPLIANCE FRAMEWORK

The Corporate Compliance and Integrity Department (CCID) at Kelington Group leads all compliance-related initiatives, working under the guidance of the Group's Chief Operating Officer (COO). Collaborating closely with the SWG and various Working Committees across the organisation, the CCID ensures that compliance efforts are comprehensive and aligned with our corporate objectives.

The overarching goals of these initiatives, implemented throughout the entire Group, are to bolster our management of Environmental, Social, and Governance (ESG) issues. This includes raising awareness around compliance matters, with a particular focus on corporate governance topics such as bribery and corruption, harassment, and discrimination. Additionally, we continuously enhance and fortify our compliance programs to meet evolving regulatory requirements and industry standards.

Furthermore, the CCID remains vigilant in responding to any specific compliance-related issues as they arise, swiftly addressing them with appropriate measures. Regular assessments of the Group's integrity and compliance performance are conducted, with reports submitted to the Risk Management Committee (RMC) at least once a year.

At Kelington Group, Corporate Compliance Framework serves as a cornerstone of our commitment to conducting business ethically, responsibly, and in accordance with the highest standards of integrity. By fostering a culture of compliance and accountability, we aim to uphold the trust and confidence of our stakeholders while driving sustainable growth and success.

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.

Kelington conducts a comprehensive materiality assessment at least once every three years to identify, understand and prioritise the environmental, social and governance issues that matter most to our business and stakeholders. We also carry out an annual evaluation on the material matters to ensure the issues identified reflect evolving stakeholder priorities and our impact creation potential. The first comprehensive materiality assessment was conducted in 2019.

In FY2023, Kelington reviewed its material matters, taking into consideration the following factors in view of the current operating environment:

- **Operational Impact:** Consider potential operational impact such as disruptions to production, distribution, or supply chain logistics, as well as operational inefficiencies or constraints.
- **Regulatory and legal compliance:** Considering the potential consequences of non-compliance, including fines, penalties, legal proceedings, and reputational damage.
- **Reputation:** Factors such as negative publicity, stakeholder concerns, ethical lapses, and corporate scandals are evaluated.
- **Stakeholder expectations:** We assess the significance of issues or events based on stakeholder feedback, engagement, and prioritisation. Stakeholder inquiries, complaints, feedback, and preferences are considered.
- **ESG considerations:** Factors such as climate change risks, labor practices, diversity and inclusion, and board effectiveness are considered.

THE MARKET AND TRENDS THAT SHAPE US

GROWING DEMAND FOR RENEWABLE ENERGY

With the growing awareness of climate change and the increasing demand for sustainable practices, there is a rising interest in renewable energy solutions. While renewable energy has become more cost-competitive over time, it still encounters affordability challenges compared to traditional fossil fuels in certain markets. Kelington aims to address these challenges by assisting clients in implementing energy-saving strategies and solutions. By offering comprehensive energy efficiency services during design phase of project, Kelington can enhance the attractiveness of its engineer solutions to clients, providing them with cost-effective and sustainable options for optimising their manufacturing process. This approach not only reduces energy consumption and operational costs but also enhances the overall efficiency and environmental performance of their facilities.

GLOBALISATION AND MARKET EXPANSION

Industrial clients operate in a globalised marketplace, often seeking to establish manufacturing facilities in diverse locations to access new markets or optimise supply chains. Kelington capitalise on this trend by expanding our geographical footprint and adapting our services to meet the regulatory and cultural requirements of different regions.

WORKFORCE AND SKILLS SHORTAGES

The engineering industry faces challenges related to workforce shortages and skills gaps. To address this issue, we need to invest in workforce training and development programs, adopt innovative technologies that help bridge the skills gap, and implement human capital strategy to attract and retain skilled workers.

SUPPLY CHAIN MANAGEMENT AND RISK MITIGATION

MNC customers may evaluate the resilience and sustainability of their supply chains, including the performance of suppliers. Kelington as their approved vendor need to demonstrate robust supply chain management practices, risk mitigation strategies, and business continuity plans to maintain the confidence of MNC customers. Failure to effectively manage supply chain risks can impact the company's reputation and customer relationships.

MATERIALITY 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.

01 IDENTIFY SUSTAINABILITY ISSUES

Review of External Sources:-

- SDGs
- UNGC Principles
- TCFD
- Recommendations FTSE4Good Bursa Malaysia Index Rating Guide
- Relevant Industries publications
- Analyst report

Review of Internal Sources:-

- Review of management data
- Feedback received from stakeholders

02 PRIORITISE MATERIAL SUSTAINABILITY ISSUES

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.

03 VALIDATE & COMMUNICATE

Validation of Material Issues

Validate material matters against stakeholders' expectations and SDG's to identify most material indicators.

04 REVIEW

Review of Material Issues

Review the impact of material matters, taking into account of emerging trends, changing customer expectation.

Output

01	02	03	04
√ Preliminary list of Sustainability matters	√ Influence on stakeholder assessment	√ Materiality Matrix	√ Sustainability Governance Structure √ Sustainability Management Process √ Sustainability Reporting

MATERIALITY MATRIX

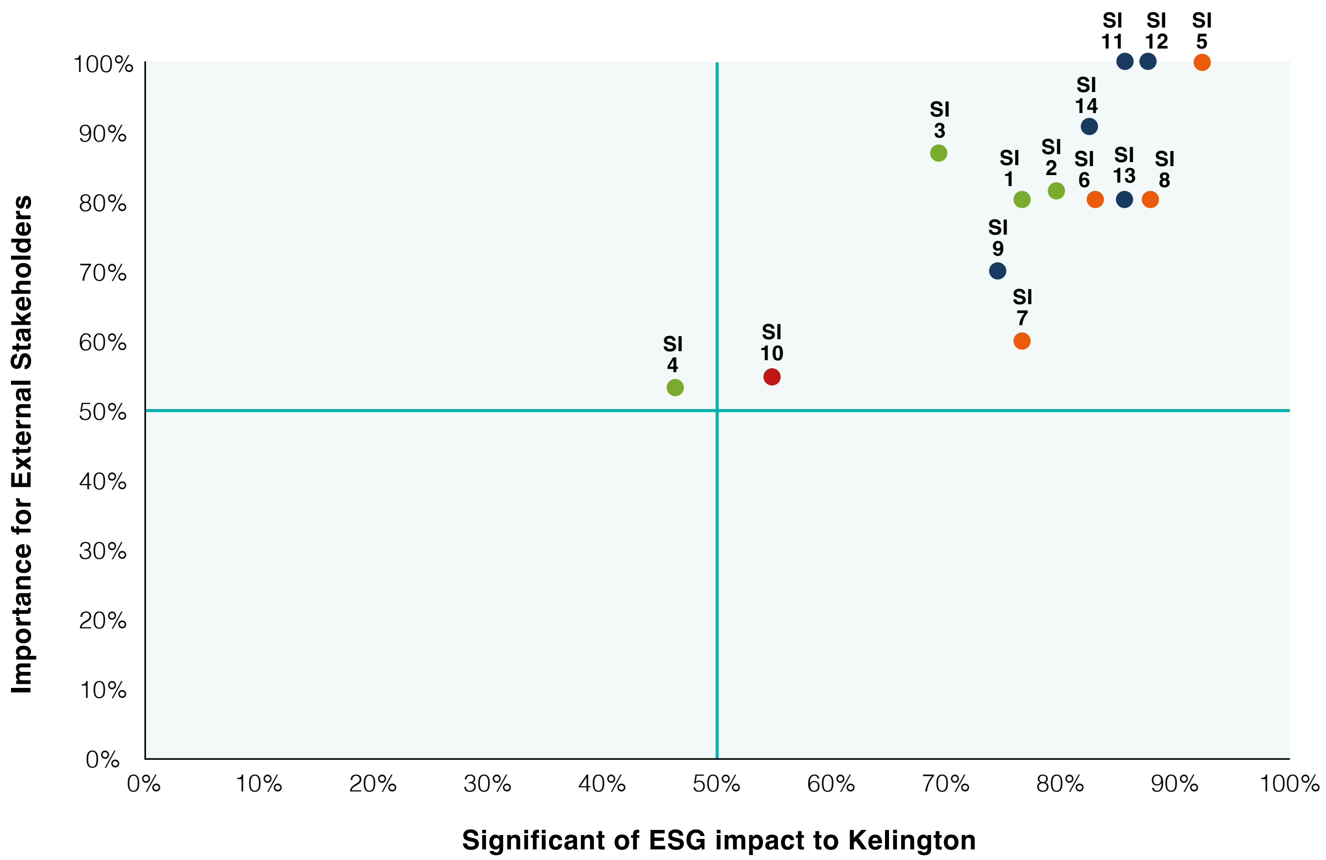
In FY2023, we continue to prioritising the 14 material issues that have been identified as having the most significant impacts for reporting.

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

MATERIALITY MATRIX



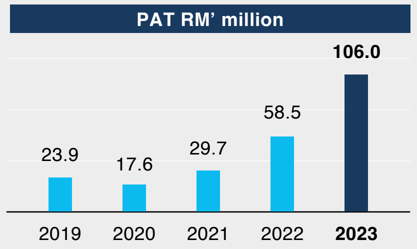
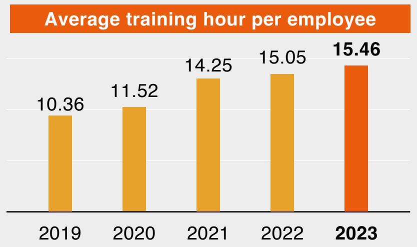
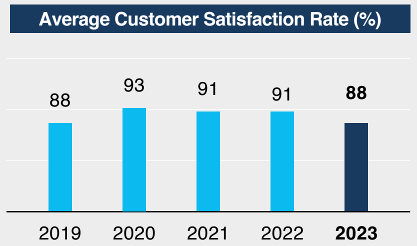
SUPPORTING SUSTAINABLE DEVELOPMENT GOALS

SDGs	Our Targets	FY2023 Progress Indicator	Year on Year 2022	Year on Year 2023
8 DECENT WORK AND ECONOMIC GROWTH Protect labour rights and promote safe and secure working environments for all workers.	Zero work-related fatalities	100%	**0** Workplace fatalities	**0** Workplace fatalities
	Year-on-year improvement of total recordable injury frequency rate (TRIFR)	100%	TRIFR **0.75**	TRIFR **0.72**
	Achieve Zero incident of unfair employment practices & Zero incident of violation of labour laws.	100%	**0** incident	**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)	90%	**27%** female representation in total workforce *[Executive level & above]*	**28.6%** 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 CO_2 emissions intensity by at least 20% *(Baseline Data FY2020:2,345 CO2e tonnes / RM'million EBITDA)*	100%	**763** CO_2e tonnes / RM million EBITDA	**492** CO_2e tonnes / RMmillion 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.

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 FY2023
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** **+343.5%**	KGB saw an increase of **79.9%** in Profit After Tax in FY2023.  Please refer to page 4 for more details.
SI 6 **Talent Development**	To achieve average 12 training hours per employee per year	**FY2019** **10.36 hours** per employee **+49.2%**	Training hours per employee increased **2.7%** in FY2023.  Please refer to page 88 for more details.
SI 13 **Quality Products & Services**	To achieve average Customer Satisfaction Rate of 90%	**FY2019** **88%**	Maintain average Customer Satisfaction Rate of **88%** in FY2023.  Please refer to page 73 for more details.

<table>
<tr><th>Key Sustainability Issues</th><th>Target 2024</th><th>Base Year Data</th><th>Progress FY2023</th></tr>
<tr><td colspan="4">Managing Impacts</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

<table>
<tr><th colspan="5">No. of Work Related fatalities Case</th></tr>
<tr><td>2019</td><td>2020</td><td>2021</td><td>2022</td><td>2023</td></tr>
<tr><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
</table>
Please refer to page 78 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
-61.7%</td><td>32% reduction in electricity intensity-Industrial Gases Division in FY2023.

<table>
<tr><th>Industrial Gas Division</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th></tr>
<tr><td>Electricity Consumption (MWh)</td><td>5,853</td><td>9,377</td><td>12,331</td><td>14,321</td></tr>
<tr><td>EBITDA (RM'mil)</td><td>4.96</td><td>10.35</td><td>18.58</td><td>31.70</td></tr>
<tr><td>Electricity Intensity Ratio (MWh / RM'mil)</td><td>1,180</td><td>906</td><td>664</td><td>452
-32%</td></tr>
</table>
Please refer to page 57 for more details.</td></tr>
<tr><td>SI 3
Resources Management</td><td>Industrial Gases division:
To reduce water intensity by 5%.</td><td>2,732 m^3 / RM'mil EBITDA
-57.8%</td><td>Reduced Water Intensity by 23.5% in Y2023.

<table>
<tr><th>Industrial Gas Division</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th></tr>
<tr><td>Water Consumption (m^3)</td><td>13,552</td><td>24,791</td><td>28,012</td><td>36,539</td></tr>
<tr><td>EBITDA (RM'mil)</td><td>4.96</td><td>10.35</td><td>18.58</td><td>31.70</td></tr>
<tr><td>Water Intensity (m^3 / RM'mil)</td><td>2,732</td><td>2,395</td><td>1,508</td><td>1,153
-23.5%</td></tr>
</table>
Please refer to page 60 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
-76.4%</td><td>67.6% decreased in Non-Recycled Waste Intensity.

<table>
<tr><th>Engineering Division</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th></tr>
<tr><td>Construction Waste (tonnes)</td><td>330</td><td>200</td><td>717</td><td>422</td></tr>
<tr><td>EBITDA (RM'mil)</td><td>22.9</td><td>43.1</td><td>68.2</td><td>123</td></tr>
<tr><td>Non-Recycled Waste Intensity (tonnes / RM'mil)</td><td>14.4</td><td>4.6</td><td>10.5</td><td>3.4
-67.6%</td></tr>
</table>
Please refer to page 52 for more details.</td></tr>
</table>

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 • Gender Diversity Policy • Human Rights Policy	• Community Investment Policy

Principal risks that have key links to the sustainability issues

• Supply disruption • Ethical misconduct and poor governance practices • Legal and Reputation Risk • Operational Risk • External Risk • Cybersecurity risk	• Climate related risk and financial impact • Natural resources scarcity • Environmental Liability risk • Physical and transition risks • Compliance risk	• Industrial Accident / Workplace Injuries • Dependence on the availability of technical professional • Changes in Customer perception and / or preferences • Discrimination in the workplace can harm employee health and an organisation's productivity • Poor labor relations and inadequate human capital management.	• Low school achievement affect the quality of the local workforce. • High level of crime increased costs for security measures. • A recession and increasing unemployment rates can impact the overall economic environment, affecting Company's financial performance and stability.

Non-Financial KPIs

• Progress of Supplier Development • Percentage of local sourcing • Customer Satisfaction Rate • ESG ratings • Zero Incidents of Corruption and Bribery • Number of complaints concerning breaches of customer privacy and losses of customer data.	• Reduce our own CO_2 emission intensity by at least 20% by FY2024 • To reduce electricity intensity by 5% • To reduce water intensity by 5% • To reduce non recycled waste intensity by 5%	• Zero work related fatalities • 30% female representation in total workforce • Average 12 Training Hours per employee per year • Zero incidents of violations of labour laws / unfair employment practices	• Implement programme to improve access to education for underprivileged • Total number of persons received benefit through our supporting schools and non-profit organisation.

SUSTAINABILITY STATEMENT

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 & Analyse GHG Emissions.
4. Be Energy Efficient.
5. Reduce Waste.
6. Raise Awareness of the urgent need to address climate change.

Ong Weng Leong
Executive Director

We Care for Environment

SUSTAINABILITY STATEMENT

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

"We Engineering Solutions to reduce environmental impact"

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 centralised 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.

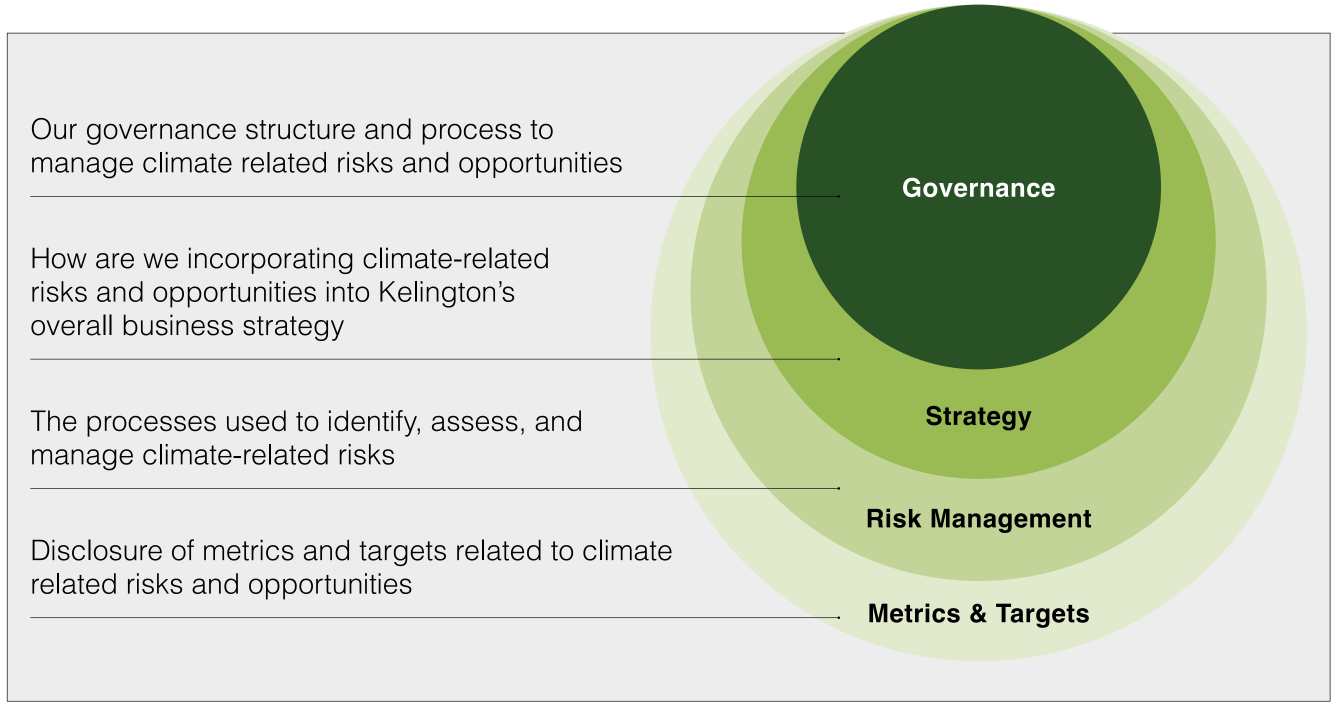
How does industrial water / wastewater affect the environment?	How can Kelington be a part of the solution?
The manufacturing of semiconductors generates wastewater that contains heavy metals and toxic solvents.	Wastewater Treatment System is used to convert spent streams into an effluent that can either be reused or safely discharged to the environment or municipal treatment facility.
The untreated wastewater can contaminate the ground water. This is one of the primary reasons for water pollution.	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 minimise 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.

Climate related Disclosures

In FY2023, Kelington Group continues its commitment to transparency and sustainability by adopting the TCFD recommendations to disclose both our direct and indirect climate change-related impacts. While we have made significant progress in integrating the TCFD recommendations into our existing management processes, we acknowledge the need for further enhancement, particularly in refining our strategy and disclosure on metrics and targets.



Climate related Disclosures

TCFD Key Pillars	Kelington's Key Approaches	Refer to page
Governance	Kelington's board maintains oversight of the group's climate-related risks and opportunities. They receive biannual updates on the sustainability strategy and initiatives and approve the Sustainability Statement, which comprehensively discloses the company's environmental and climate change agenda.	**40**
Strategy	The Executive Management Committee acknowledging the significant impact of environmental and climate change issues on our business operations and strive to integrate these concerns into the Group's business operations, strategy, and financial planning, encompassing both adaptation and mitigation efforts.	**42**
Risk Management	As part of our sustainability strategy, the Board and the Risk Management Committee have actively considered the risks and opportunities associated with climate change within the context of Kelington's businesses, recognising them as key material issues for the Group. Environmental and climate change concerns have been integrated into the Group's risk profile and are deliberated during Risk Management Committee meetings.	**43**
Metrics and Targets	Kelington employs environmental data monitoring to track and benchmark our environmental progress and performance. We initiated the monitoring of direct and indirect greenhouse gas emission data from our operational business units since FY2020.	**49**

In FY2023, 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 two times in FY2023.

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.

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. ESG discussions have been integrated into the boardroom agenda and infused into the board's deliberations regarding the company's strategies.
	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	In 2023, the Executive Management Committee (EMC) convened to review the strategic plan for FY2024-2026, now fortified with the incorporation of ESG considerations and opportunities. The EMC proactively addresses climate impacts, navigating the challenges posed by escalating energy costs while capitalising on cost savings from operational efficiency enhancements. Furthermore, the EMC advocates for continuous monitoring and quantification of company-wide climate-related risks and opportunities. Additionally, proactive resiliency measures are undertaken to mitigate the potential impacts of natural disasters on Kelington's operations.
	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.

Ir. Raymond Gan (Group CEO), Puan Rahima (Independent Non-executive Director), Mr. Chin Wei Min (Independent Non-executive Director) attended **JC3 Journey to Zero Conference 2023** on 23 Oct 2023 at the prestigious Sasana Kijang, in Kuala Lumpur. By engaging with JC3's initiatives, the board demonstrated a profound awareness of the urgency surrounding climate action and a willingness to lead by example.

SUSTAINABILITY STATEMENT

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:** We have successfully met our goal of reducing carbon emissions intensity by 20% by 2024, and our focus has now shifted to setting science-based targets 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 design and build wastewater treatment plants that remove contaminants from wastewater before it is discharged into the environment. We design and build Stripper Reclaim System (SRS) and allowed the manufacturer to recover and recycle the valuable materials and thus reducing waste. Committed to designing exhaust systems that reduce noise pollution and equipped with emissions reduction technology.

(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.

Since its inception, Kelington has been diligently developing a strategic plan that considers both environmental and social risks. 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.

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.

Climate Change Adaptation Strategies & Initiatives

Given that greenhouse gas (GHG) emissions are a significant contributor to climate change, transitioning to a low-carbon economy will profoundly impact Kelington's long-term strategy and operations. Assessing the full range of impacts is complex, as it involves navigating technical, social, and political factors over an extended period. Consequently, we integrate climate change considerations into our strategic planning and commercial frameworks to comprehensively address risks and opportunities.

Climate change is not just a concern but a strategic imperative for our business, requiring a holistic approach across all facets of our operations. To ensure continual improvement, Kelington pledges to conduct an annual review of our climate change approach as an integral part of our ongoing strategy refinement process.

We recognise that there may have been instances of inadequate or underreporting of total emissions data within the Kelington Group. To address this, we are committed to enhancing our data collection processes by leveraging advanced technology. This proactive step will enable us to attain more accurate and comprehensive emissions data, thus laying the groundwork for setting science-based targets and advancing our commitment to environmental sustainability.

MANAGING CLIMATE RISKS AND OPPORTUNITIES

We address 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 Executive Management Committee conducted a comprehensive climate change scenario analysis to assess potential impacts on our business operations under varying temperature increases, specifically focusing on short, medium, and long-term effects. The study encompassed our key business segment, namely engineering and industrial gases. Based on our analysis, climate change is anticipated to directly affect our business in the following ways:

Physical Impact

- Intense storms and flooding could result in infrastructure damage, potentially disrupting transportation and communication networks, thus affecting our operations.
- Rising temperatures and changes in precipitation patterns may affect the availability and reliability of water and energy resources, which are essential for manufacturing processes.

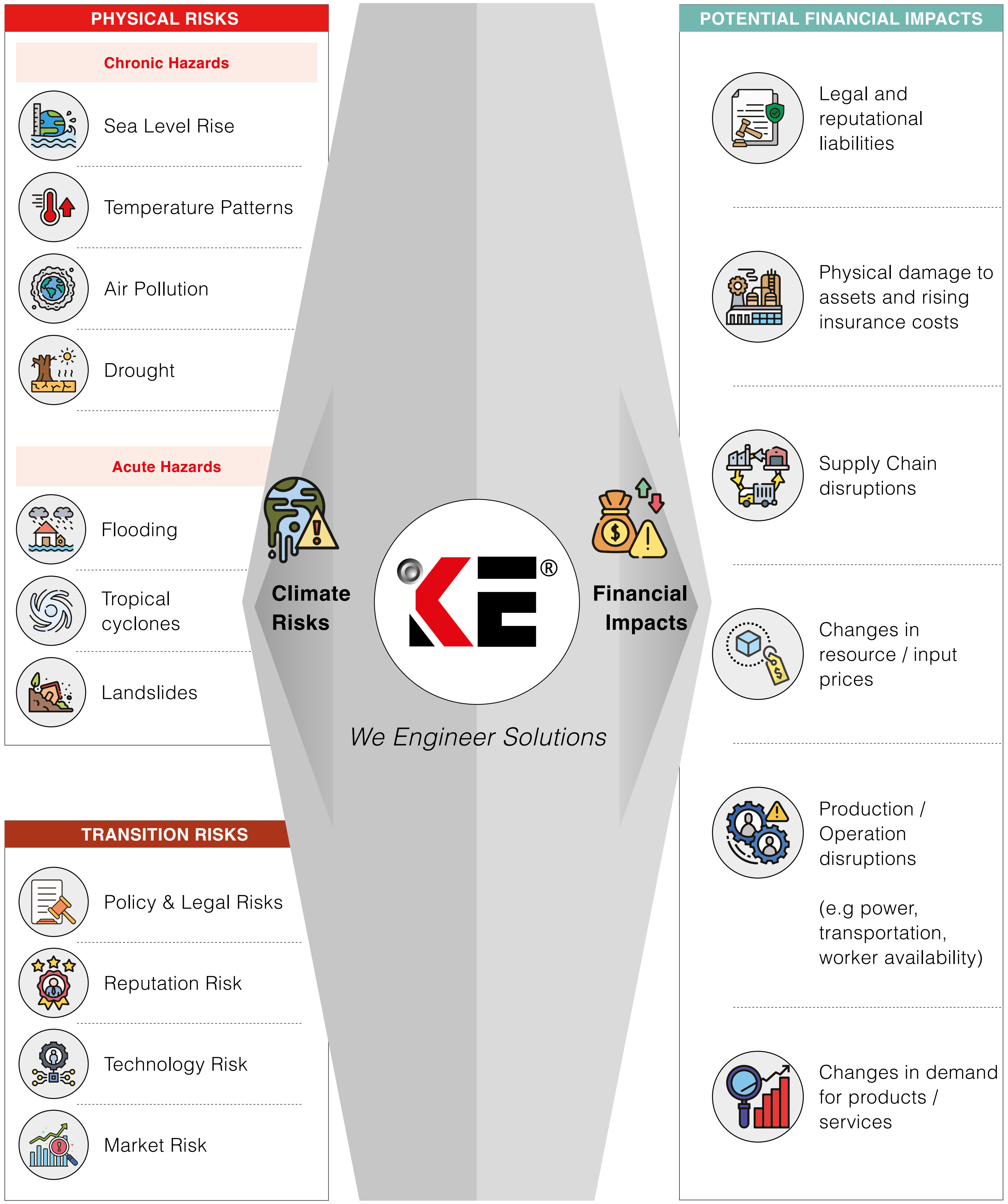
Legislative Impact

- The uncertain future of water quality, quantity, and availability could result in contractual or legal obligations.
- Increased emissions reporting requirements may necessitate additional compliance measures.
- Inadequate hazardous waste treatment could pose environmental risks and expose the Group to legal and reputational liabilities.

Financial Impact

- Procuring water from alternative sources or relocating operations due to business interruptions may incur increased costs.
- Energy shortages may escalate production costs.
- Transitioning to lower emissions technologies could require substantial investments.
- The introduction of a carbon tax and higher sales costs may lead to increased expenses.

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: Low | Medium | High — ▲ Risk — ● Opportunity

Timeline:
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.	Low	Low	Medium	Implementing ISO14001 Management System, to ensure full compliance with environmental regulations. Continuous improvement of resource efficiency and reduction of greenhouse gas emissions across our operations.
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.	Low	Medium	Medium	To develop innovative solutions that address environmental challenges and enhance Kelington's competitiveness and attract environmentally conscious clients. 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 minimise the environmental impact.
Technology	● The development and deployment of low-emissions technology minimise environmental impact while meeting consumer needs. ▲ 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.	Low	Medium	Medium	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. Negotiate long-term supply contracts with energy providers or renewable energy developers to secure stable and predictable electricity prices.

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 operational capabilities.				We are committed to demonstrating our adherence to public commitments regarding climate change by adopting sustainable practices, minimise our carbon footprint, and aligning our disclosures with best practices and globally 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. Kelington is committed to enhancing our data collection processes by leveraging advanced technology. This proactive step will enable us to attain more accurate and comprehensive emissions data, thus laying the groundwork for setting science-based targets towards achieving net zero emissions by 2050.

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 FY2023, we reviewed and managed our environmental risks according to the ISO 14001:2015 Environmental Management System.

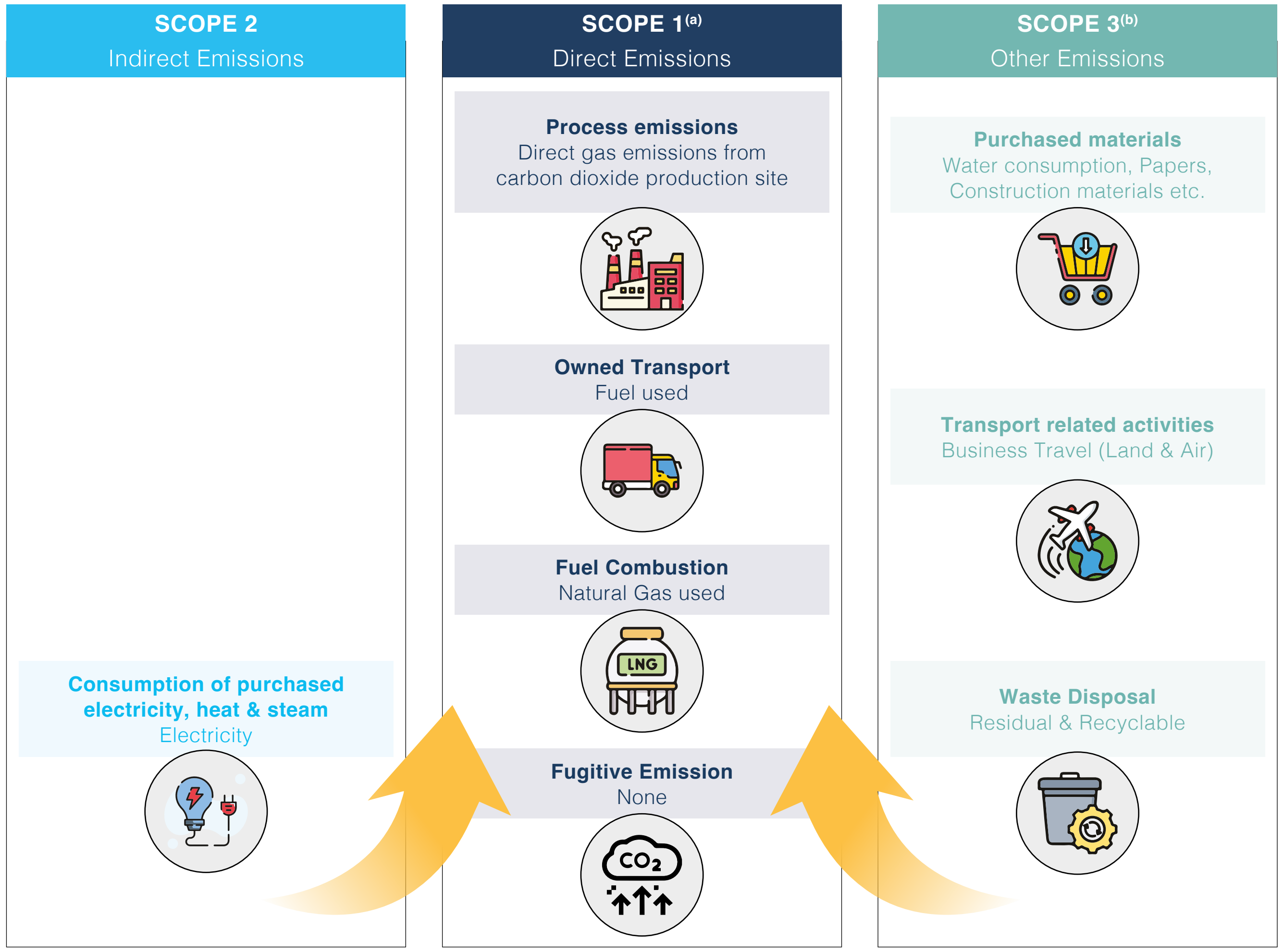
Kelington's Environmental Initiatives in the areas of energy management, water management, waste management, emission management, biodiversity conservation and recycling are presented in the table below:

Environmental focus area	Environmental Initiatives	Company / Operation country
Energy Management	• Optimise manufacturing processes to reduce energy usage.	Malaysia & China
	• Temperature control for air conditioning.	Group
	• Turn off lights in rooms not used.	Group
	• Replacing faulty lights to LED lights which is more environmentally friendly.	Group
	• Educating employees on energy saving through posters & emails.	Group
	• Solar Panel Installation Investment.	Malaysia
	• Video Conferencing to replace air travel.	Group
Water Management	• Water Management Plan outlining approach to manage and reduce water resources.	Group
	• Regular checking and immediate action taken for any water leakage.	Group
Waste Management	• Scheduled / hazardous waste to be stored in designated container for onward disposal by Department of Environment (DOE) licensed contractor to licensed location.	Malaysia
	• Monitor non-recycled waste intensity and track progress towards waste reduction targets.	Malaysia
	• Introduction of e-waste bin at office for employees to dispose household or office e-waste properly.	Malaysia
	• Implement waste segregation practices to seperate recyclable materials from general waste streams.	Group
Emission Management	• Capture waste gas emitted by a petrochemical complex, to be reused as a key raw material in our liquid CO2 production.	Malaysia
	• Committed to enhancing emissions data collection processes, thereby laying the groundwork for setting science-based targets aimed at achieving net-zero emissions by 2050.	Group
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	• Implement comprehensive recycling program 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 CO_2e 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 2023.

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.

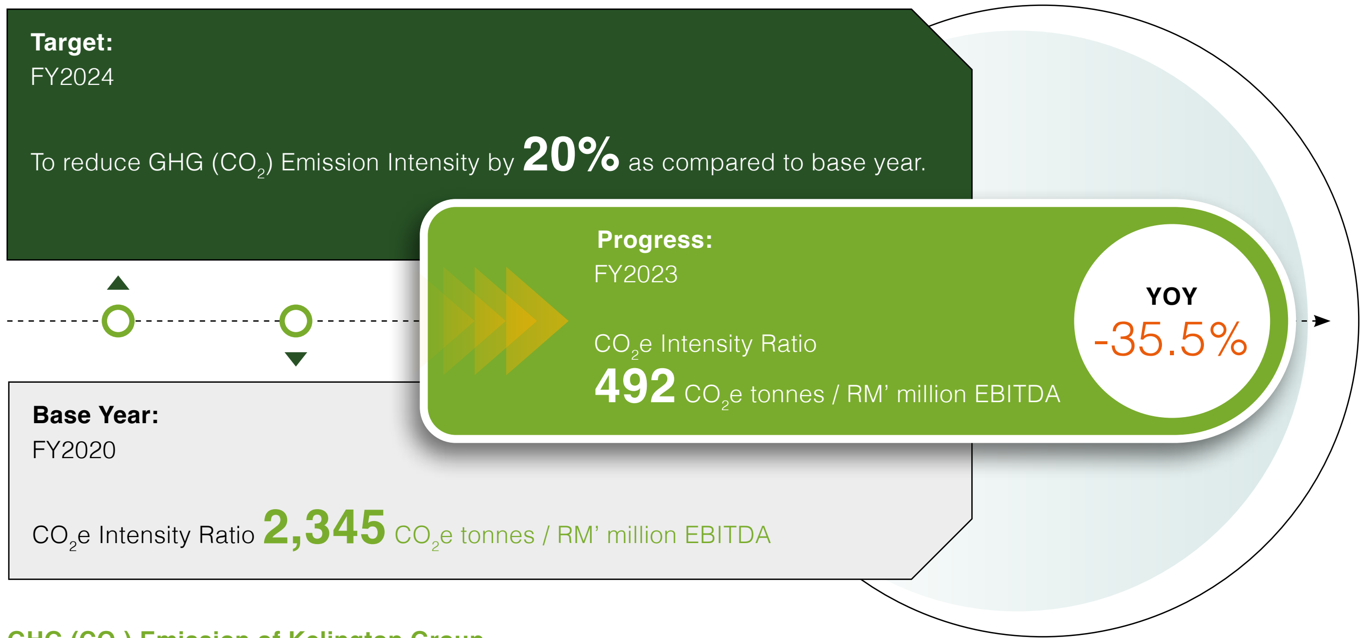
We recognise that there may have been instances of inadequate or underreporting of total emissions data within the Kelington Group. To address this, we are committed to enhancing our data collection processes by leveraging advanced technology. This proactive step will enable us to attain more accurate and comprehensive emissions data, thus laying the groundwork for setting science-based targets and advancing our commitment to environmental sustainability.

Acknowledging the possibility of inadequate or underreporting of total emissions data within the Kelington Group, we are dedicated to improving our data collection processes through the leveraging of advanced technology.

Through digitalisation, all ESG data can be seamlessly collected, inputted, and managed in a unified platform, ensuring compliance with reporting standards or frameworks and eliminating the need for manual processes. This streamlined approach not only enables Kelington to consolidate information but also facilitates the validation of data and tracking of goals, empowering the company to take corrective actions promptly when necessary.

This proactive approach will facilitate the attainment of more precise and comprehensive emissions data, thereby establishing the foundation for setting science-based targets and reinforcing our dedication to environmental sustainability.

METRICS AND TARGETS



GHG (CO_2) Emission of Kelington Group

GHG (CO_2) Emission	Unit of Measure	FY2020	FY2021	FY2022	FY2023
Scope 1: Direct Emissions from manufacturing facilities, distribution tankers	tCO_2e	9,349	10,688	11,173	**12,495**
					+11.8%
Scope 2: Indirect Emissions from electricity purchased and used	tCO_2e	2,281	2,270	3,004	**3,807**
					+26.7%
Scope 3: Other Indirect Emissions from the Group activities	tCO_2e	5,583	5,470	33,605	**24,137**
					-28.2%
Total GHG (CO2) Emission	tCO_2e	17,213	18,428	47,782	**40,439**
					-15.4%

SUSTAINABILITY STATEMENT

Scope 3 GHG (CO_2) Emission	Unit of Measure	FY2020	FY2021	FY2022	FY2023
Purchased goods and services	tCO_2e	5,246	5,181	32,137	**23,215**
					-27.8%
Capital goods	tCO_2e				Estimate Pending
Fuel and energy related activities (not include in Scope 1 or 2)	tCO_2e				Estimate Pending
Upstream transportation and distribution	tCO_2e				Estimate Pending
Waste generated in operations	tCO_2e	159	94	332	**193**
					-41.9%
Business Travel (By Land)	tCO_2e	150	157	260	**517**
					+98.9%
Business Travel (By Air)	tCO_2e	23	29	865	**186**
					-78.5%
Employee Commuting	tCO_2e				Estimate Pending
Upstream leased assets	tCO_2e				Data not available
Investments	tCO_2e				N/A
Downstream transportation and distribution	tCO_2e				Data not available
Processing of sold products	tCO_2e				Data not available
Use of sold products	tCO_2e				Data not available
End of life treatment of sold products	tCO_2e				Data not available
Downstream leased assets	tCO_2e				Data not available
Franchises	tCO_2e				N/A
Water Supply	tCO_2e	5	9	11	**26**
					+136%
Other	tCO_2e				Data not available
Total Scope 3 GHG (CO2 e) Emission	tCO_2e	5,583	5,470	33,605	**24,137**
					-28.2%

CO2 Equivalent Intensity Ratio	Unit of Measure	FY2020	FY2021	FY2022	FY2023
Scope 1: Direct Emissions from manufacturing facilities, distribution tankers	tCO_2e	9,349	10,688	11,173	**12,270**
					+9.8%
Scope 2: Indirect Emissions from electricity purchased and used	tCO_2e	2,281	2,270	3,004	**3,339**
					+11.2%
		11,630	12,958	14,177	**15,609**
*EBITDA – Industrial Gases Division	RM' million	4.96	10.35	18.58	**31.70**
					+70.6%
CO_2e Intensity Ratio	tCO_2e / RM' million EBITDA	2,345	1,252	763	**492**
					-35.5%

**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.*

SUSTAINABILITY STATEMENT

Key Highlights:-

- Kelington's Industrial Gases Division has shown a positive trend towards sustainability by emitting fewer greenhouse gases per unit of revenue. In FY2023, the CO_2e intensity ratio improved by 35.5% to 492 tCO_2e / RM' million EBITDA. This enhancement in CO_2e intensity ratio is closely linked with a significant 70.6% increase in EBIDTA, indicating improved energy efficiency and productivity within the division.
- In FY2023, 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 26.7% in FY2023, 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 59)
- Kelington achieved a 28.2% reduction in Scope 3 emissions, largely attributed to a 41.9% decrease in total waste generated during operations, driven by reduced civil and structural works. Additionally, a 27.8% decrease in material purchased was observed due to decreased construction activities, contributing significantly to the reduction in emissions.
- The reduction in business travel related Scope 3 greenhouse gas (GHG) emissions by 37.5% in FY2023 mainly attributed to optimise travel and increased use of virtual communication platforms.
- Collecting and compiling data on Scope 3 emissions poses significant challenges, as it entails sourcing information from various entities such as suppliers, customers, and other stakeholders. This process can be hindered by the unavailability or incompleteness of data, making accurate quantification of emissions a daunting task.
- Scope 3 emissions encompass a wide array of indirect emissions throughout the entire value chain, rendering them intricate and multifaceted. Identifying and prioritising the most impactful emission sources becomes challenging, impeding the development of effective reduction strategies.
- To tackle these challenges, Kelington will implement ESG digitalisation solutions coupled with cloud-based software and benchmarking data. This integrated approach aims to resolve complex issues such as accurately quantifying tCO2e linked to acquisitions and precisely capturing employee commuting data. For example, during the acquisition of plant and machinery, Kelington will utilise digital tools to conduct a thorough assessment of GHG emissions. This encompasses evaluating emissions associated with both manufacturing and transportation processes, enabling a comprehensive understanding of the carbon footprint.

SI 2 Pollution & Waste Management

Target:
FY2024

To reduce non-recycled waste intensity by **5%** as compared to base year.

Progress:
FY2023

Non-Recycled Waste Intensity
3.4 tonnes / RM' million EBITDA

YOY
-67.6%

Base Year:
FY2020

Non-Recycled Waste Intensity **14.4** tonnes / RM' million EBITDA

Prevent Pollution

In recognition of the heightened pollution risks inherent in manufacturing industries, Kelington prioritises environmental stewardship in all our operations. We are committed to stringent pollution prevention measures, diligently ensuring compliance with both local and international environmental standards.

At our Kerteh facility, where manufacturing activities occur, we proactively mitigate pollution risks through rigorous monitoring initiatives. Engaging an independent company, we monitor key environmental parameters such as water quality in nearby rivers, air quality, and noise levels on a monthly basis. These efforts align with the standards established by the Department of Environment (DOE) Malaysia. We maintain transparency by making detailed data on sampling locations and collected information readily available for inspection upon request.

All collected data undergoes monthly review by our management team, with prompt action taken should any sampling test results approach alert thresholds. Additionally, we compile an Environmental Monitoring and Auditing Report quarterly, which is then submitted to the local Department of Environment (DOE) office.

	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

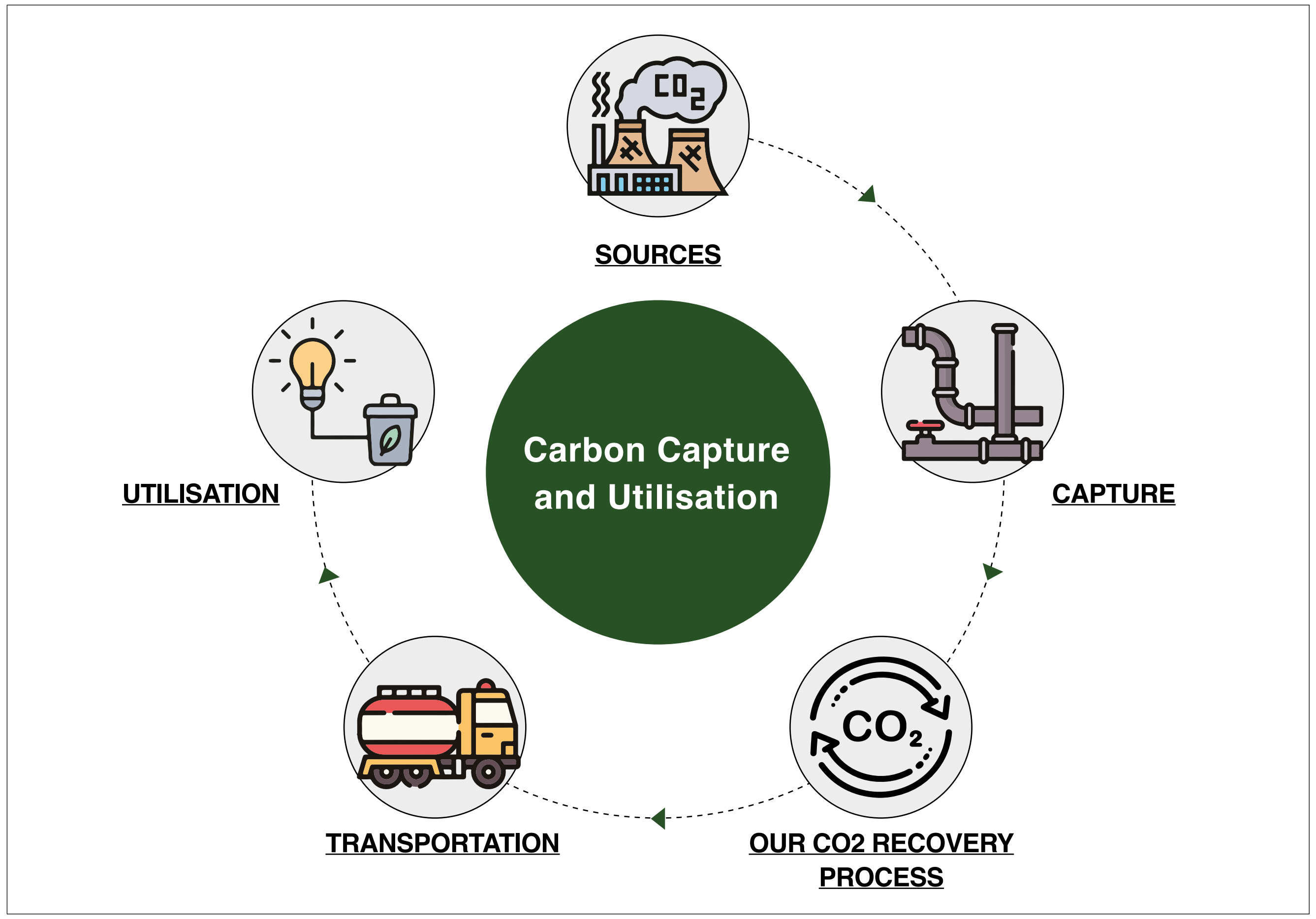
In the FY 2023, we are proud to report zero instances of non-compliance with local government regulations and standards, and consequently, no penalties were imposed related to environmental pollution.

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. We also exploring innovative solutions such as carbon capture and utilisation.

Our approach to sustainable waste management / waste reduction

Industrial Gases Division



Our LCO2 manufacturing process is engineered to capture the waste CO_2 emitted by our raw gas supplier, a petrochemical complex, which is then transformed into liquid CO_2 (LCO2). This innovative approach effectively curtails the release of CO2 into the atmosphere, previously vented as emissions.

Through carbon capture and utilisation (CCU) processes, we repurpose CO_2 for various beneficial applications, including enhanced oil recovery, carbonation of beverages, and industrial manufacturing. By harnessing and repurposing CO_2 in this manner, Kelington not only mitigates environmental impact but also generates economic value from what would otherwise be classified as waste.

	FY2020	FY2021	FY2022	FY2023
Waste Gas (Carbon Dioxide) Reuse	30,369 tonnes	47,599 tonnes	60,471 tonnes	**70,278 tonnes**

UHP / Engineering Division

For UHP / Engineering division, our approach to waste management encompasses several key strategies:

Value Engineering: We focus on maximising value while minimising waste throughout our operations.

Active Employee Involvement: We encourage and promote the active participation of our employees in our recycling program, fostering a culture of sustainability within our organisation.

Effective Solid Waste Segregation: We implement robust solid waste segregation practices at every stage of our general construction projects, facilitating recycling efforts and reducing overall waste output.

Comprehensive Site Induction: We prioritise comprehensive site induction for both staff and subcontractors, emphasising the importance of responsible waste management practices and providing detailed information on site-specific waste management measures.

Continuous Monitoring and Improvement: We diligently monitor non-recycled waste intensity, achieving a remarkable 76.4% reduction in FY2023 compared to the base year of FY2020.

Engineering Division	Unit of Measure	FY2020	FY2021	FY2022	FY2023
Construction Waste	tonnes	330	200	717	**422**
EBITDA – Engineering Division	RM' million	22.9	43.1	68.2	**123**
Non-Recycled Waste Intensity	tonnes / RM'million EBITDA	14.4	4.6	10.5	**3.4** -67.6%

However, we recognise that the volume of construction waste is primarily influenced by the project mix, including factors such as the nature of construction activities, materials used, and project duration. For instance, projects involving extensive demolition or renovation typically result in higher waste volumes compared to new construction projects.

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

Construction waste / Non-Recycled Waste

Construction waste usually comprises metal / steel, wood, concrete / cement and other paper / cardboard. In FY2023, the total construction waste generated by Kelington was recorded at 422 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 volume of construction waste / non-recycled waste generated in FY2023 witnessed a significant decrease of 41.1% compared to FY2022. This decline attributed to a reduction in civil and structural activities during the year

	Construction waste generated in				How we manage construction waste
	FY2020	FY2021	FY2022	FY2023	
KE Malaysia	303	193	621	**406**	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	**0**	Dispose construction waste via site waste management facilities and in compliance with the waste management regulations.
KE China	26	6	1	**3**	
KE Taiwan	1	1	1	**2**	
Ace Gases - Malaysia	0	0	0	**11**	N/A
Total Construction Waste generated	330	200	717	**422** -41.1%	

Resource Efficiency Program

Kelington's resource efficiency program is a continuous initiative aimed at waste reduction by identifying and implementing waste minimisation measures during detailed design phases. Leveraging Building Information Modeling (BIM) software, our engineers create intricate digital representations of buildings and infrastructure. This technology empowers us to optimise designs, accurately quantify materials, detect clashes, and assess environmental impacts. These capabilities collectively contribute to significant waste reduction during the crucial design stage of construction projects.

Furthermore, our resource efficiency program prioritises the enhancement of on-site waste prevention strategies, aligning closely with our commitment to sustainable practices and minimising environmental impact. Through the implementation of these strategies, we aim to not only reduce waste during the design phase but also throughout the entire construction process. This dedication to waste prevention is reflected in our company's recycling waste data, demonstrating tangible progress towards our sustainability goals.

According to our recyclable waste collection record, we recycled a total of 47 tonnes of industrial waste in FY2023.

	Unit of Measure	FY2021	FY2022	FY2023
Recyclable steel and metal	tonnes	39	60	**44**
Wood	tonnes	0	1	**3**
Total Industrial Waste Recycled	tonnes	39	61	**47** -22.9%

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 bolster our waste management practices, Kelington is embracing and implementing the ISO14001:2015 Environmental Management System as a guiding framework for the management of scheduled and hazardous waste generated. Within our industrial gases division, we strive to curtail the generation of scheduled waste to minimise the need for handling. Routine monitoring and maintenance protocols are diligently carried out at our plant site to mitigate the risk of leakage. Furthermore, we have established an emergency response plan to swiftly and effectively manage any potential spillage of hazardous materials, ensuring preparedness for unforeseen circumstances.

	Unit of Measure	FY2021	FY2022	FY2023
Scheduled Waste	tonnes	27	38	**33**

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.

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 FY2023, we provide E-waste Collection Box at all offices in Malaysia, 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
Monitor	Number	5	2	**3**
Notebook Computer	Number	7	-	**-**
Printer	Number	1	1	**2**
Server	Number	-	-	**-**
Others i.e typewriter, desk phone, wireless mouse, laptop battery, laptop adapters & cables	Kg	30	6	**20**

SI 3 **Resources Management**

Target:
FY2024
To reduce electricity intensity by **5%** as compared to base year.
To reduce water intensity by **5%** as compared to base year.

Progress:
FY2023
Electricity Intensity
452 MWh / RM' million EBITDA
YOY -32%

Water Intensity
1,153 m^3 / RM' million EBITDA
YOY -24%

Base Year:
FY2020
Electricity Intensity **1,180** MWh / RM' million EBITDA
Water Intensity **2,732** m^3 / RM' million EBITDA`

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

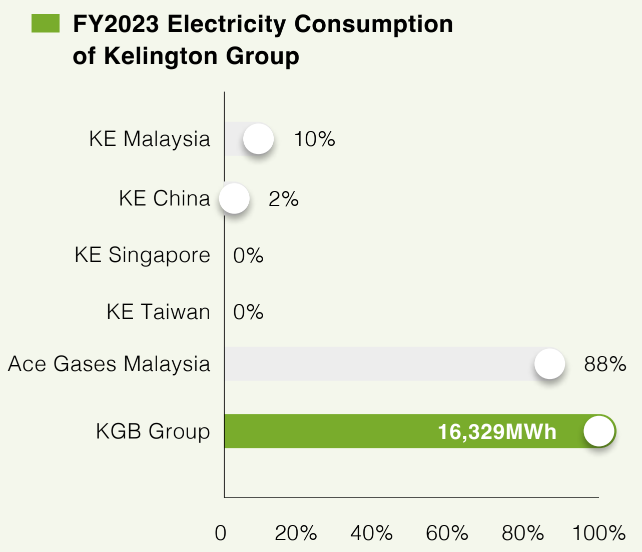
At Kelington, a significant portion of our business operations take place at customers' sites and fabrication facilities. Given the nature of our manufacturing activities, electricity consumption constitutes a substantial component of our operations. Particularly within Kelington's Industrial Gases manufacturing division, our production and machinery operations run round-the-clock, necessitating a focused approach to energy management to optimise production efficiencies and mitigate greenhouse gas emissions.

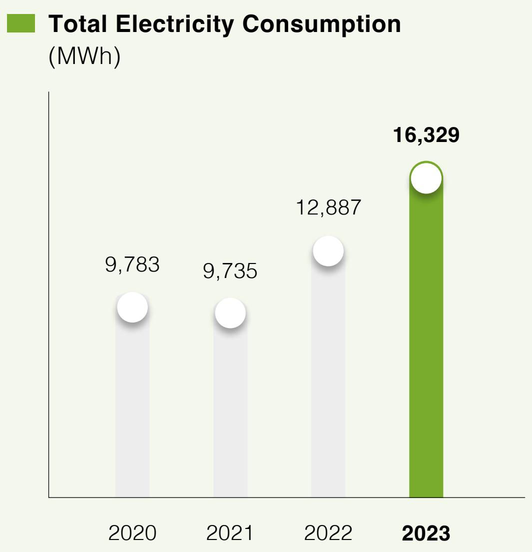
One of our primary strategies involves closely monitoring and analysing the Group's energy usage. This meticulous scrutiny enables us to identify opportunities for improvement in terms of cost-effectiveness, performance enhancement, and quality assurance. Kelington is committed to enhancing energy efficiency by proactively identifying avenues for energy reduction and exploring the adoption of cost-effective practices and technologies.

Our production teams diligently assess both internal and external impacts arising from our processes, with a keen focus on the energy consumed during production activities. Energy reduction targets are set in alignment with the Group's key financial metrics, such as the cost of goods sold. Additionally, our local committees conduct monthly assessments of the plant's energy consumption to identify areas for improvement and address performance gaps. As part of our energy-saving strategies, we prioritise seamless and efficient operations while adhering to scheduled equipment maintenance to minimise downtime. Furthermore, management regularly compares energy usage across similar plants to uncover further efficiency opportunities.

To ensure continuous improvement, we track and benchmark our energy usage against industry peers and engage our employees in discussions about our long-term goals and commitments. It's worth noting that our trackable electricity consumption is notably lower compared to other industrial manufacturing facilities in Malaysia, a testament to our ongoing efforts in energy management and sustainability.

The trackable electricity consumption of Kelington Group in FY2023 are as follows:





Electricity Intensity

The chart above demonstrates that the major portion of the Group's electricity consumption was derived from our Industrial Gases division, representing 88% of the total electricity consumption in FY2023. 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.

Industrial Gases Division	Unit of Measure	FY2020	FY2021	FY2022	FY2023
Electricity Consumption	MWh	5,853	9,377	12,331	**14,321**
EBITDA	RM' million	4.96	10.35	18.58	**31.70**
Electricity Intensity	MWh / RM'mil EBITDA	1,180	906	664	**452** -32%

In FY2023, our industrial gas manufacturing division witnessed a remarkable 70.6% growth in EBITDA, alongside a commendable 32% reduction in energy intensity. This significant reduction can be attributed to various factors, including enhanced productivity, improved plant efficiency, and strategic energy efficiency initiatives. These initiatives encompassed effective production planning, optimisation of gas loading and unloading processes, and meticulous maintenance of major equipment, among others.

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 13,908 KWh solar power in FY2023.

KE Malaysia – Renewable Energy	Unit of Measure	FY2020	FY2021	FY2022	FY2023
Solar Power Generated	KWh	20,538	18,557	11,236	**13,908**

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.

Our comprehensive water management plan encompasses the following key actions:

Engineering Solutions: We design and install wastewater treatment systems aimed at effectively removing contaminants before returning water to the sewage system, ensuring environmental responsibility and regulatory compliance.

Data Analysis and Monitoring: Our Plant Operation team conducts regular collection and analysis of water consumption data from meters. Through monthly monitoring, we gain insights into our water usage patterns, setting targets based on historical data and industry benchmarks. We diligently track progress toward reducing water consumption and promptly implement conservation measures if consumption trends indicate deviation from targets.

Regulatory Compliance: We closely monitor our plant's process parameters to ensure that all water discharges meet local government regulations. At our primary operating site in Kerteh, Terengganu, we conduct monthly checks on water quality, rigorously ensuring that test results adhere to limits set by Malaysian government authorities.

Health and Safety Measures: Our cooling tower water treatment systems are equipped to prevent the growth of Legionella bacteria, safeguarding the health of our workforce and prioritising employee well-being.

Despite operating in regions not classified as water-stressed or scarce, we recognise the intrinsic value of water as a precious resource. As such, we remain committed to optimising water usage and continuously monitoring water quality at our manufacturing plant. This proactive approach underscores our dedication to sustainability and environmental stewardship.

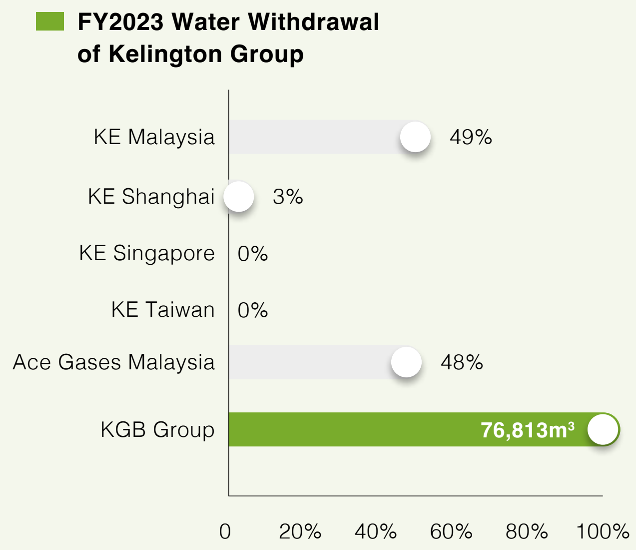
Water Withdrawal

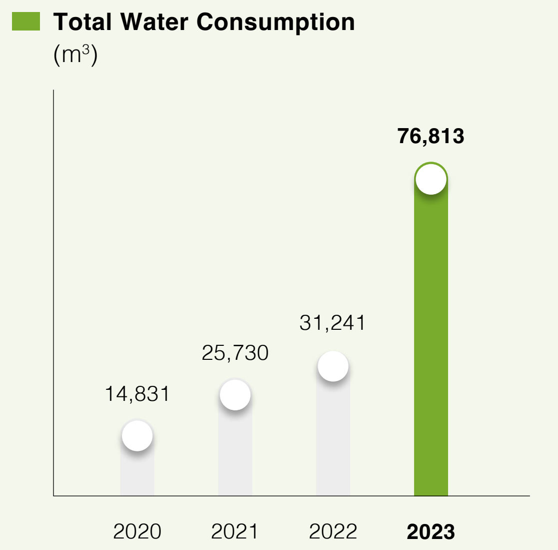
The Group primarily consumes municipal water supply, which is mainly derived from the water reservoir (municipal potable water). We do not utilise any other water sources such as surface water from rivers, lakes, natural ponds, groundwater from wells, or external wastewater. The total water withdrawal within our organisation amounted to 76,813 m^3 in FY2023.

Water Withdrawal (by sources)	Unit of Measure	FY2020	FY2021	FY2022	FY2023
Surface water from rivers, lakes, natural ponds	m^3	0	0	0	**0**
Groundwater from wells, boreholes	m^3	0	0	0	**0**
Used quarry water collected in the quarry	m^3	0	0	0	**0**
Municipal potable water	m^3	14,831	25,730	31,241	**76,813**
External wastewater	m^3	0	0	0	**0**
Total Water Withdrawal	m^3	14,831	25,730	31,241	**76,813** +145.8%

Water Consumption

Our LCO2 manufacturing plant located in Kerteh relies on a significant volume of water for essential processes, including wash water and cooling tower make-up water. In 2023, our engineering division in Malaysia utilised a significant amount of water, surpassing levels observed in previous years. This increase was primarily driven by the extensive cleaning efforts undertaken by our team, who were tasked with cleaning 22 units of newly constructed stainless steel tanks in preparation for project handover.





In our Industrial Gases division, we utilise water intensity parameters to gauge the water consumption required to generate an EBITDA of RM1 million. In FY2023, with the EBITDA of the LCO2 business division experiencing a notable growth of 70.6%, water consumption also saw an increase of 30.4%. Despite this rise in water usage, there was a noteworthy improvement of 23.5% in water intensity.

Industrial Gases Division	Unit of Measure	FY2020	FY2021	FY2022	FY2023
Water Consumption	m^3	13,552	24,791	28,012	**36,539**
EBITDA	RM' million	4.96	10.35	18.58	**31.70**
Water Intensity	m^3 / RM'mil EBITDA	2,732	2,395	1,508	**1,153** -23.5%

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 FY2023, 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.

Furthermore, it is important to highlight that the water used in the cleaning process for the newly constructed stainless steel tanks was discharged without causing harm to the environment. This is ensured through our commitment to conducting regular inspections of the water discharge, ensuring that any potential environmental impact is minimised and compliance with environmental regulations is maintained.

Water Discharge by destination	Unit of Measure	FY2020	FY2021	FY2022	FY2023
Ocean total discharge	m^3	0	0	0	**0**
Surface water total discharge	m^3	14,831	25,730	31,241	**76,813**
Subsurface / well total discharge	m^3	0	0	0	**0**
Off-site water treatment total discharge	m^3	0	0	0	**0**
Beneficial / other use total discharge	m^3	0	0	0	**0**
Total Water Discharge	m^3	14,831	25,730	31,241	**76,813** +145.8%

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 reaffirms our commitment to environmental protection and biodiversity preservation. We adhere to a systematic approach to ensure that our business activities minimise adverse effects on the environment. Additionally, we actively engage with governmental agencies and non-governmental organisations (NGOs) to promote positive impacts on biodiversity conservation.

Key Initiatives and Strategies

Kelington implements a range of initiatives and strategies to reduce our operational impact on biodiversity:

- **Environmental Management Systems:** We integrate environmental considerations into our management systems to identify and address potential impacts on biodiversity.
- **Stakeholder Engagement:** We collaborate with stakeholders, including governmental agencies and NGOs, to support biodiversity conservation efforts and promote sustainable practices.
- **Environmental Impact Assessment:** We conduct environmental impact assessments for any new proposed projects that we intend to develop to understand local ecosystems and identify measures to minimise our impact.
- **Habitat Restoration:** Kelington supports habitat restoration projects to enhance biodiversity and mitigate the effects of habitat loss.

Achieving Net Positive Biodiversity Impact

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.

Our overarching goal is to achieve a net positive biodiversity impact. By implementing sustainable practices and supporting biodiversity conservation initiatives, we aim to contribute to the enhancement of biodiversity and ecosystem resilience in the areas where we operate.

Target:
FY2024

- Generate positive biodiversity impacts.
- Ensure responsible sourcing practices that reduce negative impact on biodiversity.

Progress:
FY2023

- Support habitat restoration activities at Borneo
- Promote climate action via KEHourForEarth

Base Year:
FY2020

Complying landscaping requirement according to the local regulations.

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 FY2023, 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.

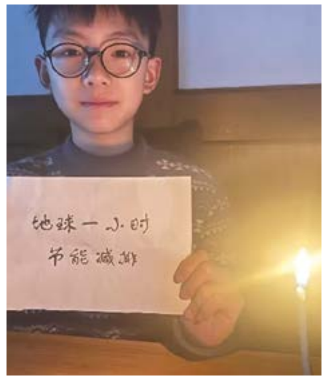
Continuous participation in programmes that contribute towards positive biodiversity impacts

Known for its incredible biodiversity, Borneo is home to numerous rare and unique animals. Through the "ROAR initiative", Kelington contributes to the restoration of vital forest corridors that have been degraded through deforestation. Kelington's support for this reforestation project helps to create habitats for endangered animals (which include the Bornean orangutan and Borneo Pygmy Elephant).

In the "ROAR Initiative" program, coordinated by APE Malaysia (Animal Projects & Environmental Education Sdn Bhd), the primary objective is to revive and safeguard the biodiversity of the Lower Kinabatangan region in Sabah, Malaysia.

KE Hour for Earth

On 23 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.



Value Engineering through Innovation and Collaboration

"Be an effective, accountable and transparent organisation"

We Care for Business

	Highlights	Page
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SUSTAINABILITY STATEMENT

SI 9 Sustainable Supply Chain

Target:
FY2024

Communication of Kelington's Expectation to **100%** of selected Key Vendors

90% procurement in significant locations of operation was from local suppliers.

Base Year:

FY2021
Vendor Briefing **2%**

FY2020
Local Sourcing **93%**

Progress:
FY2023

Vendor Briefing
86%

Local Sourcing
82.6%

With operations spanning across four key geographies - Malaysia, Singapore, China, and Taiwan - Kelington has actively engaged with over 2,208 global and local external providers in our supply chain during FY2023. These providers encompass material suppliers, subcontractors, transporters, and professional service providers.

Given the diverse nature of our business, Kelington boasts a broad customer base spread across various geographies, primarily comprising multinational corporations committed to stringent standards in social, safety, health, and environmental practices. Aligning with these requirements, we ensure that our next tiers of suppliers and subcontractors uphold similar parameters.

Recognising the paramount importance of integrating sustainability into our operations, Kelington has embedded sustainability goals into our long-term strategy. We hold our external providers accountable for adhering to high standards, thereby fostering a cascade of sustainable practices throughout our supply chain.

Throughout FY2023, our focus remained steadfast on key areas including occupational health and safety, environmental preservation, combating corruption, and upholding human rights. Additionally, we maintained rigorous tracking and monitoring mechanisms for local procurement, prioritising local sourcing whenever feasible to directly contribute to the economies of the regions where we operate.

Management approach

Effective supply chain management is imperative for optimising operational efficiency, fulfilling customer demands, and achieving sustainable business success. At Kelington, we prioritise fostering robust collaboration and partnerships with key stakeholders, including suppliers, distributors, logistics providers, and customers. Through strategic alliances, Kelington leverages expertise, resources, and innovative practices across our supply chain network.

Proactive identification, assessment, and mitigation of supply chain risks are fundamental components of our management approach. We embrace a culture of continuous improvement, driving operational excellence and innovation within our supply chain. To this end, we conduct regular performance evaluations, implement feedback mechanisms, and engage in benchmarking exercises to identify and capitalise on opportunities for optimisation.

We integrate sustainability principles into our supply chain strategy to minimise environmental impacts, ensure compliance with regulations, and align with customer expectations regarding responsible sourcing and manufacturing practices.

Since FY2022, we have strengthened our external provider screening process by integrating additional evaluation sections into our subcontractor qualification process. These added qualification criteria align closely with our Responsible Supply Chain Policy, Environmental Policy, and Safety and Health Policy, ensuring that our partners uphold the same high standards of sustainability and responsibility that we do. In addition, our Sustainable Supply Chain (SSC) working group has been tasked with advancing sustainability initiatives and engaging with our selected key external providers through formal and informal channels. Our objectives include:

a) Assessing the level of understanding among our key vendors regarding sustainability practices and their ethical commitments.
b) Identifying any challenges they face in delivering supplies or services to our esteemed customers.
c) Offering assistance and support to our vendors in their sustainability journey, as needed.

Through these efforts, we aim to foster collaborative relationships, promote sustainable practices, and enhance the overall resilience and responsibility of our supply chain ecosystem.

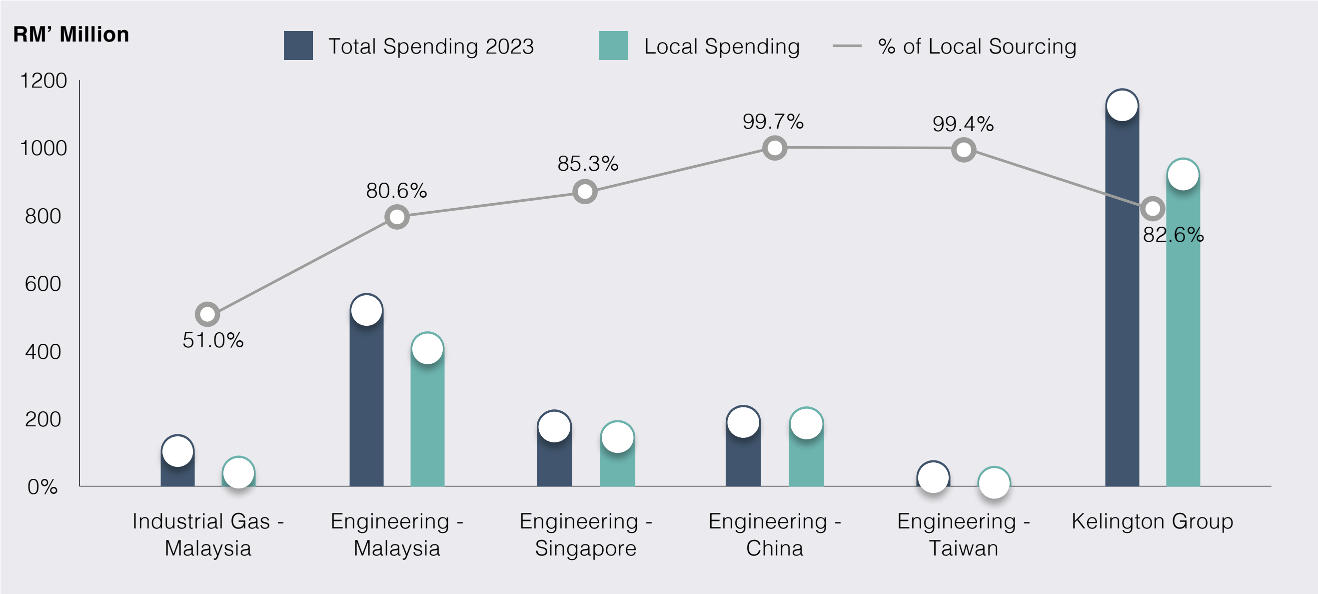
Create awareness on Kelington's Expectation

In FY2023, Kelington conducted sustainability briefings for 43 out of 50 selected subcontractors, outlining our company's sustainability policies. Moreover, we actively encourage our key vendors to enhance their performance through participation in a sustainable development management program. This program incorporates specific Key Performance Indicators (KPIs) and targets aligned with local government regulations and international standards.

To effectively monitor the sustainability commitment of our key subcontractors and ensure the delivery of mutually beneficial solutions in a sustainable manner, our SSC working group communicates Kelington's expectations and collects relevant data through due diligence questionnaires. In FY2023, 80 questionnaires were completed, revealing that Kelington's key subcontractors range from "pre-compliance" to "compliance" on the sustainability spectrum.

Recognising the critical importance of ethical issues within the supply chain, we understand their potential impacts on our business, including reputation, legal and financial liability, and customer loyalty. As such, our SSC working group diligently assesses potential risks on a regular basis and promotes collaboration and coordination across the supply chain to ensure resilience and continuity of operations.

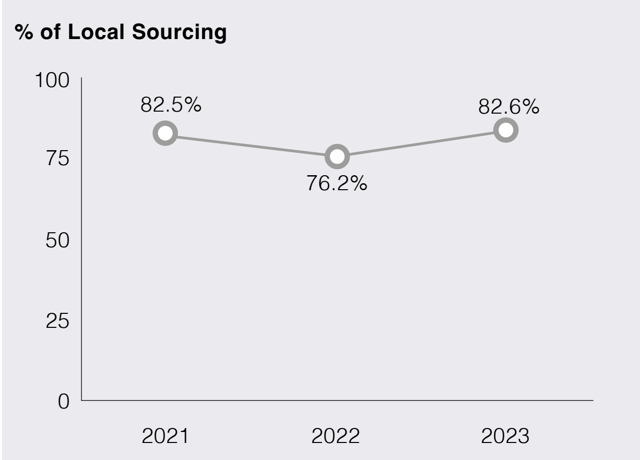
Local Sourcing



We are dedicated to supporting local vendors whenever possible, as part of our commitment to bolstering homegrown businesses and contributing to the growth of our nation's economy. This not only fosters economic development but also helps maintain positive community relations. In our procurement process, Kelington actively seeks opportunities to procure materials and services from local suppliers, prioritising their inclusion whenever feasible.

Aligned with our core value of building partnerships, we actively engage in developing smaller local companies by offering them favorable supply conditions. These may include more flexible payment terms, technical assistance, and guidance, among other benefits.

Since our inception, we have remained steadfast in our efforts to nurture the local economies where we operate, cultivating strong relationships with various stakeholders in these markets. Leveraging our established innovation network, Kelington and our local partners are mutually benefiting from these enduring relationships, driving sustained growth and prosperity for all involved.



Note: After careful review and analysis, the decision was made to reinstate the three-year local sourcing data, accounting for the change in calculation methodology. Instead of solely considering the number of vendors, the new formula now incorporates the total value of sourcing. This adjustment ensures a more comprehensive assessment of local sourcing practices, capturing the full extent of sourcing activities and their regional impact.

In FY2023, we successfully procured over 82.6% of our total purchases groupwide from local external providers, demonstrating our commitment to supporting local economies. Geographically, KE Taiwan and KE China led the way with an impressive 99% local sourcing, closely followed by KE Singapore and KE Malaysia at 85% and 81% respectively. The industrial division's lower procurement percentage of 51% was primarily attributed to the acquisition of capital assets from overseas sources. Moving forward, we remain steadfast in prioritising local external providers for our purchases, aligning with our ongoing commitment to fostering economic growth and sustainability within the communities we operate in.

SI 11 Governance and Ethics

Target:
FY2024

Committed to train all employees on the Anti Bribery and Corruption Policy (ABC Policy) and risk management.

Committed to **100%** communication for all vendors on the ABC Policy.

Zero incident of corruption and bribery case

Base Year:
FY2020

100% employees was trained on ABC and risk management.

100% vendors acknowledged on ABC Policy

ZERO incident of corruption and bribery case

Progress:
FY2023

100% employees was trained on ABC and risk management.

100% vendors acknowledged on ABC Policy

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 121 to 149 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 FY2023 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 FY2023, 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. Kelington Group also confirm that no political contributions were made during the year.

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 155.

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

In FY2023, there has been only one instance of whistleblowing reported, concerning matters related to staff ethics and internal processes. Following our established protocols, the reported issue was promptly investigated by our corporate compliance and integrity department and the appointed independent internal auditors.

We are pleased to confirm that the matter has been thoroughly addressed and resolved in accordance with our policies and standards. As part of our commitment to transparency and accountability, we take all whistleblowing reports seriously and ensure that appropriate actions are taken to address any concerns raised. We remain steadfast in upholding the highest ethical standards and maintaining the integrity of our internal processes.

SI 12 Economics Growth and 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
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

Our Journey Towards Sustainability for a Greener Growth		Revenue RM'000
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
2023	Despite headwinds from a semiconductor market downturn, Kelington's revenue continued to soar to a second year of record high of RM1.6 billion FYE 2023. The Group also reached a new significant financial milestone, surpassing the RM100 million mark in net profit for the first time.	1,614,449

Kelington's business success is founded on the principle of long-term value creation for our stakeholders. We achieve this by upholding leadership positions in our core markets, harnessing innovative technologies, leveraging the expertise of our employees to meet the ever-evolving demands of customers, and strategically entering new markets. Our robust economic performance serves as a solid foundation, empowering us to consistently deliver excellence to our customers. Our business model is explained in detail on pages 8 to 9 of this Report.

Kelington's economic performance is intricately linked to the utilisation of six essential capitals: Financial, Manufactured, Intellectual, Human, Social, and Natural. Our sustainability initiatives play a pivotal role in enhancing Kelington's capacity to generate financial value.

Our full economic performance can be found in our audited financial statements, as part of our FY2023 Annual Report:

Group Financial Highlights, pages 4 to 5.

Group Financial Statements, pages 172 to 280.

SI 13 Quality Products and Services

Target:
FY2024

To achieve average customer satisfaction rate of **90%**.

Progress:
FY2023

Customer Satisfaction Rate
88%

Base Year:
FY2019

Customer Satisfaction Rate **88%**.

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 prioritising 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 ensure consistently high-quality standards across all our operations, the Group adheres to international quality and food safety standards in conducting our business activities. Our Engineering division, responsible for project management and construction, holds ISO 9001 certification, a testament to our commitment to quality management systems.

Additionally, our gas manufacturing business, serving the Food & Beverage industry, holds ISO 9001, FSSC 22000, and Halal certifications, underscoring our dedication to quality, food safety, and adherence to religious dietary requirements.

We rigorously monitor and maintain product quality through sophisticated analysers on a regular basis. Standard Operating Procedures (SOPs) are meticulously crafted in accordance with guidelines outlined by the aforementioned quality certifications. We also actively solicit feedback from customers, utilising Non-Conformity Reports (NCR) and Corrective Action Requests (CAR) to continually improve our performance and ensure the consistent delivery of high-quality products and services.

Our Business Operations	Certification
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	ISO 9001:2015, SEMI S2-0810E, SEMI S8-0218

Ensuring Customer Satisfaction

Ensuring the satisfaction of our customers stands as a cornerstone of our business continuity. It not only dictates our capacity to secure new and repeat business but also reinforces our ongoing relationships, paving the path towards sustained economic success. With unwavering commitment, we prioritise meeting and exceeding our customers' needs and expectations.

Our annual customer survey serves as a pivotal tool designed to gauge the critical factors influencing customers in their choice of a business partner or long-term supplier. Kelington's comprehensive annual customer survey assesses various performance benchmark skills, including:

- Timeliness and Reliability of Product / Service Delivery
- Quality of Products and Services
- Responsiveness to Customer Needs
- Communication with Customers
- Compliance with Safety and Environmental Standards

By meticulously analysing feedback across these key areas, we continuously refine our practices to ensure unparalleled customer satisfaction and drive sustained growth and success for our business.

Customer Satisfaction Survey ("CSS")

	2019	2020	2021	2022	2023
Average Customer Satisfaction Rate	88%	93%	91%	91%	**88%**
Total no. of CSS conducted	20	17	51	62	**88**

	2019		2020		2021		2022		2023	
	No. of CSS conducted	Average Rating %	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%	35	94%	40	93%	**47**	**94%**
Industrial Gases Division	3	100%	5	100%	16	85%	22	86%	**41**	**82%**

SI 14 Technology and Operational Innovation

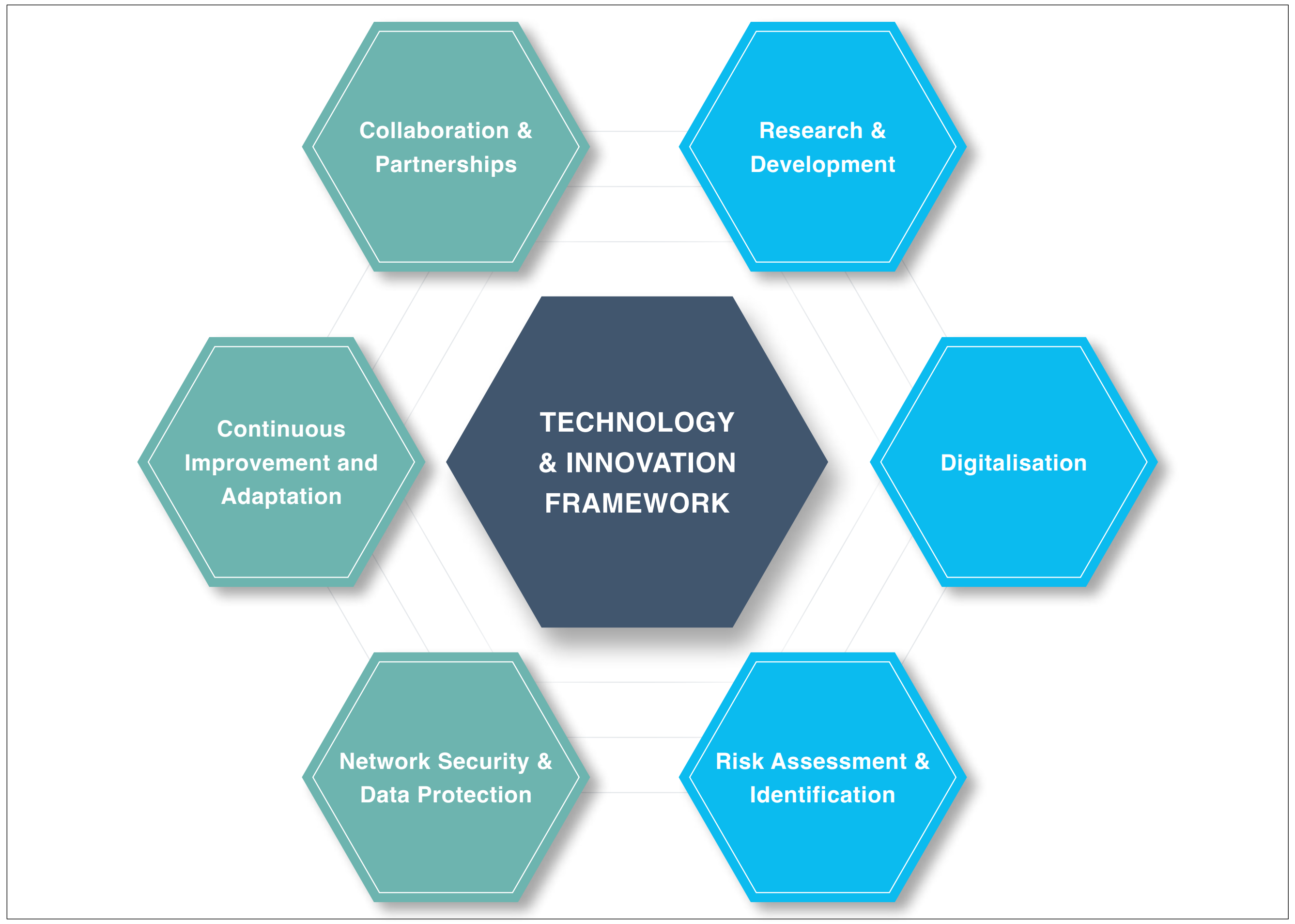
Since 2000, Kelington has been at the forefront of engineering and installing highly specialised Ultra High Purity ("UHP") systems tailored for the semiconductor and biotechnology manufacturing sectors. Our extensive expertise extends across diverse applications including wafer fabrication, LCD TFT, biotechnology, pharmaceuticals, solar cell production, and industrial gases, among others. Throughout the intricacies of the production line within manufacturing facilities, the precision of gas and chemical purity is paramount for chip-making processes.

Continuously advancing, Kelington is dedicated to enhancing our capacity for knowledge, creativity, and innovation, meeting and surpassing the rigorous demands of the semiconductor and biotechnology industries. Beyond traditional engineering roles, we distinguish ourselves by seamlessly integrating specialised engineering expertise with comprehensive insights into gas and chemical dynamics.

In an industry characterised by dynamism and rapid technological evolution, Kelington's unwavering commitment to safety and quality is globally recognised and endorsed by our esteemed clientele.

We firmly believe that sustainable competitive advantages and value creation are attainable only through strategic technology investments and operational innovation. Thus, we continuously scrutinise and optimise our operations, leveraging the latest technological advancements. Through our dedication to innovation, we not only enhance operational efficiency and reduce costs but also minimise environmental footprints. Our organisational ethos fosters a pervasive Technology and Innovation mindset among our workforce, ingrained as an integral aspect of our corporate DNA, driving us towards excellence.

Kelington adopts a robust Technology and Innovation framework, guiding our endeavors and channeling innovative initiatives towards targeted 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 FY2023, we had spent a total amount of RM11.9 million for R&D and this marks the sixth 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 pursues collaborations with international stakeholders to spearhead the development of innovative technologies aimed at both mitigating and adapting to the challenges of climate change. Our focus lies in fostering solutions designed to combat climate change, including advanced greenhouse gas treatment systems, exhaust gas abatement technologies, energy storage solutions, and carbon capture and storage innovations.

By partnering with leading technology vendors and service providers, we tap into their specialised expertise and solutions to fortify our cybersecurity measures, ensuring they are finely tuned to the unique needs and complexities of our industry.

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 is committed to exploring opportunities for digitalising our operations and processes, covering various aspects from corporate endeavours to project and manufacturing activities. We embrace digitalisation initiatives with the goal of optimising operations, enhancing efficiency, and leveraging cutting-edge technologies. Furthermore, we prioritise the seamless integration of robust cybersecurity controls into our digital transformation efforts.

Digitalisation has transformed the landscape of engineering drawings, with computer-aided design (CAD) software revolutionising the creation process by offering versatile tools for generating precise 2D and 3D drawings, eliminating the need for manual drafting and reducing errors. Building Information Modeling (BIM) has further enhanced project visualisation and collaboration by providing detailed 3D models containing comprehensive project data, facilitating better understanding and decision-making among stakeholders. Additionally, BIM facilitates clash detection and construction sequencing, pre-emptively addressing conflicts and minimising errors and delays.

Moreover, digitalisation streamlines processes by automating tasks previously performed manually, enhancing efficiency, and minimising errors. Collaboration tools such as video conferencing and instant messaging foster seamless teamwork, while centralised document management systems enable easy access and management of documents from a single location. Remote access to systems and data promotes flexibility and agility, reducing dependency on physical office presence. Leveraging Enterprise Resource Planning (ERP) systems enables real-time data-driven decision-making and faster information sharing across the organisation, empowering management with timely insights for strategic planning and execution.

Risk Assessment and Identification

In FY2023, we diligently conducted cybersecurity risk assessments to pinpoint potential vulnerabilities and threats across all digital assets and systems. Our methodology included prioritising risks based on their potential impact on critical business operations, safeguarding intellectual property, protecting client data, and maintaining regulatory compliance standards.

Network Security and Data Protection

Kelington employs robust network segmentation and firewall solutions to effectively isolate critical systems and safeguard sensitive data from unauthorised access. Additionally, all sensitive data is encrypted both in transit and at rest, ensuring comprehensive protection against potential breaches. Furthermore, we have implemented data loss prevention controls to proactively mitigate unauthorised data exfiltration, thereby ensuring full compliance with stringent data privacy regulations. In FY2023, Kelington experienced zero incidents of complaints regarding breaches of customers' privacy or loss of customer data.

Continuous Improvement & Adaptation

We diligently monitor customer needs, market dynamics, and regulatory shifts to pinpoint opportunities where emerging technologies can provide solutions or add value for our clients. By proactively engaging with customers, we gain insights into their challenges and collaborate with them to develop innovative solutions.

Internally, we cultivate a culture of continuous learning to ensure that our team stays abreast of emerging technologies and their potential applications. We encourage participation in training programs, workshops, and industry conferences to foster expertise and stay updated on the latest trends.

In tandem, Kelington maintains its agility and adaptability in response to evolving cyber threats and emerging technologies. We continually refine our cybersecurity strategies and frameworks to effectively mitigate new risks, while nurturing a culture of cybersecurity awareness and accountability across all levels of the organisation. Our employees are encouraged to promptly report any suspicious activities or security concerns, enabling us to proactively address potential threats.

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, recognising that occupational safety and health (OSH) is of paramount 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 organisation.

We are committed to implementing safety measures aimed at preventing work-related illnesses and injuries, fostering a productive and healthy workforce. We strive to enhance our occupational health and safety performance by proactively implementing globally recognised standards such as ISO 45001:2018 Occupational Health & Safety Management System (OHSMS).

Our dedication to safety is in line with UN SDG No. 3, which aims to ensure health and well-being for all. By prioritising occupational safety and health (OSH) and implementing measures to prevent accidents and enhance employee well-being, we are confident in our contribution to this global objective.

Kelington is committed to fostering a secure and healthy workplace for our employees and workers. Recognising safety as a collective obligation, we are dedicated to continuously enhancing our occupational health and safety performance by adhering to internationally recognised standards. Through these efforts, we safeguard our personnel while also playing a role in creating a healthier and safer global community.

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 Standard Operating Procedures (SOP) as a guideline for all employees and workers who perform work involving hazardous materials, equipment or operations.

Our Safety and Health Policy, along with our SOP and protocols, articulate our principles and unwavering dedication to fostering a secure and healthy workplace for our employees and stakeholders. This commitment also extends to our approved suppliers, appointed subcontractors, and service providers. We maintain a vigilant approach, ensuring rigorous adherence to our safety and health policies. Any unsafe practices are deemed unacceptable, and swift action will be taken against violations.

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 quarterly S&H Communication Report to promote learning and best practices.

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.

At Kelington, we prioritise 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 hospitalisation to all employees and direct family members who qualify for a health insurance subsidy.

At Kelington's workplace, we prioritise a culture of caring for the well-being of our people, where safety and health stand as paramount values. We maintain unwavering vigilance and dedicate continuous efforts to ensure that all practices align with our stringent safety and health policies.

We believe that investing in our employees' well-being and prioritising 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 2023, Kelington's OHSMS has achieved 92% 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 specialised facilities	Customers' site-Singapore	38%	• ISO 45001:2018 certified since December 2020*
• Construct mechanical and electrical systems	Customers' site-China; UHP Fabrication Facilities-China	14%	• Certified to OHSAS 18001:2007 from June 2019 to June 2020 • ISO 45001:2018 certified since August 2020*
• Installation of gas and chemical distribution system	Customers' site-Malaysia	40%	• Certified to OHSAS 18001:2007 from July 2014 to Sept 2019 • ISO 45001:2018 certified since July 2020*
• Fabrications	Customers' site-Taiwan	2%	• Adapting safety & health standards to ensure workplace safety.
Manufacturing and trading of industrial and specialty gases	Manufacturing Facilities-Malaysia	6%	• Adapting safety & health standards to ensure workplace safety 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 prioritising safety and health, we aim to continue delivering high-quality services while ensuring the well-being of our people and the public.

In year 2023, Kelington adopted the following safety governance structure to lead and promote health and safety across the Group.

The Board

- **Setting the Strategic Direction:** The Board sets the overall strategic direction of KGB, including our commitment to safety and health. The Board establish policies and guidelines that align with KGB's values and long term goals.
- **Oversight & Governance:** The Board provide oversight and governance regarding health, safety and environment matters. They review and approve safety policies, monitor compliance with regulations, and ensure that management implements effective safety programs.
- **Risk Management:** The Board via the Risk Management Committee (RMC) accesses and manages OSH risks and work with management to mitigate risk effectively. Agendas for RMC meetings include health, safety and environment topics.
- **Accountability:** The Board holds the CEO and executive management accountable for safety performance. They review safety metrics and quarterly reports.

CEO

- **Leadership & Culture:** The CEO provides leadership in creating a culture of safety throughout KGB Group.
- **Strategy implementation:** CEO work with EMC to develop action plans, allocate resources, and drive initiatives that enhance safety performance.

Executive Management Committee

- **Policy implementation:** The Executive Management Committee (EMC) is responsible for implementing safety policies and procedures in alignment with the Board's directive and CEO's vision.
- **Operational Implementation:** They oversee the operational aspects of safety & health programs, ensuring that safety measures are integrated into all levels of activities.

Group Safety & 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.)

- **Developing Safety Policies & Procedures:** Developing and implementing comprehensive safety policies and procedures that align with regulatory requirements and industry best practices.
- **Training and Education:** Organise and facilitate safety training programs for employees at all levels.
- **Safety Audits and Inspections:** Arrange safety audits and inspections, provide recommendations for corrective actions to address any safety deficiencies identified during safety audits and inspections.
- **Safety Reporting & Analysis:** Maintain accurate records of safety incidents, near misses, and safety related data.
- **Emergency preparedness & Response:** Develops and implements emergency response plans to effectively respond to workplace emergencies.
- **Regulatory compliance:** Stay abreast of relevant safety regulations and standards applicable to KGB's industry and locations.

Regional Safety & Health Lead

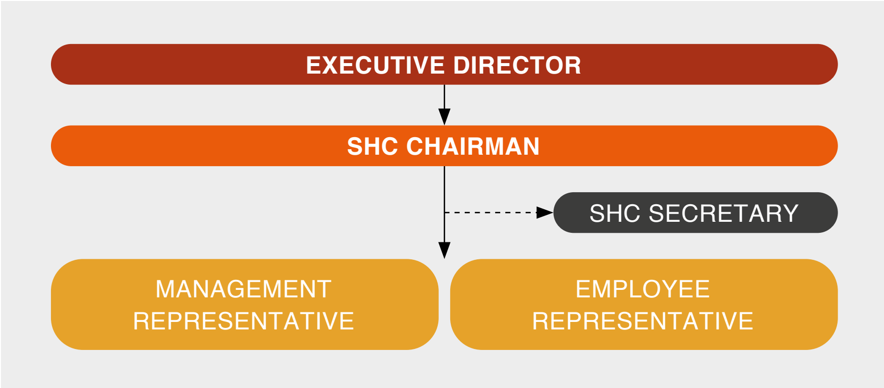
- **Developing Regional Safety Policies and Procedures:** The Regional Safety and Health Lead is responsible for developing and implementing safety policies and procedures tailored to the specific needs and regulatory requirements of the region. They work closely with KGB Group safety teams to ensure alignment with overarching safety goals and standards.
- **Training and Education:** They coordinate and deliver safety training programs for employees within the region.
- **Regulatory Compliance:** Provide guidance and support to local management teams to address regulatory requirements effectively.
- **Data Analysis and Reporting:** They analyse trends and metrics to identify areas for improvement and provide regular reports to regional and corporate leadership on safety performance.
- **Incident Management:** In the event of a safety incident or accident within the region, they lead the incident management process, including investigation, root cause analysis, and implementation of corrective and preventive actions. They collaborate with local management and corporate safety teams to ensure that lessons learned are shared and applied across the organisation.
- **Communication and Collaboration:** The Regional Safety and Health Lead serves as a point of contact for safety-related issues within the region, communicating regularly with local management, corporate safety teams, and other stakeholders.
- **Demonstrate a strong commitment to safety and health:** 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.

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 utilised to discuss safety matters of our employees, appointed contractors and visitors at our premises and workplaces. These meetings actively involve worker representatives in the discussions.
- The Chairman of SHC reports directly to the Executive Management Committee to ensure that the Board is kept abreast of Kelington's overall health and safety performance and matters.
- The SHC is formed with representative of employees and employers as 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

Kelington places safety as a top priority, employing thorough risk assessment procedures for new operations and large-scale projects. The Hazard Identification, Risk Assessment, and Risk Control (HIRARC) committee meticulously evaluates potential risks throughout various project stages, including project scope, risk assessment matrix, timelines, and approval levels. This process undergoes an annual review, with additional reviews conducted as required or upon the identification of new work processes. Led by the HIRARC team in collaboration with process experts, this approach aligns with the ISO 45001:2018 standard.

The HIRARC team is tasked with identifying potential hazards, assessing associated risks, and implementing strategies to mitigate or manage them. This may involve developing policies and procedures, delivering employee training, or introducing engineering controls. The outcomes of hazard identification and risk assessment are communicated to relevant stakeholders, including management, employees, and external parties such as regulators and customers.

Within our industry, specific work-related hazards pose a risk of high-consequence injury, including falling from height, electrocution, exposure to flammable materials, and machinery toppling. In the fiscal year 2023, due to the continuous implementation of hazard management measures, no incidents were reported relating to these identified hazards.

The management of change process oversees modifications to existing operations or projects, mandating risk assessments based on project classification to identify and address potential risks early on. To bolster safety measures, Kelington implements a "Stop Work Policy," enabling individuals, including non-employees, to halt unsafe activities without fear of reprisal. Additionally, a "Bad Weather Policy" suspends outdoor work during adverse conditions. Daily toolbox meetings at project sites foster communication about safety concerns, while a "Whistleblowing Policy and Procedure" provides a secure reporting channel for unsafe acts or hazards, safeguarding workers against reprisals.

Kelington has implemented a Permit-To-Work (PTW) system, requiring employees and contractors to conduct Risk Assessments or Job Hazard Analyses for high-risk and non-routine tasks. These evaluations gauge hazard risk levels and must be accompanied by detailed Job/Work Method Statements outlining work scope, activities, identified hazards, and control measures. All PTWs undergo evaluation and approval by the safety and health manager before work commencement, with daily monitoring ensuring adherence to safety protocols. Non-compliance results in PTW suspension until rectification, maintaining stringent safety standards.

D) Emergency Preparedness

Emergency preparedness is a cornerstone of the Occupational Health and Safety (OHS) Management System, comprising vital processes for anticipating and managing potential emergency situations. Our on-site Emergency Response Team (ERT) is tasked with implementing the Emergency Response Plan (ERP) in response to categorised emergencies. To ensure readiness and proficiency in our planned responses, we conduct drills at least once a year and review our ERPs as needed.

E) Communication makes workplace safer

Kelington places utmost importance on workplace safety and prioritises the well-being of employees and stakeholders. Our Occupational Health and Safety Communication, Participation, and Consultation Management Procedure Manual provide a comprehensive framework for fostering a culture of safety and accountability. Through this manual, we ensure that all stakeholders are informed about potential hazards and equipped with the knowledge and tools to prevent them, promoting effective communication and collaboration.

Our Safety and Health Working Group ensures dissemination of our Safety and Health Policy to suppliers and invites them to participate in awareness training programs. This aligns suppliers with our safety standards and helps identify and mitigate potential hazards in our supply chain. Employees and workers are actively involved in aspect and impact analysis, hazard identification, risk assessment, and incident investigations, promoting understanding and ownership of safety measures.

We have a robust incident and accident reporting procedure that mandates prompt reporting to line management and investigation by the safety and health department. Lessons learned from incidents are shared through toolbox meetings, facilitating preventive measures and swift action. Formal reviews of incidents occur at quarterly Safety, Health, and Environment (SHE) committee meetings and annual management review meetings, fostering continuous improvement in our safety and health initiatives. In FY2023, while no serious incidents were reported, five OSHE related reports were submitted and resolved internally, reflecting our commitment to proactive risk management.

Transparent Communication

Transparent communication is vital when addressing safety or health issues in the workplace. Kelington prioritises prompt and transparent communication to maintain trust and prevent further safety or health issues. Our biannual Safety and Health (S&H) Communication Reports are distributed to all employees and interested parties, detailing any accidents or incidents resulting in injuries or fatalities. These reports include information on safety leading indicators, incident details, root causes, and preventive measures. By fostering a culture of safety through open communication, we aim to address hazards proactively and prioritise safety for all. Transparent communication empowers employees to identify and mitigate potential hazards, enabling Kelington to effectively manage risks, prevent injuries and illnesses, and reduce associated costs.

F) Safety & Health Awareness and Competencies

Kelington acknowledges the pivotal role of training in mitigating workplace accidents. Our commitment to safety is reflected in regular safety training sessions and daily on-job training during toolbox meetings.

Topic of training sessions covered in year 2023 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
- Authorised Entrant and Standby Person
- Fire Watcher
- Flagman and Spotter
- Workplace Ergonomics
- Mobile Elevated Work Platform (MEWP)
- Health Awareness
- Scaffold Safety
- Electrical Safety and Equipment Use
- Rigging & Slinging

By monitoring training hours, we identify evolving training needs, enabling us to adapt programs to address emerging hazards effectively. In 2023, we conducted 4280.5 training hours in health and safety, benefiting 326 employees, underscoring our dedication to ensuring a safe working environment.

	Health & Safety		General Training which includes Safety	
Country	Total Training Hours	Total No. of Employee Trained	Total Training Hours	Total No. of Employee Trained
Malaysia	965	115	967	125
Singapore	2,379.5	145	3,457.0	274
China	846	63	1,601.0	325
Taiwan	90	3	38	2
Total	**4,280.5**	**326**	**6,063**	**726**





G) Safety Recognition Program

Kelington implements a Safety Recognition Program to honor employees who uphold workplace safety standards, offering tangible rewards and meaningful recognition for their achievements.

Additionally, we celebrate safe man hours, acknowledging employees for their exceptional safety performance and fostering a culture of safety and excellence. These initiatives not only show appreciation for employees' dedication but also motivate others to prioritise safety protocols and strive for excellence in their work.



H) Prioritise Employees' Health and Welfare

Kelington prioritises the health and welfare of its employees, a core aspect of our human capital strategy. In addition to mandatory pre-employment health screenings, we provide comprehensive healthcare coverage for employees and their eligible family members. We invest in the professional development of our workforce through various training opportunities, empowering them with new skills and knowledge.

To ensure the immediate well-being of our employees, we have established first aid rooms and deployed medical professionals at project sites. This proactive approach ensures easy access to medical attention whenever needed, further demonstrating our commitment to employee health and welfare.

Our Commitment to Global Health

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.

SUSTAINABILITY STATEMENT

Safety and Health Performance

Figure 1

	All Employees[1]			All workers who are not Employee[2]		
Work-related injuries	**FY2023**	**FY2022**	**FY2021**	**FY2023**	**FY2022**	**FY2021**
Number of fatality[3] as a result of work-related injury	**0**	0	0	**0**	0	0
Number of high-consequence work-related injury	**0**	0	0	**0**	0	0
Number of recordable work-related injury	**1**	2	1	**4**	2	2
Number of lost time injury[4]	**0**	0	0	**3**	0	0
Lost time incident rate	**0**	0	0	**0.12**	0	0
Number of hours worked	**1,741,838**	1,400,120	954,803	**5,158,312**	3,940,817	1,827,048

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.*

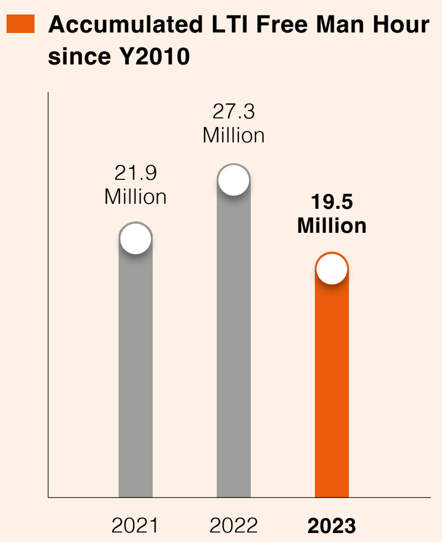


Figure 2

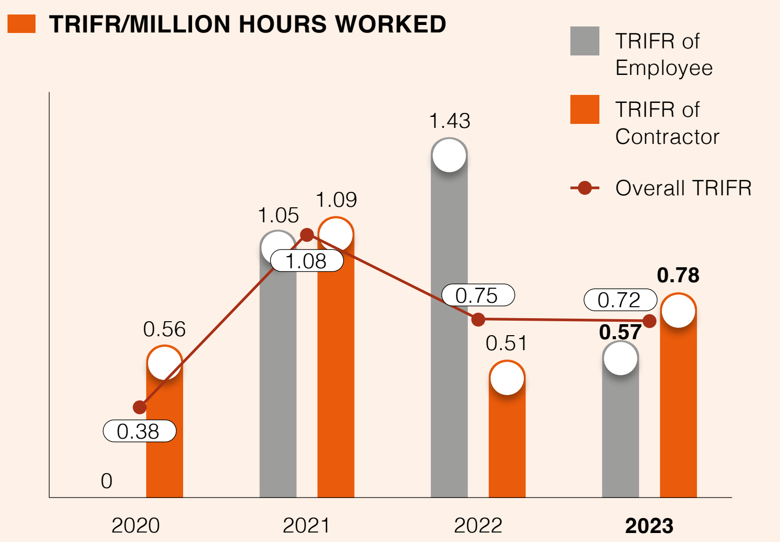


Figure 3

Our group has recently achieved a notable safety milestone by reaching zero fatalities and accomplished a total of 19.5 million safe man hours since Year 2010. In 2023, our Malaysia operation encountered a challenge with three Lost Time Injuries (LTIs), necessitating the reset of our previously attained milestone of 14 million LTI-free man-hours for Malaysia, resetting it to zero. Despite this setback, our commitment to safety remains resolute. We are proud to report zero fatalities, and we are actively reducing our Total Recordable Injury Frequency Rate (TRIFR), demonstrating our continuous progress toward achieving significant safety milestones.

Our Total Recordable Injury Frequency Rate (TRIFR) has demonstrated year-on-year improvement, decreasing from 0.75 per one million hours worked previously to 0.72 in FY2023. Additionally, our accident rate stands at 1.74 accidents for every 1,000 employees.

Our work-related injuries and TRIFR for both employees and non-employees are presented in Figure 1 and 3. The TRIFR is determined by dividing the total number of recordable work-related injuries by the total number of hours worked, then multiplying by one million hours. Our regional offices provide this information monthly, encompassing all Kelington employees and contractors, with no exclusions. Our health and safety data from Operation in Malaysia undergo verification by SHASSIC and Intertek.

Lost Time Injury

We regret to report that despite our utmost efforts, Kelington Group did not sustain a zero Lost Time Injury (LTI) rate for the year 2023. The recorded LTI rate for the year stands at 0.09, which, while commendable, does not meet our aspiration of achieving zero LTIs. The increase in the LTI rate to 0.09 can be attributed to various factors, notably the nature and extensive scale of our civil works in Malaysia. Moving forward, Kelington will take additional measures to improve LTI rate, including intensified safety training programs, enhanced risk assessment procedures, and stricter adherence to safety protocols on all our job sites. We recognise the importance of prioritising the safety and well-being of our employees above all else, and we remain dedicated to achieving our goal of zero LTIs in the future.

Recognition and Awards

We are delighted that our dedication to upholding elevated standards of quality, safety, and professionalism has been acknowledged through the CIDB SCORE program. The Construction Industry Development Board (CIDB) Malaysia has awarded Kelington's operations in Malaysia with a distinguished 4-star rating. One of our project sites in Malaysia underwent an Safety and Health Assessment System in Construction and attained a four-star rating with a score of 89%. In FY2023, our Kelington Group was privileged to receive safety accolades from esteemed customers, acknowledging our outstanding safety record. Additionally, we were presented with an appreciation certificate from DOSH for achieving 5 million safe man-hours at one of our project sites in Malaysia..

Furthermore, we were honored to receive the Premier GOLD Award in the 19th MOSHPA OSH Excellence Award for OSHE Management in EPCC. This prestigious accolade underscores our steadfast dedication to safeguarding the health and safety of our employees and all stakeholders engaged with our organisation.

Every award or expression of appreciation from our stakeholders serves as a testament to the tireless efforts and dedication of our entire team in upholding a safe and healthy work environment. We are steadfast in our commitment to maintaining the highest safety standards and will persist in prioritising the health and well-being of all individuals involved in our operations.




Our Singapore operation has been proudly acknowledged as a BizSAFE partner.

SI 6 Talent Management and Development

Target:
FY2024

Average Training Hours per employee **12 hours**

Maintain annual staff turnover rate **below 15%**

Progress:
FY2023

Average Training Hours per employee **15.5 hours**

Staff turnover rate **18.1%**

Base Year:
FY2019

Average Training Hours per employee **10.36 hours**

Staff turnover rate **8.9%**

Kelington's strength lies in the collective talent of our team. To nurture this asset, we prioritise maintaining a supportive work environment conducive to 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 organisation, including profitability, revenue, customer experience, employee retention, and more. Our Group Human Resources ("HR") function takes ownership of employee engagement initiatives and holds teams accountable.

Furthermore, we invest in comprehensive employee training programs to foster continuous growth and development. These initiatives aim to enhance the knowledge and skills of our workforce, keeping us agile and adaptable to industry dynamics. By enhancing the productivity of our employees, we strive to improve the efficiency and financial performance of the organisation.

As part of our commitment to sustained growth, we regularly evaluate our strategic talent management processes. This enables us to attract top-tier talent from the market and fill critical roles to advance our operations seamlessly. Additionally, it helps alleviate the workload for our employees, mitigating the risk of exhaustion and burnout.

Overall, Kelington's dedication to nurturing talent and fostering a supportive work culture underscores our commitment to excellence and sustainable growth.

Employee turnover rate

The turnover rate for Y2023 stands at 18.1%, with 115 permanent employees resigning out of total permanent workforce of 635 individuals. This increase in staff turnover rate within Kelington Group was primarily attributed to the operational adjustments made in Singapore, where the emphasis was placed on enhancing productivity. Throughout the year, a total of 52 staff in Singapore resigned, while 8 new hires were brought onboard.

We recognise that turnover can have various underlying causes, ranging from career advancement opportunities to workplace culture and management effectiveness. Moving forward, we remain committed to addressing the factors contributing to turnover and implementing strategies aimed at enhancing employee engagement, satisfaction, and retention.

"We keep employee engaged, motivated, productive and happy in a diverse workforce"

Great managers create engaged employees

At Kelington, we encourage two-way communication where employees feel comfortable sharing their ideas, concerns, and feedback. We regularly review and implement suggestions that are deemed feasible and beneficial. This approach ensures that employees feel valued and empowered, as their contributions are taken seriously by the company. As a result, we see a boost in employee morale and job satisfaction, as they witness their ideas making a tangible impact on the organisation's success.

We prioritise employee growth and development by offering regular performance evaluations. These evaluations help identify strengths and areas for improvement, fostering excellence in roles. Additionally, we facilitate ongoing dialogue between managers and employees to ensure continuous improvement and goal setting.

Positive Work Environment

At Kelington, we are dedicated to cultivating a culture deeply rooted in Diversity, Equity, and Inclusion (DEI), recognising and cherishing the diverse backgrounds, perspectives, and contributions of each member within our organisation. In line with our commitment to DEI principles, In FY2023, we organised a series of activities to bring together our diverse workforce and create an inclusive environment where everyone feels valued, respected, and empowered to thrive.

At Kelington, we believe that diversity is our strength, and unity is our power. That's why we are thrilled to share that our annual dinner is not just a celebration of another successful year – it's a vibrant showcase of the rich tapestry of cultures, backgrounds, and talents that make up our incredible workforce!

At Kelington, we're committed to fostering a culture of camaraderie, appreciation, and fun. What better way to celebrate our team's hard work and dedication than by indulging in one of nature's most unique and beloved fruits – the durian! This Durian Festival isn't just about savoring delicious fruit – it's about coming together as a team, creating lasting memories, and celebrating the unique flavors that make our workplace special.

At Kelington, our festival celebrations are much more than just moments of joy and merriment – they're powerful reminders of the rich tapestry of cultures, traditions, and beliefs that make our workplace thrive!

Our monthly birthday celebrations are more than just a party – they're an opportunity to strengthen bonds, foster a sense of belonging, and make each member of our team feel valued and appreciated.

Employee Benefits

At Kelington, we offer a comprehensive range of employee benefits designed to support our employees in achieving their best work-life balance and professional growth. Engineers on site or outstation enjoy various employee benefits tailored to their needs and roles such as provision for hostel and meal allowances, as well as transport arrangement. We provide insurance coverage and and out-patient medical coverage to ensure our employees have access to the care they need, promoting their health and well-being. We go beyond mere compliance by providing extensive benefits, including generous annual leave, participation in Employee Share Scheme, and performance-based bonuses.

For instance, our Group recorded a higher bonus awarded to our employees in FY2023 of RM23.0 million. This initiative not only recognises the hard work and dedication of our team members but also aligns their interests with the success and growth of Kelington Group. By providing these incentives and opportunities for financial participation, we aim to foster a culture of excellence, loyalty, and mutual success within our workforce.

Work-life balance

At Kelington, we prioritise the well-being of our employees by advocating for a healthy work-life balance through the provision of flexible work arrangements. We encourage our team members to embrace regular breaks and utilise their vacation time. By fostering an environment that values personal time and rejuvenation, we empower our team members to achieve optimal performance while maintaining harmony between their professional and personal lives.

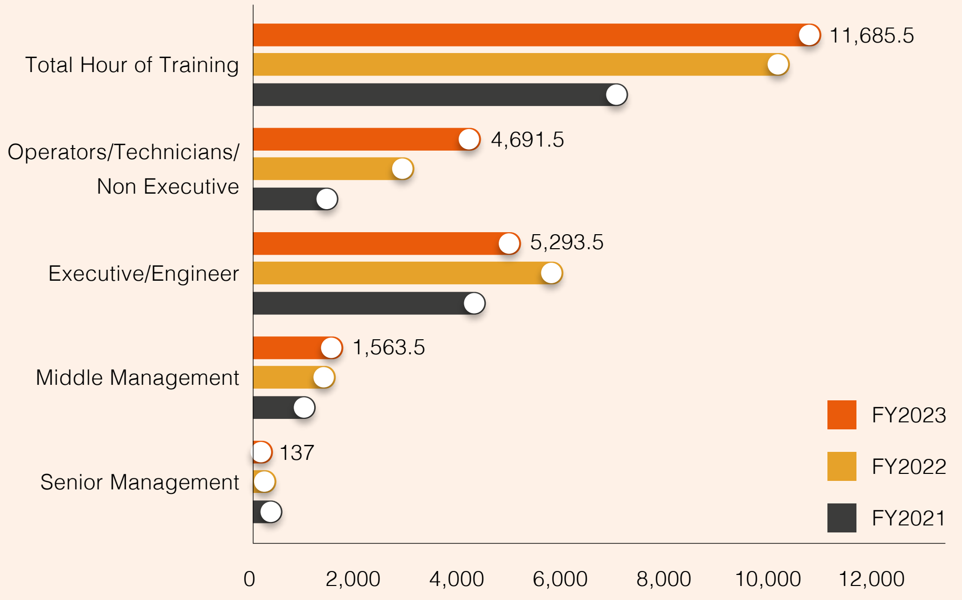
At Kelington, we believe in the power of exploration, adventure, and creating unforgettable memories. Our company trip is more than just a vacation – it's a testament to our commitment to fostering a culture of teamwork, appreciation, and adventure. By investing in experiences that bring us closer together, we strengthen our bonds, boost morale, and inspire creativity and collaboration in the workplace.

Opportunities for Growth and Development

At Kelington, we are committed to facilitating the growth and development of our employees by providing robust avenues for enhancing their skills, knowledge, and career paths. Through a variety of tailored training programs, engaging workshops, and enriching mentorship opportunities, we empower our team members to expand their expertise and reach their full potential. By investing in our employees' development, we not only strengthen our workforce but also foster a culture of continuous learning and advancement within our organisation.

In FY2023, our Group's training expenses totalled at RM450,000. All employees received at least one training in FY2023. In total, our employees completed more than 200 training sessions via online and offline channels. During the year, the Group clocked in a total of 11,686 training hours, translating to an average of 15.5 training hours for each employee.

Total Hour(s) of Training by Employee Category



Total Investment in Training

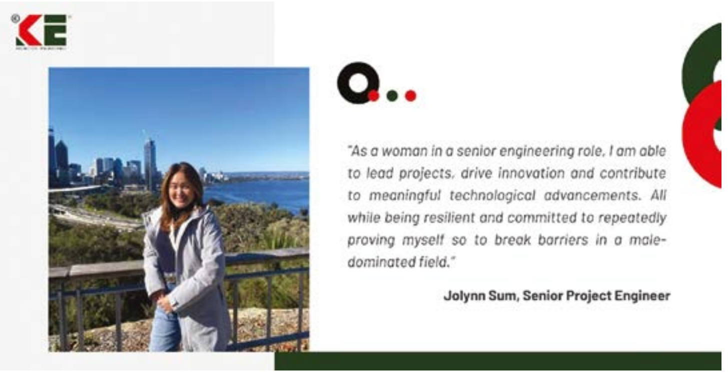
FY2023
RM450,000

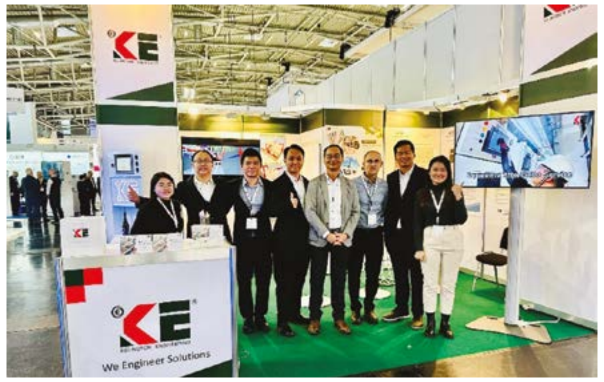
FY2022
RM426,000

FY2021
RM161,000

Recognition and Rewards

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. Rewards can be monetary (additional bonuses) or non-monetary (public recognition, extra time off, career development opportunities etc).





We celebrate milestones and recognising the dedication of our exceptional long-serving employees. 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.

Wellness initiatives

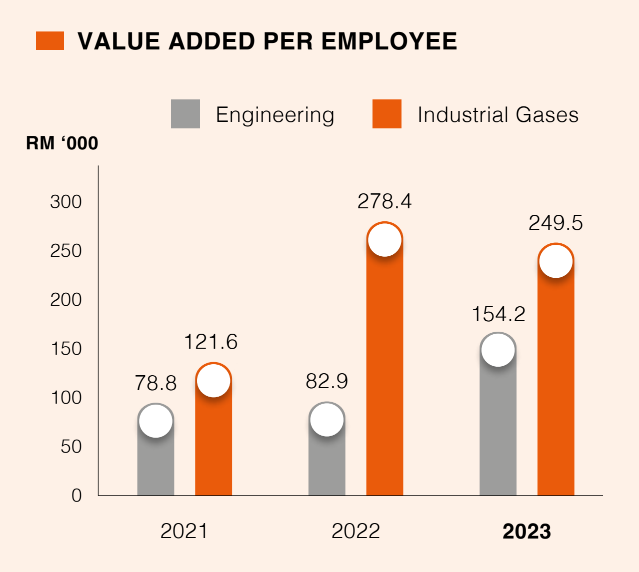
At Kelington, we are deeply committed to the well-being of our employees, recognising that physical, mental, and emotional health are essential for overall happiness and productivity. We ensure all employees have equal access and opportunities to participate, regardless of their individual circumstances. To uphold this commitment, we prioritise equity in every aspect of our event planning and proactively remove barriers that may hinder participation.

We understand the importance of fostering connections beyond office hours. That's why our bowling games and Escape Park adventures offer more than just fun – they're opportunities for our employees to come together, socialise, and build lasting connections in a relaxed environment.

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 FY2023, the Engineering division witnessed a remarkable 86% improvement in value added per employee, reaching RM154,151 per employee. This significant enhancement can be primarily attributed to optimised resource allocation and the pursuit of high-value projects. In contrast, our industrial gas division experienced a 10.4% decline in value added per employee, primarily due to increased headcounts and administration costs resulting from business expansion. The value added per employee was calculated by dividing the business's profit after tax (PAT) by its total number of employees.



SI 7 Diverse and Inclusive Workplace

Target:
FY2024
Female representative in total workforce (Executive level & above) **30%**
Female director on Board **30%**

Progress:
FY2023
Female representative in total workforce (Executive level & above)
28.6%
Female director on Board
20%

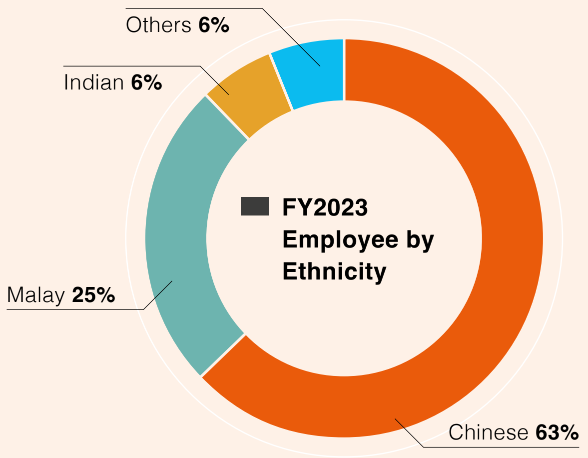
Base Year:
FY2020
Female representative in total workforce (Executive level & above) **22%**
Female director on Board **10%**

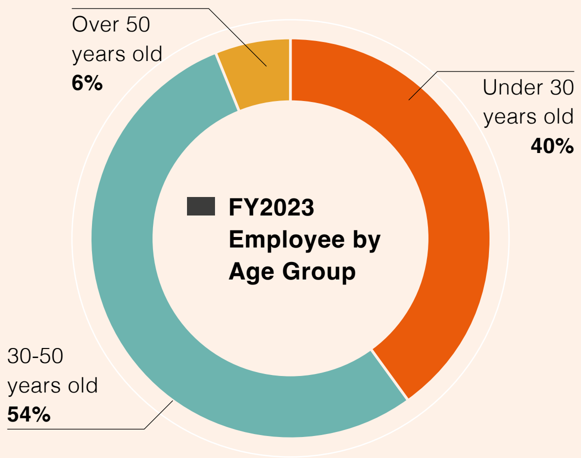
Kelington holds tightly the belief that employees are our most valuable asset and the key to growing a sustainable business is via employee empowerment. Therefore, we continue to promote and espouse diversity, non-discrimination, fair treatment and equal opportunity among our people to create a healthy,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

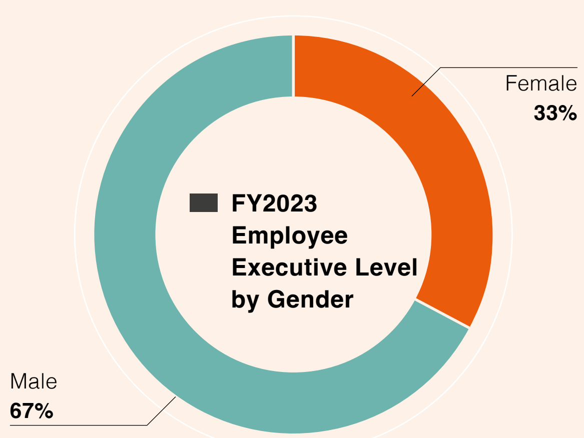
Kelington's Diversity, Equity and Inclusion Policy was updated in February 2023. KGB's diversity initiatives are applicable but not limited to our practices and policies on recruitment and selection; compensation and benefits; professional development and training; promotions; transfers; social and recreational 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.

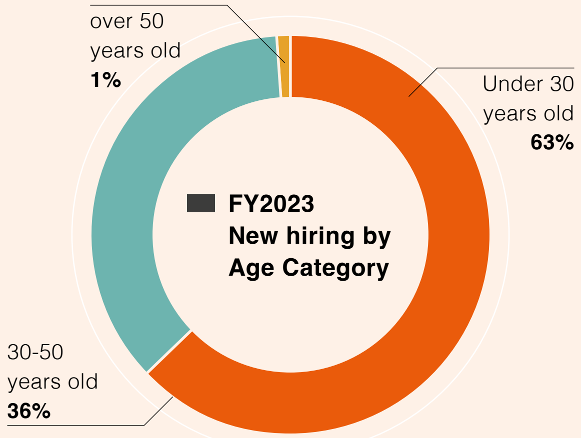
Detailed analysis of KGB's workforce is tabulated as below:-

	Unit of measure	FY2021		FY2022		FY2023	
No. of employee by employment type							
Full Time Employees	Number	417	85%	568	83%	**635**	**84%**
Contract Staff / Workers	Number	75	15%	113	17%	**121**	**16%**
Total Workforce	Number	492	100%	681	100%	**756**	**100%**
No. of full time employees resigned during the year	Number	56		110		**115**	
Permanent Employee Turnover Rate	%	11.84		16.22		**18.11**	
Total number of employee turnover by employee category							
Senior Management	Number	0		1		**0**	
Middle management	Number	3		2		**2**	
Engineers/ Executive	Number	17		43		**52**	
Operators/Technicians/ Non Executive	Number	36		64		**61**	
Employee Turnover Rate by geography							
Malaysia	%	9		11		**7**	
Singapore	%	18		16		**26**	
China	%	8		24		**20**	
Taiwan	%	11		0		**0**	
No. of employee with disability	Number	0		0		0	
No. of employee by gender							
Male	Number	380	77%	519	76%	**578**	**76%**
Female	Number	112	23%	162	24%	**178**	**24%**
No. of Female Employees by category							
Senior management	%	11		11		**11**	
Middle management	%	16		20		**19**	
Engineers/ Executive	%	29		31		**33**	
Operators/Technicians/ Non Executive	%	18		19		**18**	
Local Employment Rate							
Employees who are Local (Malaysian)	%	59		60		**61**	
No of employees who are foreigner (non Malaysian)	%	41		40		**39**	









- 63% of our workforce is of Chinese ethnicity, and 25% are Malay, showcasing the diversity of our talent pool.
- Kelington Group exhibits a diverse age demographic among its employees, with a majority falling between the ages of 30 and 50, and a significant portion being under 30 years old. This balance of experienced professionals and younger talent contributes to a dynamic and innovative work environment.
- At the executive level, our company boasts a workforce where women make up 33% of the team.
- We focus on hiring employees under 30 years old as part of our commitment to supporting youth. This helps empower the next generation, tackle youth unemployment, promote diversity, develop talent, and build sustainable communities. Our strategy aligns with government efforts to boost youth employment and demonstrates our commitment to social responsibility and economic development.

Percentage of employees by age group and employee category	Unit of measure	FY2021	FY2022	FY2023
Senior Management				
Under 30	%	0.00	0.00	**0.00**
Between 30-50	%	55.56	52.38	**52.60**
Above 50	%	44.44	47.62	**47.40**
Middle Management				
Under 30	%	6.45	5.68	**8.30**
Between 30-50	%	85.48	80.68	**84.40**
Above 50	%	8.07	13.64	**7.30**
Engineer/ Executive				
Under 30	%	53.87	56.89	**52.20**
Between 30-50	%	43.10	40.64	**45.00**
Above 50	%	3.03	2.47	**2.80**
Non-executive/ Technical Staff				
Under 30	%	33.71	35.98	**41.70**
Between 30-50	%	57.14	58.48	**54.70**
Above 50	%	9.15	5.54	**3.60**
Percentage of employees by gender and employee category				
Senior Management				
Male	%	88.89	90.48	**89**
Female	%	11.11	9.52	**11**
Middle Management				
Male	%	83.87	79.55	**81**
Female	%	16.13	20.45	**19**
Engineer/ Executive				
Male	%	70.69	69.26	**67**
Female	%	29.31	30.74	**33**
Non-executive/ Technical Staff				
Male	%	81.71	80.62	**82**
Female	%	18.29	19.38	**18**

SI 8

Respect Human Rights

Base Year:
FY2020

0 Number of Incidents.

100% Compliance

100% Compliance

Target:
FY2024

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

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.

Committed compliance and meet and/or exceed the minimum wage / meet living wage in each country of operations.

Progress:
FY2023

0 Number of Incidents.

100% Compliance

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 recognise 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 organisation. 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	Audits	Actions
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.	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 prioritise the findings from the audits, understand their challenges in complying to our guiding principles and form action plans to manage the compliance risk.	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 FY2023, 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

Expanding the reach of CSR initiatives guided by our Community Investment Policy.

Progress:
FY2023

3/4 Operational Locations engage in local community activities.

Base Year:
FY2021

2/4 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 FY2023, the total spending on community program and environmental conservation are recorded at RM125,135. 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. The local community programs conducted in FY2023 are as follows:-

Restore our amazing rainforest

Through the "ROAR Initiative" program, coordinated by APE Malaysia (Animal Projects & Environmental Education Sdn Bhd), Kelington contributes to the restoration of vital forest corridors that have suffered degradation due to deforestation. In FY2023, our participation in the ROAR program led to the planting of 200 trees at Lower Kinabatangan Wildlife Sanctuary.

Promoting Recycling practices in our Workplace

At Kelington Group Berhad, we prioritise the promotion of sustainable behaviors among our staff to mitigate our environmental impact and contribute to a greener future. As part of our environmental stewardship commitment, we actively encourage office-wide recycling initiatives.

To foster recycling practices, we have implemented several initiatives:

- √ Installation of recycling bins strategically placed throughout our office premises for convenient segregation of recyclable materials like paper, plastic, glass, and metal.
- √ 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.
- √ Collaborating with a reputable recycling company for responsible disposal and processing of collected recyclable materials, ensuring minimal waste and maximum resource efficiency.

Our dedication to promoting recycling practices among staff exemplifies Kelington Group Berhad's commitment to environmental sustainability and corporate social responsibility. Through these efforts, we aim to instill a culture of sustainability within our organisation and contribute positively to the environment.

Project Sambung Sekolah

"Project Sambung Sekolah" is a collaborative endeavor spearheaded by the Haematology Department of Hospital Ampang, in conjunction with The Max Foundation and Max Family Society Malaysia. The initiative aims to alleviate the educational burdens of economically disadvantaged children affected by chronic illnesses by offering financial aid for their schooling expenses.

For the third consecutive year, Kelington Group Berhad has continued its steadfast support for "Project Sambung Sekolah" through our CSR endeavors. Our sustained financial backing has enabled five deserving children to pursue their education, thereby easing the financial strain on their families.

Our ongoing involvement with "Project Sambung Sekolah" has brought about tangible improvements in the lives of the children and their families, providing them with access to education, financial relief, and a sense of empowerment. By instilling hope and demonstrating that their aspirations are attainable despite adversity, we are making a meaningful impact on their lives.

Kelington Group Berhad's enduring support for "Project Sambung Sekolah" underscores our commitment to effecting positive change in the community. Through our continued partnership with this initiative, we aim to create avenues for underprivileged children to access education and unlock their full potential, aligning with our broader CSR objectives.

Donation to Lion Befrienders Service Association

Kelington's operation in Singapore reaffirms its commitment to corporate social responsibility (CSR) through a significant donation of SGD25,000 to Lions Befrienders Service Association. Lions Befrienders aims to provide friendship and care to over 11,000 seniors in need, striving to enhance their lives by offering companionship, support, and a sense of belonging.

This contribution underscores our commitment to making a positive impact on the lives of others, especially vulnerable seniors facing social isolation and other challenges. By partnering with Lions Befrienders, we endeavor to address these issues by connecting seniors with vital services, resources, and social networks, thereby fostering a greater sense of community and belonging. Kelington Singapore's support for Lions Befrienders exemplifies our ongoing dedication to initiatives that promote social inclusion and well-being among Singapore's elderly population.

Through our CSR efforts, we aim to create meaningful change in the lives of seniors and contribute to the cultivation of a more compassionate and caring society.

Core Liver baby Program - Help poor children undergo liver transplant at Renji Hospital.

Kelington Shanghai remains steadfast in its commitment to corporate social responsibility by continuing its support for the "Core Liver Baby Program," spearheaded by the China Soong Ching Ling Foundation.

This initiative aims to facilitate life-saving liver transplantation surgeries for children in need at Renji Hospital, offering them the chance for improved health and a brighter future.

Kelington Shanghai proudly donated RMB 50,000 to bolster the "Core Liver Baby Program," reflecting our dedication to enhancing the well-being of underprivileged children and making a positive impact in the community.

Visiting Orphanage – Provide children with enough love and care

Orphanage homes serve as vital sanctuaries, offering essential care, shelter, and support to children facing adversity due to the loss of parental care or vulnerable circumstances. Recognising the pivotal role these institutions play, Kelington Group Berhad initiated a visit to Rumah Amal Kasih Bestari, a nurturing home situated in Kampung Melayu Subang, to engage with the children and contribute to their well-being.

During the visit, Kelington demonstrated its commitment to supporting the orphanage by generously donating gently used hydraulic chairs along with new bedsheets and blankets. This act of kindness directly impacted approximately 148 children aged 1 to 17 years old, providing them with the comfort and support they deserve.

Internship Placement

Kelington Group Berhad is dedicated to providing young talent with valuable opportunities to gain practical experience and develop essential skills in their chosen fields.

Our internship program offers students the chance to acquire technical knowledge and hands-on experience within their desired industry. Under the guidance of professionals, interns apply classroom theory to real-world projects and challenges, enhancing their skill sets and industry understanding.

Kelington Group Berhad's internship program has grown significantly, offering numerous students the chance to learn and grow within our organisation.

The program's positive impact is evident in both interns and the organisation. It bridges the gap between academic learning and practical application, equipping interns for successful careers. Additionally, the program injects fresh perspectives, innovative ideas, and energy into our organisation, contributing to our overall success and growth.

Kelington Group Berhad's internship program exemplifies our commitment to talent development, education support, and the cultivation of future professionals. Through hands-on experience, mentorship, and skill development, we empower interns to excel and make meaningful contributions to their chosen fields.

The internship placement in Kelington from year 2019 – 2023 is tabulated as below.

	Malaysia	Singapore	China	Taiwan	Total
2019	2	2	1	0	**5**
2020	2	0	3	0	**5**
2021	4	0	9	0	**13**
2022	10	6	6	0	**22**
2023	10	7	3	0	**20**
Total	**28**	**15**	**22**	**0**	**65**

PERFORMANCE DATA TABLE FROM ESG REPORTING PLATFORM

Indicator	Measurement Unit	2021	2022	2023
Bursa (Emissions management)				
Bursa C11(a) Scope 1 emissions in tonnes of CO2e	Metric tonnes	10,688.00	11,173.00	12,495.00
Bursa C11(b) Scope 2 emissions in tonnes of CO2e	Metric tonnes	2,270.00	3,004.00	3,807.00
Bursa C11(c) Scope 3 emissions in tonnes of CO2e (at least for the categories of business travel and employee commuting)	Metric tonnes	5,470.00	33,605.00	24,137.00
Disclosure of three years of Nitrous Oxides (NOx) emissions (tonnes)	Metric tonnes	0.00	0.00	0.00
Disclosure of three years of Sulphur Oxide (SOx) emissions (tonnes)	Metric tonnes	0.00	0.00	0.00
Disclosure of three years of Volatile Organic Compounds (VOCs) emissions (kilograms)	Kilograms	0.00	0.00	0.00
CO2 Equivalent Intensity Ratio	tCO2-e	1,252.00	763.00	492.00
Bursa (Waste management)				
Bursa C10(a) Total waste generated	Metric tonnes	200.00	717.00	422.00
Bursa C10(a)(i) Total waste diverted from disposal	Metric tonnes	39.00	61.00	47.00
Bursa C10(a)(ii) Total waste directed to disposal	Metric tonnes	161.00	656.00	375.00
Disclosure of three years of hazardous waste generation (tonnes)	Metric tonnes	27.00	38.00	33.00
Disclosure of three years of non-recycled waste generation (tonnes)	Metric tonnes	161.00	656.00	375.00
Disclosure of three years of waste recycled (tonnes)	Metric tonnes	39.00	61.00	47.00
Total costs of environmental fines and penalties during financial year	MYR	0.00	0.00	0.00
Percentage of sites covered by recognized environmental management systems such as ISO14001 or EMAS	Percentage	97.00	97.00	98.00
Waste Gas Reuse (Carbon Dioxide)	Metric tonnes	47,599.00	60,471.00	70,278.00
Non-Recycled Waste Intensity Ratio	Metric tonnes	4.60	10.50	3.40
Bursa (Energy management)				
Bursa C4(a) Total energy consumption	Megawatt	9,735.00	12,887.00	16,329.00
Electricity Intensity Ratio	Megawatt	906.00	664.00	452.00
Solar Power Generated	Megawatt	18.56	11.24	13.91
Bursa (Water)				
Bursa C9(a) Total volume of water used	Megalitres	25.730000	31.241000	76.813000
Does the company disclose the number of incidents of non-compliance with water quality/quantity permits, standards and regulations	Number	0	0	0
Three years of total water discharge data is disclosed by destination - Ocean	Cubic meters	0.00	0.00	0.00
Three years of total water discharge data is disclosed by destination - Surface water	Cubic meters	25,730.00	31,241.00	76,813.00
Three years of total water discharge data is disclosed by destination - Subsurface / well	Cubic meters	0.00	0.00	0.00
Three years of total water discharge data is disclosed by destination - Off-site water treatment	Cubic meters	0.00	0.00	0.00
Three years of total water discharge data is disclosed by destination - Beneficial / other use	Cubic meters	0.00	0.00	0.00

Internal assurance | External assurance | No assurance | (*)Restated

PERFORMANCE DATA TABLE FROM ESG REPORTING PLATFORM

Indicator	Measurement Unit	2021	2022	2023
Bursa (Water)				
Three years of total water discharge data is disclosed by destination - Total	Cubic meters	25,730.00	31,241.00	76,813.00
Three years of total water withdrawal data is disclosed by source - Surface water from rivers, lakes, natural ponds	Cubic meters	0.00	0.00	0.00
Three years of total water withdrawal data is disclosed by source - Groundwater from wells, boreholes	Cubic meters	0.00	0.00	0.00
Three years of total water withdrawal data is disclosed by source - Used quarry water collected in the quarry	Cubic meters	0.00	0.00	0.00
Three years of total water withdrawal data is disclosed by source - Municipal potable water	Cubic meters	25,730.00	31,241.00	76,813.00
Three years of total water withdrawal data is disclosed by source - External wastewater	Cubic meters	0.00	0.00	0.00
Three years of total water withdrawal data is disclosed by source - Harvested rainwater	Cubic meters	0.00	0.00	0.00
Three years of total water withdrawal data is disclosed by source - Sea water, water extracted from the sea or the ocean	Cubic meters	0.00	0.00	0.00
Three years of total water withdrawal data is disclosed by source - Total	Cubic meters	25,730.00	31,241.00	76,813.00
Water Intensity Ratio	Cubic meters	2,395.00	1,508.00	1,153.00
Bursa (Supply chain management)				
Bursa C7(a) Proportion of spending on local suppliers	Percentage	83.00	76.00	83.00
Bursa (Anti-corruption)				
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category				
Senior Management	Percentage	100.00	100.00	100.00
Middle Management	Percentage	100.00	100.00	100.00
Executive	Percentage	100.00	100.00	100.00
Non-executive/Technical Staff	Percentage	100.00	100.00	100.00
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	100.00	100.00	100.00
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	0	0	0
Disclosure of total amount of political contributions made	MYR	0.00	0.00	0.00
Disclosure of number of staff disciplined or dismissed due to non-compliance with anti-corruption policy/ policies	Number	0	0	0
Disclosure of cost of fines, penalties or settlements in relation to corruption	MYR	0.00	0.00	0.00

Internal assurance | External assurance | No assurance | (*)Restated

PERFORMANCE DATA TABLE FROM ESG REPORTING PLATFORM

Indicator	Measurement Unit	2021	2022	2023
Corporate Governance				
Number of Board Directors	Number	10	10	10
Number of independent Directors on the board	Number	5	5	5
Number of women on the board	Number	1	1	2
Annual General Meeting: Number of days between the date of notice and date of meeting	Number	32	54	52
Percentage of women on the Executive committee or equivalent.	Percentage	0.00	0.00	0.00
Number of fines/settlements over the previous 3 years where each is valued > US $100 million	Number	0	0	0
Combined total value of fines/settlements over the previous 3 years where each is valued > US $100 million	MYR	0.00	0.00	0.00
Customer Satisfaction Rate	Percentage	91.00	91.00	88.00
Bursa (Data privacy and security)				
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0	0	0
Bursa (Health and safety)				
Bursa C5(a) Number of work-related fatalities	Number	0	0	0
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	0.00	0.00	0.09
Bursa C5(c) Number of employees trained on health and safety standards	Number	492	389	326
Percentage of sites with OHSAS 18001 certification	Percentage	91.00	91.00	92.00
Number of work-related employee fatalities, over last 3 years	Number	0	0	0
Number of work-related contractor fatalities, over last 3 years	Number	0	0	0
Total Recordable Injury Frequency Rate (TRIFR)	Rate	1.08	0.75	0.72
Bursa (Labour practices and standards)				
Bursa C6(a) Total hours of training by employee category				
Senior Management	Hours	207	193	137
Middle Management	Hours	1,013	1,366	1,564
Executive	Hours	4,320	5,803	5,293
Non-executive/Technical Staff	Hours	1,470	2,888	4,692
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	15.24	16.59	16.00
Bursa C6(c) Total number of employee turnover by employee category				
Senior Management	Number	0	1	0
Middle Management	Number	3	2	2
Executive	Number	17	43	52
Non-executive/Technical Staff	Number	36	64	61
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	0	0	0
Average Training hours per employee	Hours	14	15	16
Total investment in training	MYR	161,000.00	426,000.00	450,000.00
Number of incident of unfair employment practices	Number	0	0	0
Employee Turnover Rate	Percentage	11.84	16.22	18.11

Internal assurance | External assurance | No assurance | (*)Restated

PERFORMANCE DATA TABLE FROM ESG REPORTING PLATFORM

Indicator	Measurement Unit	2021	2022	2023
Bursa (Diversity)				
Bursa C3(a) Percentage of employees by gender and age group, for each employee category				
Age Group by Employee Category				
Senior Management Under 30	Percentage	0.00	0.00	0.00
Senior Management Between 30-50	Percentage	55.60	52.40	52.60
Senior Management Above 50	Percentage	44.40	47.60	47.40
Middle Management Under 30	Percentage	6.50	5.70	8.30
Middle Management Between 30-50	Percentage	85.50	80.70	84.40
Middle Management Above 50	Percentage	8.00	13.60	7.30
Executive Under 30	Percentage	53.90	56.90	52.20
Executive Between 30-50	Percentage	43.10	40.60	45.00
Executive Above 50	Percentage	3.00	2.50	2.80
Non-executive/Technical Staff Under 30	Percentage	33.70	36.00	41.70
Non-executive/Technical Staff Between 30-50	Percentage	57.10	58.50	54.70
Non-executive/Technical Staff Above 50	Percentage	9.20	5.50	3.60
Gender Group by Employee Category				
Senior Management Male	Percentage	88.90	90.50	89.00
Senior Management Female	Percentage	11.10	9.50	11.00
Middle Management Male	Percentage	83.90	79.50	81.00
Middle Management Female	Percentage	16.10	20.50	19.00
Executive Male	Percentage	70.70	69.30	67.00
Executive Female	Percentage	29.30	30.70	33.00
Non-executive/Technical Staff Male	Percentage	81.70	80.60	82.00
Non-executive/Technical Staff Female	Percentage	18.30	19.40	18.00
Bursa C3(b) Percentage of directors by gender and age group				
Male	Percentage	90.00	90.00	80.00
Female	Percentage	10.00	10.00	20.00
Under 30	Percentage	0.00	0.00	0.00
Between 30-50	Percentage	0.00	0.00	0.00
Above 50	Percentage	100.00	100.00	100.00
Percentage of global staff with a disability.	Percentage	0.00	0.00	0.00
Percentage of women in the global workforce.	Percentage	22.80	23.80	23.50
Bursa (Community/Society)				
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	85,000.00	43,085.00	125,135.00
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	5	5	5

Internal assurance | External assurance | No assurance | (*) Restated

DIRECTORS' PROFILE

Age

60

Nationality

Gender

Male

IR. GAN HUNG KENG

Chairman/CEO

Length of Service

24 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 where he was 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.

Age

56

Nationality

Gender

Male

ONG WENG LEONG

Executive Director / COO

Length of Service

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

Age

56

Nationality

Gender

Male

SOO YUIT WENG

Senior Independent Non-Executive Director

Length of Service
11 years & 3 months

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.

DIRECTORS' PROFILE

Age

71

Nationality

Gender

Male

SOH TONG HWA

Non-Independent Non-Executive Director

Length of Service
4 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 obtained a Bachelor of Mechanical Engineering from the University of Portsmouth, United Kingdom in 1979.

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 President 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.

DIRECTORS' PROFILE

Age

67

Nationality

Gender

Male

CHAM TECK KUANG

Non-Independent Non-Executive Director

Length of Service
4 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.

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.

DIRECTORS' PROFILE

Age

63

Nationality

Gender

Male

HU KEQIN

Non-Independent Non-Executive Director

Length of Service
4 years and 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.

He graduated with a Bachelor of Engineering in Mechanical Engineering from Kunming University Science and Technology in 1982. In 1985, he obtained a Master in Engineering in Mechanical Engineering from Chongqing University.

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 is also a director of a few subsidiaries of the Company. He does not hold any other directorships in public as well as listed companies.

Age

72

Nationality

Gender

Male

NG MENG KWAI

Independent Non-Executive Director

Length of Service

1 year & 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.

DIRECTORS' PROFILE

Age

71

Nationality

Gender

Female

RAHIMA BEEVI BINTI MOHAMED IBRAHIM

Independent Non-Executive Director

Length of Service

1 year & 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 the Chairwoman of the Remuneration Committee, and a member of 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. In January 2024, she attained the designation of Associate Certified Coach (ACC), further demonstrating her commitment to excellence in coaching and mentoring.

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 Senior 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 was the Chief Executive Officer & Executive Director of Resolute Ingress Learning Consultancy Sdn Bhd since year 2016 to March 2024. She does not hold any other directorships of public companies and listed issuers.

DIRECTORS' PROFILE

Age

63

Nationality

Gender

Female

CHOW MEOW LUAN

Independent Non-Executive Director

Length of Service
8 months

Ms. Chow Meow Luan was appointed as an Independent Non-Executive Director of the Company on 31 August 2023. She is also a member of both Audit Committee and Nomination Committee.

She graduated in 1983 with a Bachelor of Economics (Hons) Accounting Major Monash University, Australia.

She has 38 years cumulative banking and corporate finance experience with considerable exposure to credit risk management and corporate finance consultancy. She has held various positions at Bank of America Malaysia Berhad (the "Bank") during a 17-year tenure since 1984, prior to joining BA Associates Sdn. Bhd. ("BA Associates") in 2002. Her last held position at the Bank was Vice President - Credit from 1995 to 2002, responsible for the credit risk management of the unit's key clients' portfolios. As a Principal at BA Associates, Ms. Chow Meow Luan was involved in providing corporate finance consultancy services including assisting clients in raising debt / equity capital as well as in mergers and acquisitions, until her retirement at the end of 2022.

She does not hold any other directorships of public companies and listed issuers.

DIRECTORS' PROFILE

Age

56

Nationality

Gender

Male

CHIN WEI MIN

Independent Non-Executive Director

Length of Service
8 months

Mr. Chin Wei Min was appointed as an Independent Non-Executive Director of the Company on 31 August 2023. He is also the Chairman of Risk Management Committee, and a member of Remuneration Committee.

He graduated in 1992 with the BEng (Hons) Aeronautical Engineering from University of Salford, United Kingdom.

He has more than 30 years of experience in financial services industry, particularly in business strategy formulation, large scale transformation as well as complex technology implementation program.

He was the Executive Director at the Securities Commission ("SC"), a capital market regulator in Malaysia between April 2016 and June 2022, where he oversaw the Digital Strategy and Innovation division. He played a pivotal role in shaping and implementing the industry's digital agenda at the SC.

He was formerly the Asia Pacific Managing Director for the Capital Market Industry at Accenture, a global leading management consulting, technology services and outsourcing firm.

As a member of the regional management team, he provided management oversight to various country capital market practices in APAC, where he would define the overall industry agenda, champion key business services offerings and drive key sales initiatives to meet corporate objectives.

In addition to his leadership and management roles, he also led numerous strategic transformation initiatives at some of the largest financial institutions in the region, including core investment management capability transformation at one of the largest financial groups in China, customer centricity transformation at one of the largest insurance groups in China, core exchange trading implementation at one of the largest exchanges in Asia, and advanced analytics capability design for one of the largest sovereign wealth funds in Asia.

He is currently the director and co-founder of Odigos Consultancy Sdn Bhd, a niche consulting firm which provides advisory services on complex regulatory issues involving FinTech industry development as well as capital market policies and regulation. He 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 138 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 pages 282 to 284 and pages 285 to 286 respectively, of this Annual Report.

KEY SENIOR MANAGEMENT'S PROFILE

JONG YU HUAT

Age: 53 | Nationality: Malaysian | Gender: 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: 56 | Nationality: Singaporean | Gender: 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 Europe, Hong Kong, Philippines and Indonesia.

In the course of managing Singapore's core business, where he utilises his expertise in semiconductor technologies such as detailed engineering of all UHP specialty gas delivery and bulk gas distribution systems, chemical and liquid delivery systems for the Semiconductor industry, he is also responsible in project and business development for Europe, Hong Kong and neighbouring countries, and supporting sisters companies in high-end electronics product development and marketing to overseas clients.

IR. ONG SENG HENG

Age: 45 | Nationality: Malaysian | Gender: Male

Ir. 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 oversees the operational management, business development and marketing initiatives in Malaysia specifically on Ultra High Purity Systems division, process plant engineering and general contracting projects. His expertise lies in detailed design, project and construction management of Semiconductor gas and chemical related projects and Process Plant Construction projects. He is also spearheading the expansion of business operations into East Malaysia by leading a subsidiary located in Kuching, Sarawak. He is also a registered Professional Engineer of Board of Engineers, Malaysia and member of The Institution of Engineers Malaysia.

SOO WEI KEONG

Age: 48 | Nationality: Malaysian | Gender: 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.

KEY SENIOR MANAGEMENT'S PROFILE

CHONG ANN TSUN

Age: 47 | Nationality: Malaysian | Gender: Male

Mr Chong Ann Tsun is the Chief Executive Officer of Ace Gases Group. Prior to assuming this pivotal role, he served as the General Manager of Ace Gases Marketing Sdn. Bhd. commencing in 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.

DAI HAIBIN

Age: 49 | Nationality: Chinese | Gender: Male

Mr Dai Haibin was appointed as the General Manager of Kelington Engineering (Shanghai) Co., Ltd. in December 2023. He obtained a Bachelor of Mechanical Engineering from Southwest Jiaotong University, Chengdu, China in 1997 and a Master of Science in Transportation Management & System from the National University of Singapore in 2004.

Prior to his role as the General Manager at Kelington Engineering (Shanghai) Co., Ltd., he held the position of Deputy General Manager since May 2021 and Senior Operation Manager from December 2017 to November 2020. Prior joining Kelington Engineering (Shanghai) Co., Ltd., he worked as a Senior Manager stationed in China at International Healthway Corporation, Singapore, from March 2014 to November 2017. He had more than 20 years of experience in the industry.

ALAN LIM CHUI BOON

Age: 42 | Nationality: Malaysian | Gender: Male

Mr. Alan Lim Chui Boon is the Operations Director at Ace Gases Group. Prior to this role, he served as the Operations Manager at 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 roles and positions such as Production Engineer, Project Engineer, Commissioning Manager, Project Manager, Facility Manager and Industrial Operations Manager which he is a Technical Expert in ASU Technologies, industrial gas plants operations, plant operations strategy management, plant optimisation and efficiency evaluation. In his current position, he is responsible for industrial gas system design, project implementation, operations management and technical support.

Notes to the Key Senior Management's Profile:

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

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

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

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

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

CORPORATE 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 (4th 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 2023 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 39 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 2023:

Practice 1.3	The positions of Chairman and CEO are held by different individuals
Practice 1.4	The Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.
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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The key focus areas of the Board in year 2023 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") 2024. (ii) In August 2023, the Board conducted a comprehensive review and extensive discussion on the strategic plan, assessing the progress made towards our objectives. The focal points of our deliberations encompassed enhancing Kelington's Sustainability Governance Structure & Compliance Framework to reinforce our commitment to responsible business practices. Additionally, paramount attention was dedicated to ensuring robust risk management practices across the organisation. Furthermore, the Board deliberated on strategies to optimise financial performance and attain sustainable competitive advantages. Our discussions were anchored in the pursuit of long-term value creation, aligning our endeavors with the overarching vision of propelling Kelington towards enduring success.
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 paid the second interim dividend of 1.5 sen per share for the FYE 31 December 2022 on 21 April 2023, and paid the first interim tax-exempt dividend of 1.5 sen per ordinary share for the FYE 31 December 2023 on 2 October 2023. (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. Notably, the Company had reviewed and approved revision of several key policies including the External Auditors Policy and Risk Management Policy to align with the MCCG 2021 and/or the MMLR; and the Diversity, Equity and Inclusion Policy to fostering, cultivating and preserving a culture of diversity, equity and inclusion. (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) Appointment of Independent Non-Executive Directors in adherence to the MCCG 2021. The Board conducted a thorough review of their backgrounds, skills, and experiences, meticulously evaluating their alignment with the broad Fit and Proper, as well as Independence criteria outlined in the Board Charter. (iv) Reviewed the related party transactions presented by the Management, to ensure that these RPTs are undertaken in the Company's best interest and not detriment to the minority shareholders interest and are done under fair and reasonable grounds and normal commercial terms. (v) Reviewed the whistleblowing incidents/cases of the Group (vi) Reviewed Annual Report, CG Report and Circular to Shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The key focus areas of the Board in year 2023 are as follows: (Cont'd)

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 FY2023, 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 FY2023. Furthermore, the performance assessment of Key Responsible Persons was assessed by the Executive Directors and presented at the NC meeting for review in FY2023, 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 2023, 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 had reviewed and discussed the ongoing ESG Integration Progress, prioritise 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. The Board reaffirmed its commitment to ESG principles and discussed several key actions including Integration of ESG in Decision-Making, ESG KPIs in Performance Evaluations, Inclusion of Sustainability/ESG Topics in Board Meetings and Biannual Review of Sustainability Initiatives. Kelington remains steadfast in its commitment to transparency and sustainability excellence. Continuing in alignment with the Enhanced Sustainability Reporting Requirements to disclose all common sustainability matters (together with the accompanying indicators), in our Annual Report for the year 2023. Furthermore, Kelington remains dedicated to disclosing the climate-related impacts in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Detailed information regarding the direct and indirect climate change-related impacts can be found in the sustainability report, spanning pages 24 to 103 of this Annual Report.

Looking ahead to 2024, the priorities of the Board will be in the following areas:

Financial & Operational Performance	The Board's unwavering commitment persists in nurturing the sustained financial well-being of the Company, concurrently cultivating avenues for growth. Hand in hand with our financial pursuits, we maintain a steadfast focus on operational excellence, ensuring that each facet of our operations operates at peak efficiency. Additionally, we remain vigilant in overseeing key operations and ongoing projects, meticulously monitoring progress. Aligned with our dedication to shareholder value, we maintain a proactive stance in the declaration of dividends. Upholding our dividend policy, which stipulates the distribution of at least 25% of the Group's net profit, the Board had proposed the declaration of second interim tax-exempt dividend of 2.5 sen per ordinary share for the FYE 31 December 2023 which is payable on 5 April 2024, underscores our unwavering commitment to meeting shareholders' expectations while fostering long-term value creation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Looking ahead to 2024, the priorities of the Board will be in the following areas: (Cont'd)

Board Balance, Composition and Diversity	The Board will continue to assess and enhance the balance, composition, and diversity of its members. This proactive approach ensures the Board remains effective in its oversight and decision-making capacities, reflecting diverse perspectives and expertise. Furthermore, the Board is dedicated to continuously evaluating the training needs of our directors and facilitating their participation in relevant professional development and upskilling programs in order to fulfill their fiduciary duties and effectively carry out their roles and responsibilities in guiding the Company's strategic direction and governance practices. This ongoing growth and development of Directors will bolster their capacity to contribute meaningfully to the success of the Company.
Sustainability	The Board will persist in benchmarking against industry peers, rigorously evaluating ESG risks and opportunities, and establishing targets for enhancement. Moreover, we are committed to elevating the prominence of ESG on the boardroom agenda, with board members playing an integral role in guiding the Company's comprehensive sustainability journey. This approach ensures alignment with best practices, fosters accountability, and drives meaningful progress towards our ESG objectives. As Kelington progresses along its sustainability journey, our dedication to excellence extends to enhancing our reporting practices and fostering continuous improvement. We are unwavering in our commitment to delivering enduring value to both our business and the communities we serve. In line with this commitment, we are proactively preparing for the anticipated adoption of sustainability disclosure standards by the International Sustainability Standards Board (ISSB). This forward-looking initiative underscores our resolve to align our reporting practices with globally recognised standards, thereby enhancing comparability and providing stakeholders with a more comprehensive understanding of our sustainability performance.
Corporate Governance and Compliance	The Board will continue to monitor corporate governance compliance and practices to align with the MCCG and Board policies. Additionally, the Board will also continue to conduct comprehensive reviews and deliberations on the Company's corporate governance development and practices, identifying areas for enhancement and implementing necessary improvements. The Board will maintain strict vigilance over related party transactions and conflicts of interest, emphasising full compliance with relevant rules and regulations. Furthermore, we will rigorously monitor adherence to our Anti-Bribery and Corruption Policy and other applicable rules and regulations. Our dedication to transparency and integrity remains unwavering as we strive to foster a culture of ethical conduct and accountability across the organisation.
Succession Planning	The Board will remain focus on effectively managing the transition of key leadership positions in the event of retirement, resignation, or unexpected departure to ensure business continuity and minimises disruptions during times of transition. Additionally, prioritise the ongoing development and sourcing of suitable trainings to enhance their skills and capabilities, and fostering a culture of continuous learning and growth.

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;
- 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)

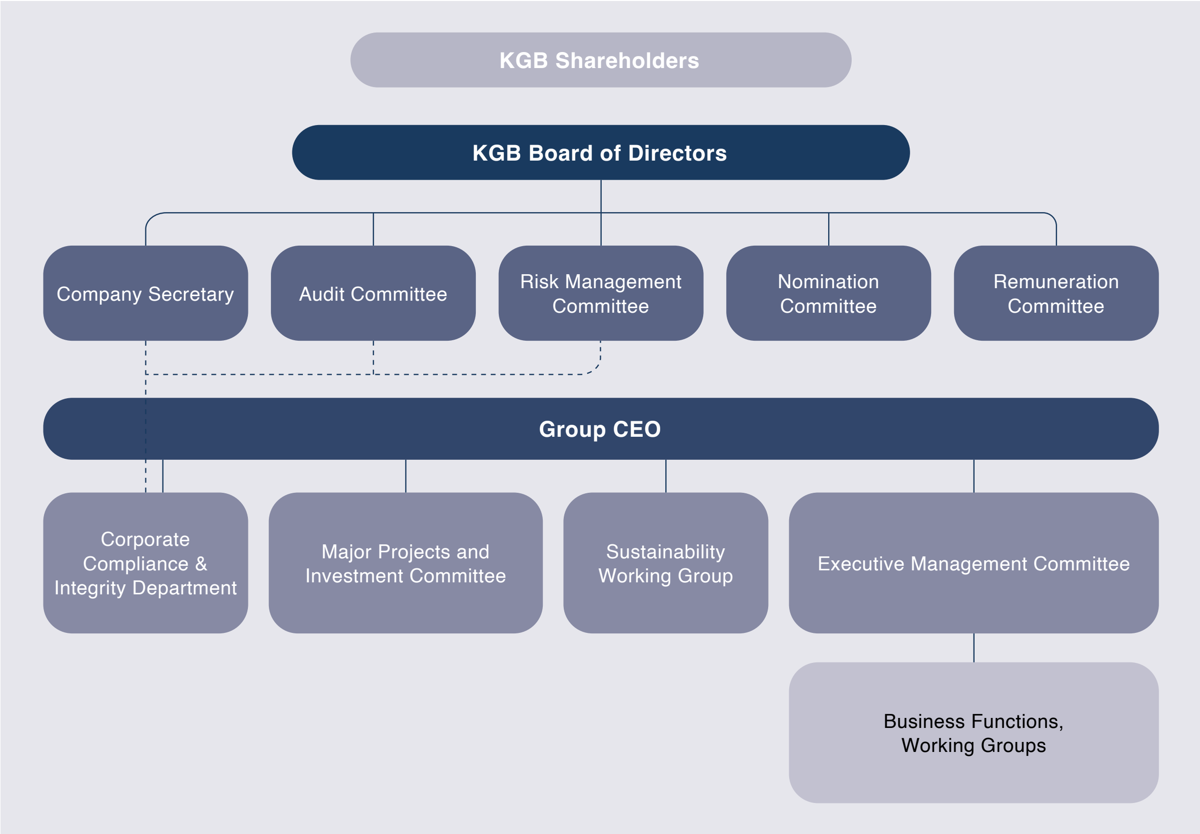
PART I – BOARD RESPONSIBILITIES (CONT'D)

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

PART I – BOARD RESPONSIBILITIES (CONT'D)

1. BOARD'S LEADERSHIP ON OBJECTIVES AND GOALS (CONT'D)

1.2 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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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.

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. The Board is also notified of any announcements released to Bursa Securities.

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

PART I – BOARD RESPONSIBILITIES (CONT'D)

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.

A copy of the Board Charter is available at the Company's corporate 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.

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.

A well-established process is in place whereby the Board, through the Audit Committee, regularly reviews and monitors conflicts of interest or potential conflicts of interest, including interests in any competing businesses. Directors holding significant commitments outside of Kelington Group are required to disclose them prior to appointment and on an ongoing basis whenever changes occur.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

PART I – BOARD RESPONSIBILITIES (CONT'D)

3. PROMOTING GOOD BUSINESS CONDUCT AND CORPORATE STRUCTURE (CONT'D)

3.2 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.

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 27 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.

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 FY2023 are structured around two pillars: managing impacts and delivering sustainable values.

Please refer to our sustainability targets and compliance framework on pages 33 to 34 and page 28 of this Annual Report.

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

PART I – BOARD RESPONSIBILITIES (CONT'D)

4. SUSTAINABILITY MANAGEMENT (CONT'D)

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 2023. In FY2023, 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 — it underscores the imperative to prioritise social risk and cybersecurity risk. Social risk encompasses factors such as workplace safety, human rights, supplier and contractor ethics, talent retention and community relations. Furthermore, cybersecurity risk is acknowledged as a critical component in safeguarding the Company's operations, data, and reputation in an increasingly digital landscape.

By actively addressing these ESG topics, including social and cybersecurity risks, the Board aims to fortify the Company's resilience, foster stakeholder trust, and create long-term sustainable value for all stakeholders. 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 and opportunities.

ESG discussions had been integrated into the boardroom agenda under the banner of the Sustainability Focus and permeated throughout the deliberations of the board in terms of the Company's strategies. We commit to conducting these discussions on a biannual basis, ensuring ESG remains a central focus and priority in our corporate governance framework.

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 35 for more information on the manner in which Kelington manages its sustainability matters.

4.4 Performance Evaluation

The Board Performance Evaluation Form which included the assessment of the Board's performance and effectiveness in addressing the Group's material sustainability risks and opportunities.

The Board, through the NC, has evaluated its performance in addressing the Group's strategic and business plans which promote sustainability materials matters in the financial year 2023.

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 2023. The NC had also conducted assessment of fit and proper of directors and other Key Responsible Persons. The Board is committed to ensuring 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.

Please refer to our progress against the achievement of sustainability targets on pages 33 to 34 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.

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

PART II – BOARD COMPOSITION

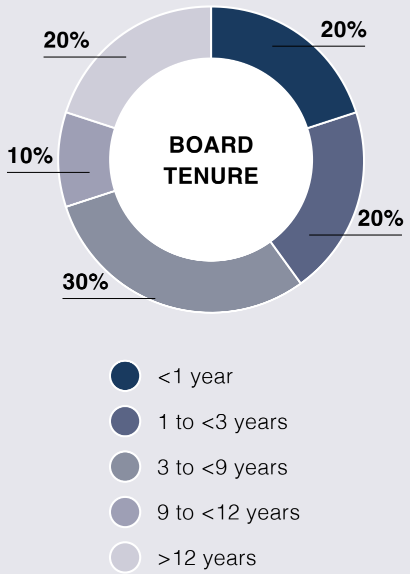
The Board has ten (10) members, comprising one (1) Executive Chairman, one (1) Executive Director, five (5) Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Directors.

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.

Board of Directors	Tenure
Ir. Gan Hung Keng Executive Chairman/Chief Executive Officer	24 years & 2 months
Ong Weng Leong Executive Director/Chief Operating Officer	19 years & 5 months
Soo Yuit Weng Senior Independent Non-Executive Director	11 years & 3 months
Soh Tong Hwa Non-Independent Non-Executive Director	4 years & 6 months
Cham Teck Kuang Non-Independent Non-Executive Director	4 years & 6 months
Hu Keqin Non-Independent Non-Executive Director	4 years & 6 months
Ng Meng Kwai Independent Non-Executive Director	1 year & 5 months
Rahima Beevi Binti Mohamed Ibrahim Independent Non-Executive Director	1 year & 2 months
Chin Wei Min Independent Non-Executive Director	8 months
Chow Meow Luan Independent Non-Executive Director	8 months



In view of the long serving Senior Independent Non-Executive Director, the Board shall review its composition in year 2024 and evaluate the need to bring new skills and perspectives to the boardroom.

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

PART II – BOARD COMPOSITION

5.2 Board Composition

Kelington was added to the FTSE4Good Bursa Malaysia Index and FTSE4Good Bursa Malaysia Shariah Index ("Indexes") since 20 December 2021 and also remained in the Indexes for FY2023, 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.

The NC reviews the composition of the Board periodically, to ensure effective oversight of management as well as to support objective and independent deliberation, review, and decision-making.

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 FY 2023 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 NC, 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 Mr. Soo Yuit Weng, Senior Independent Non-Executive Director ("SINED") of the Company who have served the Company for a cumulative term of more than 9 years and concluded that he has fulfilled the criteria under the definition of Independent Director as stated in the MMLR, and the NC was satisfied his performance and contribution to the Board. Accordingly, the Board concurred with the NC to seek shareholders' approval to retain Mr. Soo as SINED at the forthcoming 24th AGM, and the justifications are set out on page 292 of the Annual Report 2023.

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.

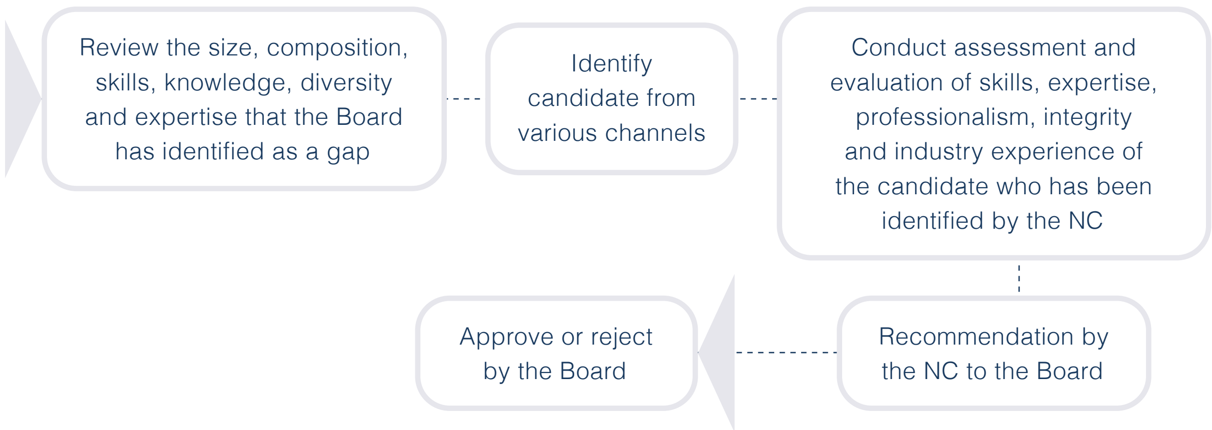
PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II – BOARD COMPOSITION

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.

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 Policy 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. In the course of identifying experienced, qualified and fit-for-purpose candidates, 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 FY2023, Mr. Tan Chuan Yong (a Senior Independent Non-Executive Director) and Ms. Ng Lee Kuan (an Independent Non-Executive Director) had resigned on 1 March 2023 and 31 August 2023 respectively. Consequently, three (3) new Independent Non-Executive Directors, Puan Rahima Beevi Binti Mohamed Ibrahim, Mr. Chin Wei Min and Ms. Chow Meow Luan ("New Directors") were appointed to the Board ("Appointments"). The Appointments followed the aforementioned procedure.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

PART II – BOARD COMPOSITION

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

The NC satisfied that the 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
- Puan Rahima Beevi Binti Mohamed Ibrahim (Independent Non-Executive Director) – Member
- Ms. Chow Meow Luan (Independent Non-Executive Director) – Member

Note:
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman has resigned as Director of the Company on 29 February 2024, and Ms. Chow Meow Luan (an Independent Non-Executive Director) was appointed as Member of NC to succeed Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman.

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 2023, 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 for a cumulative period of more than 9 years;
- 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;
- Reviewed and assessed the fit and proper assessment for Key Responsible Person;
- Assessed the training needs of the Directors; and
- Reviewed the composition of the Board and Board committees.

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

PART II – BOARD COMPOSITION

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 2023, the Board had 2 women Directors, Puan Rahima Beevi Binti Mohamed Ibrahim and Ms. Chow Meow Luan. This equates to 18% of the women directors on a board of 11 directors. Following the resignation of Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman as a Director of the Company on 29 February 2024, the Board now comprises 20% women Directors (FY2022: 10%). The Board is mindful of the target of at least 30% women directors and has already taken the step to increase women Director.

5.10 Diversity in Management Team

Kelington had a Diversity, Equity & Inclusion Policy in placed to create a work environment that is premised on gender and diversity equity which encourages and enforces: (i) respectful communication and co-operation between all employees and stakeholders; (ii) teamwork and employee participation; (iii) work/life balance through flexible work schedules to accommodate employees' varying needs. (iv) fairness and equal access to opportunities and resources within the organisation; and (v) employer and employee contributions to the communities we serve to promote a greater understanding and respect for the diversity.

Please refer to page 94 of this Annual Report for more information about our diverse and inclusive workplace.

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

PART II – BOARD COMPOSITION

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.

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 24th AGM and they have expressed their willingness to seek for re-election at the 24th AGM:

(i) Ir. Gan Hung Keng is subject to retirement by rotation pursuant to Clause 97 of the Company's Constitution;
(ii) Mr. Soo Yuit Weng is subject to retirement by rotation pursuant to Clause 97 of the Company's Constitution;
(iii) Mr. Soh Tong Hwa is subject to retirement by rotation pursuant to Clause 97 of the Company's Constitution;
(iv) Ms. Chow Meow Luan is subject to retirement pursuant to Clause 104 of the Company's Constitution; and
(v) Mr. Chin Wei Min 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 2024 for the retiring directors through the Directors' Evaluation Form set out in the Directors' Fit and Proper Policy, and 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 24th AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

PART II – BOARD COMPOSITION

6. OVERALL BOARD EFFECTIVENESS (CONT'D)

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 FY2023.

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.

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 FY2023. 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	–	–	–	–	1/1
Ong Weng Leong	5/5	–	–	–	–	1/1
Vice Admiral (Retired) Datuk Haji Jamil Bin Haji Osman [(1)]	4/5	–	–	1/1	1/1	1/1
Tan Chuan Yong [(2)]	1/1	1/1	–	1/1	1/1	–
Soo Yuit Weng	5/5	5/5	–	1/1	1/1	1/1
Ng Lee Kuan [(3)]	4/4	4/4	1/1	–	–	1/1
Cham Teck Kuang	5/5	–	2/2	–	–	1/1
Hu Keqin	4/5	–	2/2	–	–	1/1
Soh Tong Hwa	5/5	–	2/2	–	–	1/1
Ng Meng Kwai	5/5	5/5	–	–	–	1/1
Rahima Beevi Binti Mohamed Ibrahim [(4)]	4/4	–	–	–	–	1/1
Chin Wei Min [(5)]	1/1	–	1/1	–	–	–
Chow Meow Luan [(6)]	1/1	1/1	–	–	–	–

Notes:
(1) Vice Admiral (Retired) Datuk Haji Jamil Bin Haji Osman was resigned as an Independent Non-Executive Director, Chairman of RC and Member of NC on 29 February 2024.
(2) Mr. Tan Chuan Yong was resigned as an Independent Non-Executive Director and Members of both AC and NC on 1 March 2023.
(3) Ms. Ng Lee Kuan was resigned as an Independent Non-Executive Director and Chairman of Risk Committee on 31 August 2023.
(4) Puan Rahima Beevi Binti Mohamed Ibrahim was appointed as an Independent Non-Executive Director and Members of both NC and RC on 1 March 2023.
(5) Mr. Chin Wei Min was appointed as an Independent Non-Executive Director and Chairman of Risk Committee on 31 August 2023.
(6) Ms. Chow Meow Luan was appointed as an Independent Non-Executive Director and Member of Audit Committee on 31 August 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

6. OVERALL BOARD EFFECTIVENESS (CONT'D)

6.3 Board Commitment (Cont'd)

During the FY2023, 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	Asia Pacific Board Leadership Centre Webinar: 2023 Board and Audit Committee Priorities organised by KPMG.	6 July 2023
	Untold Story of Chip War Webinar: The Underestimated Impact of Export Controls organised by NIKKEI Inc.	20 July 2023
	Webinar on Corporate Governance and Corporate Value – Needed Tool or Necessary Bane? organised by BoardRoom.	26 July 2023
	Mandatory Accreditation Programme Part II: Leading for Impact (Virtual) organised by Institute of Corporate Directors Malaysia (ICDM).	22 August 2023 & 23 August 2023
	The Joint Committee on Climate Change (JC3) Journey to Zero Conference 2023.	23 October 2023
Ong Weng Leong	Asia Pacific Board Leadership Centre Webinar: 2023 Board and Audit Committee Priorities organised by KPMG.	6 July 2023
	Webinar on Corporate Governance and Corporate Value – Needed Tool or Necessary Bane? organised by BoardRoom.	26 July 2023
	Mandatory Accreditation Programme Part II: Leading for Impact (Virtual) organised by Institute of Corporate Directors Malaysia (ICDM).	7 August 2023 – 10 August 2023
	Competency Essential to Jumpstarting Actionable ESG Webinar: Carbon Footprint – How to Start and Using the Data? organised by Federation of Malaysian Manufacturers.	6 September 2023
	JC3 Journey to Zero Conference 2023 (Virtual).	23 October 2023 – 25 October 2023
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	ICDM PowerTalk: Advancing Cyber Resilience: The Cyber Risk Framework & Top 3 Principles for Boards organised by Institute of Corporate Directors Malaysia.	25 May 2023
	Asia Pacific Board Leadership Centre Webinar: 2023 Board and Audit Committee Priorities organised by KPMG.	6 July 2023
	Talk on "Board Oversight of Climate Risks and Opportunities" via Zoom organised by The Iclif Executive Education Center.	10 October 2023

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

PART II – BOARD COMPOSITION

6. OVERALL BOARD EFFECTIVENESS (CONT'D)

6.3 Board Commitment (Cont'd)

Name of Director	Course Attended	Date
Soo Yuit Weng	Talk on "Board Oversight of Climate Risks and Opportunities" via Zoom organised by The Iclif Executive Education Center.	10 October 2023
	Webinar on E-Invoicing by Chartered Tax Institute of Malaysia (CTIM) - Is Your Business Ready for New Regulations.	16 October 2023
	MIA Webinar Series: Fundamentals of impairment concept used in MFRS.	22 November 2023
	MIA Webinar Series: Transfer pricing documentation and compliance	29 November 2023
Soh Tong Hwa	Webinar on Corporate Governance and Corporate Value – Needed Tool or Necessary Bane? organised by BoardRoom.	26 July 2023
Hu Keqin	ICDM PowerTalk (Virtual): Advancing Cyber Resilience: The Cyber Risk Framework & Top 3 Principles for Boards organised by Institute of Corporate Directors Malaysia.	25 May 2023
	Webinar on Corporate Governance and Corporate Value – Needed Tool or Necessary Bane? organised by BoardRoom.	26 July 2023
	Mandatory Accreditation Programme Part II: Leading for Impact (Virtual) organised by Institute of Corporate Directors Malaysia (ICDM).	22 August 2023 & 23 August 2023
Cham Teck Kuang	ICDM PowerTalk (Virtual): Advancing Cyber Resilience: The Cyber Risk Framework & Top 3 Principles for Boards organised by Institute of Corporate Directors Malaysia.	25 May 2023
	Webinar on Corporate Governance and Corporate Value – Needed Tool or Necessary Bane? organised by BoardRoom.	26 July 2023
	Mandatory Accreditation Programme Part II: Leading for Impact (Virtual) organised by Institute of Corporate Directors Malaysia (ICDM).	22 August 2023 & 23 August 2023
Ng Meng Kwai	2023 Budget Seminar organised by Chartered Tax Institute of Malaysia (CTIM).	23 March 2023
	Asia Pacific Board Leadership Centre Webinar 2023 Board and Audit Committee Priorities organised by KPMG.	6 July 2023
	MIA Webinar on ISQM 1: Challenges Faced, Obstacles Overcame and Lesson Learnt.	3 August 2023
	MIA Webinar Series: The Essentials on Impairment, Intangibles, Provisions and Accounting Estimates.	4 September 2023
	Case Study – Based MFRS Webinar by MIA – Technical Update 2023 on IFRS Accounting Standards Including IFRS Sustainability Standards.	4 October 2023
	Webinar on E-Invoicing by CTIM - Is Your Business Ready for New Regulations.	16 October 2023
	2024 Budget Seminar organised by CTIM.	21 November 2023
	KPMG Webinar - MFRS Updates 2023	7 December 2023

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

PART II – BOARD COMPOSITION

6. OVERALL BOARD EFFECTIVENESS (CONT'D)

6.3 Board Commitment (Cont'd)

Name of Director	Course Attended	Date
Rahima Beevi Binti Mohamed Ibrahim (1)	ICDM PowerTalk (Virtual): Advancing Cyber Resilience: The Cyber Risk Framework & Top 3 Principles for Boards organised by Institute of Corporate Directors Malaysia.	25 May 2023
	Bursa Malaysia Mandatory Accreditation Programme Part I (Virtual).	31 May 2023 – 2 June 2023
	Asia Pacific Board Leadership Centre Webinar: 2023 Board and Audit Committee Priorities organised by KPMG.	6 July 2023
	JC3 Journey to Zero Conference 2023.	23 October 2023
	Certified Master Performance Coach Program by JMC Coach Mastery Academy (ICF Accredited Coaching Education).	7 August 2023 – 10 November 2023
Ng Lee Kuan (2)	Asia Pacific Board Leadership Centre Webinar 2023 Board and Audit Committee Priorities organised by KPMG	6 July 2023
	Webinar on Corporate Governance and Corporate Value – Needed Tool or Necessary Bane? organised by BoardRoom	26 July 2023
	National Integrity Forum 2023: "Leading Governance with Integrity" organised by Malaysian Alliance of Corporate Directors (MACD) and The Malaysian Institute of Integrity (IIM)	31 July 2023
Chow Meow Luan (3)	Bursa Malaysia Mandatory Accreditation Programme Part I (Virtual).	9 October 2023 & 10 October 2023
	KPMG Webinar - MFRS Updates 2023.	7 December 2023
Chin Wei Min (3)	Talk on "Board Oversight of Climate Risks and Opportunities" via Zoom organised by The Iclif Executive Education Center.	10 October 2023
	JC3 Journey to Zero Conference 2023.	23 October 2023
	Bursa Malaysia Mandatory Accreditation Programme Part I.	24 October 2023

Notes:
(1) Puan Rahima Beevi Binti Mohamed Ibrahim was appointed as an Independent Non-Executive Director on 1 March 2023.
(2) Ms. Ng Lee Kuan was resigned as an Independent Non-Executive Director on 31 August 2023.
(3) Ms. Chow Meow Luan and Mr. Chin Wei Min were appointed as Independent Non-Executive Directors on 31 August 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.

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

PART III – REMUNERATION

6. LEVEL AND COMPOSITION OF REMUNERATION

6.1 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:

- Puan Rahima Beevi Binti Mohamed Ibrahim (Independent Non-Executive Director) - Chairwoman
- Mr. Soo Yuit Weng (Senior Independent Non-Executive Director) – Member
- Mr. Chin Wei Min (Independent Non-Executive Director) - Member

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

6.2 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

PART III – REMUNERATION

7. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

7.1 Detailed Disclosure of Directors' Remuneration

The remuneration of Non-Executive Directors is in the form of Directors' Fees, which reflects the diverse experience, skill sets and the level of responsibilities of the Non-Executive Directors. In addition, the Non-Executive Directors are also paid 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 2023 are as follows:

COMPANY LEVEL	Fee (RM)	Salary & Allowance (RM)	Bonus (RM)	EPF (RM)	SOCSO (RM)	Share Based Payment (RM)	Benefits-in-kind (RM)	Gratuity Payment (RM)	Total (RM)
Executive Directors									
Ir. Gan Hung Keng	-	795,439	735,212	95,328	1,159	194,371	28,000	3,045,200 (5)	4,894,709
Ong Weng Leong	-	764,400	707,447	91,728	1,159	194,371	28,000	2,420,600 (5)	4,207,705
Total	-	1,559,839	1,442,659	187,056	2,318	388,742	56,000	5,465,800	9,102,414
Non-Executive Directors									
Tan Chuan Yong (1)	9,677	-	-	-	-	8,835	-	-	18,512
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	50,600	-	-	-	-	8,835	-	-	59,435
Soo Yuit Weng	57,460	-	-	-	-	8,835	-	-	66,295
Ng Lee Kuan (2)	34,533	-	-	-	-	8,835	-	-	43,368
Rahima Beevi Binti Mohamed Ibrahim (3)	43,367	-	-	-	-	-	-	-	43,367
Chin Wei Min (4)	17,267	-	-	-	-	-	-	-	17,267
Chow Meow Luan (4)	17,267	-	-	-	-	-	-	-	17,267
Ng Meng Kwai	51,400	-	-	-	-	-	-	-	51,400
Cham Teck Kuang	-	-	-	-	-	-	-	-	-
Hu Keqin	-	-	-	-	-	-	-	-	-
Soh Tong Hwa	-	-	-	-	-	-	-	-	-
Total	281,571	-	-	-	-	35,340	-	-	316,911
Total Directors' Remuneration	281,571	1,559,839	1,442,659	187,056	2,318	424,082	56,000	5,465,800	9,419,325

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

PART III – REMUNERATION

7. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT (CONT'D)

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

Details of the Directors' remuneration (including benefits-in-kind) of each Director during the financial year 2023 are as follows: (Cont'd)

GROUP LEVEL	Fee (RM)	Salary & Allowance (RM)	Bonus (RM)	EPF (RM)	SOCSO (RM)	Share Based Payment (RM)	Benefits-in-kind (RM)	Gratuity Payment (RM)	Total (RM)
Executive Directors									
Ir. Gan Hung Keng	-	795,439	735,212	95,328	1,159	194,371	28,000	3,045,200 [5]	4,894,709
Ong Weng Leong	-	764,400	707,447	91,728	1,159	194,371	28,000	2,420,600 [5]	4,207,705
Total	-	1,559,839	1,442,659	187,056	2,318	388,742	56,000	5,465,800	9,102,414
Non-Executive Directors									
Tan Chuan Yong [1]	9,677	-	-	-	-	8,835	-	-	18,512
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	50,600	-	-	-	-	8,835	-	-	59,435
Soo Yuit Weng	57,460	-	-	-	-	8,835	-	-	66,295
Ng Lee Kuan [2]	34,533	-	-	-	-	8,835	-	-	43,368
Rahima Beevi Binti Mohamed Ibrahim [3]	43,367	-	-	-	-	-	-	-	43,367
Chin Wei Min [4]	17,267	-	-	-	-	-	-	-	17,267
Chow Meow Luan [4]	17,267	-	-	-	-	-	-	-	17,267
Ng Meng Kwai	51,400	-	-	-	-	-	-	-	51,400
Cham Teck Kuang	-	673,048	168,262	36,066	-	194,371	-	-	1,071,747
Hu Keqin	-	677,127	168,262	46,576	-	194,371	-	-	1,086,336
Soh Tong Hwa	-	690,320	544,554	81,788	743	194,371	28,000	-	1,539,776
Total	281,571	2,040,495	881,078	164,430	743	618,453	28,000	-	4,014,770
Total Directors' Remuneration	281,571	3,600,334	2,323,737	351,486	3,061	1,007,195	84,000	5,465,800	13,117,184

Remarks:
(1) Resigned on 1 March 2023
(2) Resigned on 31 August 2023
(3) Appointed on 1 March 2023
(4) Appointed on 31 August 2023
(5) At the 23rd AGM held on 21 June 2023, the Company obtained approval from the shareholder of the Company to grant a performance-based retirement gratuity payment to Ir. Gan Hung Keng and Ong Weng Leong. The amount stated above is the provision amount as at 31 December 2023.

7.2 Remuneration of Top Five (5) Senior Management

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

8. 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 2023, are set out in the AC Report on pages 150 to 154 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

8. AUDIT COMMITTEE (CONT'D)

Relationships with the External Auditors (Cont'd)

In this regard, the AC had, on 26 April 2024, 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 2023. 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 FY2023 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 24th AGM.

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

PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

9. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board oversees, reviews, and monitors the operation, adequacy, and effectiveness of the Group's system of internal controls. The Board defines the level of risk appetite 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 155 of this Annual Report.

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

PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

10. GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board has outsourced the internal audit function to an independent assurance provider, namely 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.

The Statement on Risk Management and Internal Control as included on page 155 of this Annual Report provides the overview of the internal control framework adopted by the Company during the financial year ended 31 December 2023.

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

PART I – COMMUNICATION WITH STAKEHOLDERS

11. CONTINUOUS COMMUNICATION BETWEEN COMPANY AND STAKEHOLDERS

The Group recognises the importance of prompt and timely dissemination of information to the shareholders and the investors, in order for these stakeholders to be able to make informed investment decisions. Towards this 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

PART II – CONDUCT OF GENERAL MEETINGS

12. 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 during 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 23rd AGM held on 21 June 2023. 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 23rd AGM of the Company held on 21 June 2023 was 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.

Dvote Services Sdn. Bhd. ("Dvote") was appointed as the Poll Administrator for the 23rd AGM 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. Dvote Online has gone through penetration and stress test throughout the years 2020 to 2023, and we have performed numerous meetings throughout these years. 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 23rd AGM held in 21 June 2023, 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 23rd AGM.

The minutes of the 23rd AGM 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 23rd AGM.

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 26 April 2024.

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.

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 2023. 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)(i) of the MMLR.

A total of 5 meetings were held in Financial Year 2023 ("FY2023"). The AC members and details of attendance of each member at the AC meetings held during the FY2023 are as follows:

Audit Committee	Meeting Attendance
Soo Yuit Weng *(Senior Independent Non-Executive Director) Chairman*	5/5
Tan Chuan Yong *(Independent Non-Executive Director) Member* [(a)]	1/1
Ng Lee Kuan *(Independent Non-Executive Director) Member* [(b)]	4/4
Ng Meng Kwai *(Independent Non-Executive Director) Member*	5/5
Chow Meow Luan *(Independent Non-Executive Director) Member* [(c)]	1/1

Note:
(a) Resigned as the AC Member on 1 March 2023.
(b) Resigned as the AC Member on 31 August 2023.
(c) Appointed as the AC Member on 31 August 2023.

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 2023.

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 2023. 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 FY2023 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 FY2024 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 on a quarterly basis to ensure that they were not detrimental to the interests of the minority shareholders;

(c) Reviewed potential conflict of interest situations (if any) that may arise and the measures identified to resolve, eliminate, or mitigate the conflict of interest on a quarterly basis;

(d) 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;

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES OF THE FINANCIAL YEAR (CONT'D)

Overseeing the Governance Practices in the Group: (Cont'd)

(e) Reviewed and verified the allocation of shares under the Employee Share Scheme;

(f) Review the revised External Auditors Policy to be in line with the MMLR and MCCG 2021;

(g) Reviewed the revised ToR of the AC to be in line with the MMLR and the MCCG 2021;

(h) Reviewed whistleblowing report; and

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

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

(a) Reviewed and approved the 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 2023, the outsourced IA function undertook review on the following businesses of the Group:

Entity	Scope of Internal Audit
Ace Gases Group	• Pandemic risks • Business Sustainability • Market risks • Failure in production facility • Contract risks • Non-compliance to rules & regulations • Compliance risk & testing of Internal controls
Kelington System Integration - Chu Zhou	• Governance Review • Sales & marketing functions • Project Management • Supply Chain Management • Inventory Management • Financing & Liquidity • Compliance risk & testing of Internal controls • Special review to validate allegations

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 RM97,000 for the FYE 31 December 2023.

The AC Report was approved by the Board on 26 April 2024.

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 2023. 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.

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.

The Board is assisted by the AC, which is empowered by its terms of reference to ensure independent oversight of internal control and risk management. 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. 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.

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.

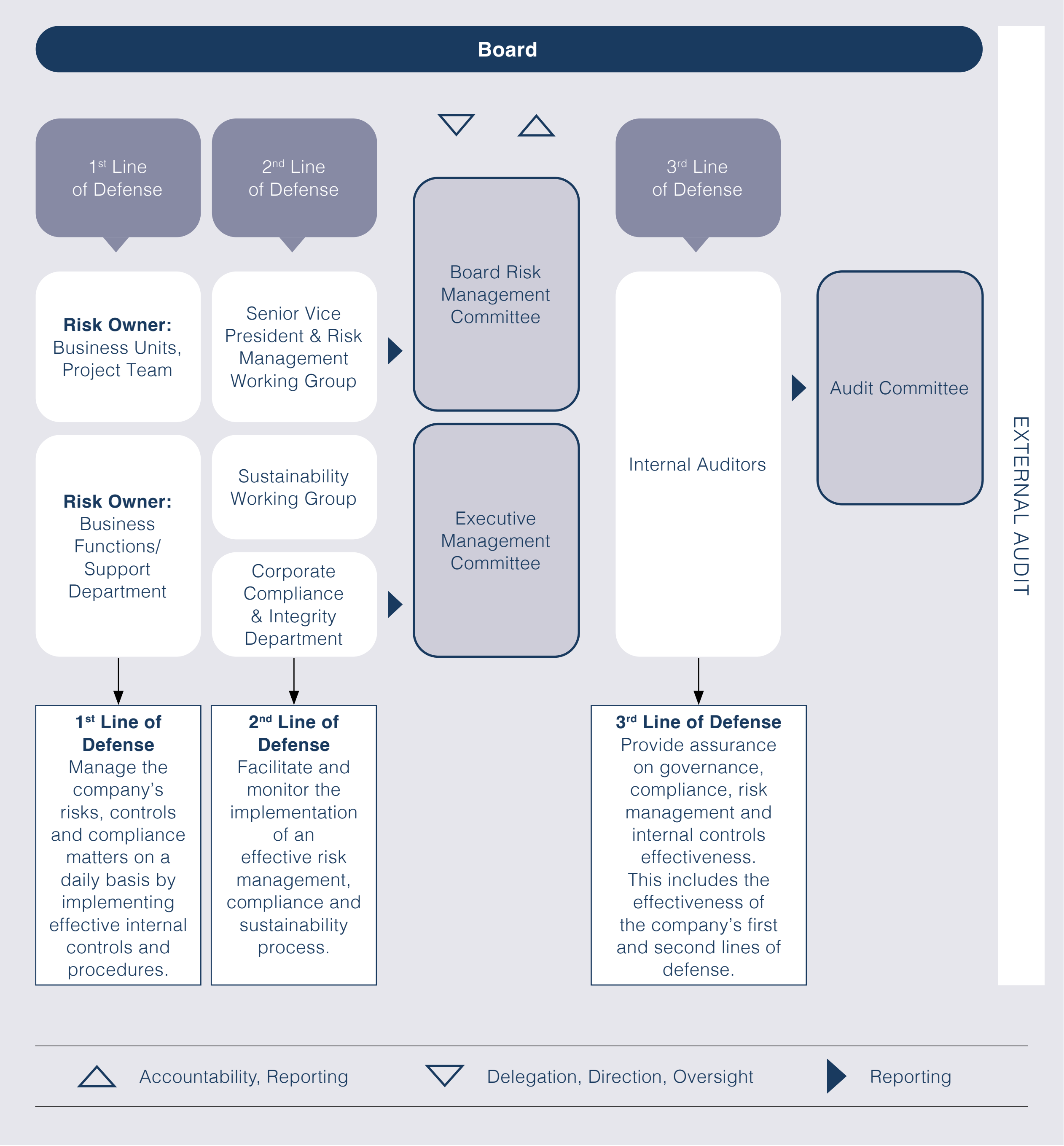
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

The Group maintains a well-defined organisational structure characterised by clearly delineated lines of accountability, authority, and responsibility to the Board, its committees, and business units.

To fortify the framework surrounding risk management and internal controls within the Group, we have adopted the Three Lines of Defense model. This model ensures distinct functional responsibilities and accountabilities for managing risk, compliance, and internal control.



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

2.1 Authority and Responsibility

2.1.1 The Board regards risk management as an integral part of all business operations. Hence, the Board assumes the responsibility of managing major risks and ensures the implementation of a dynamic system to manage risk exposure within the acceptable level of tolerance.

2.1.2 The AC, with the assistance of Risk Management Committee ("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.

2.1.3 The oversight role of risk management is carried out by the RMC as delegated by the Board which has the overall 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 escalated and deliberated at the Board meetings. The principal roles and responsibilities of the RMC are stated in its Terms of Reference.

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.

2.1.6 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

2.1 Authority and Responsibility (Cont'd)

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.

2.1.10 The Internal Audit Function of Kelington Group has been outsourced to fulfill the responsibility of providing control assurance services to the Group.

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.

2.3 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

2.3 Enterprise Risk Management Process (Cont'd)

The Group's established risk management practice is guided by ISO 31000 and the Committee of Sponsoring Organisations 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.

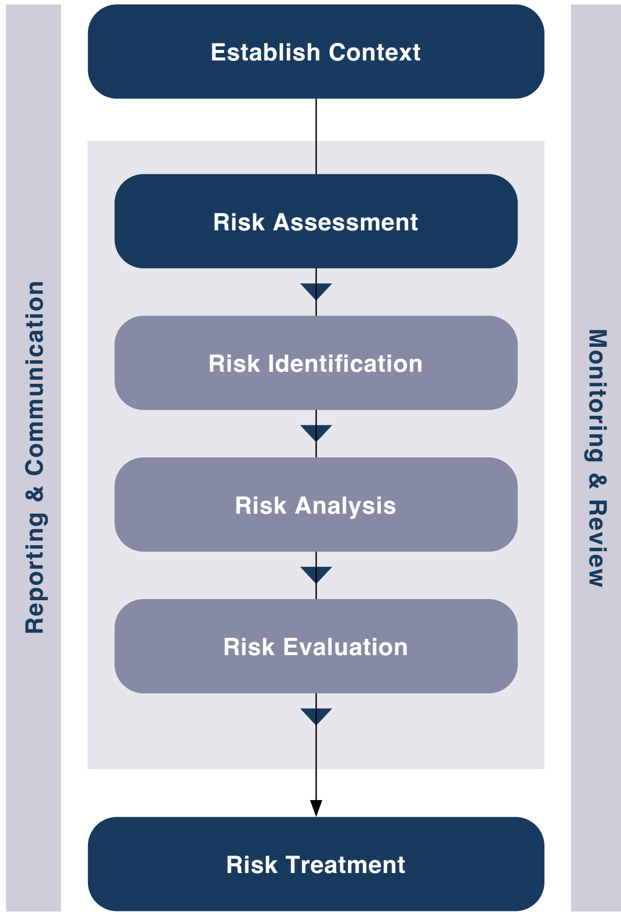
Risk Analysis
- Consequences and likelihood are expressed and combined to determine level of risk that is consistent with the risk criteria.
- Existing controls should be taken into account.

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 20 November 2023. 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. The RMC also identified cyber security risk, along with data loss prevention and mitigation as the additional key risk areas to be incorporated for future considerations.

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.

Risk Profile Analysis

In FYE 2023, a comprehensive risk profile analysis was conducted and an updated risk register was established at group level. The updated risk register identified ten top risks that have the potential to significantly impact the achievement of KGB's strategies and objectives. Group-wide initiatives are imperative for effective mitigation. Management of KGB is tasked with reinforcing the preliminary action plans and ensuring the timely implementation of the risk action plans. (Refer to Section 2.3.3)

Corruption Risk Assessment

In FY2023, GRC Consulting Services Sdn. Bhd. acting as an independent Internal Auditors conducted a corruption risk assessment ("CRA"). The findings of this assessment reported to both the AC and the Board in February 2024, revealed a low residual risk with no unforeseen challenges identified. This underscores the effectiveness of KGB's proactive risk management strategies.

This comprehensive CRA involved identifying, assessing, measuring, and ranking corruption risk areas within KGB that possess high potential or likely influence over its operations and management at all levels. Utilising a structured and measured approach tailored to the size of KGB, the CRA serves as the foundation for the Anti-bribery and Corruption Policy. The CRA shall be conducted periodically (as and when directed by the Board) or at least one assessment and review every three years.

Furthermore, the RMC review the status of implementation of adequate procedures in accordance with Section 17A under the Malaysian Anti-Corruption Commission Act 2009 at least once a year. This periodic review ensures ongoing compliance and effectiveness in mitigating corruption risks within the Group.

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

2.3 Enterprise Risk Management Process (Cont'd)

2.3.2 Risk Assessment (Cont'd)

ESG Risk Assessment

An ESG risk assessment was conducted during FYE2023, encompassing an evaluation of ESG factors that could impacts Kelington's performance, reputation, or long term sustainability. The goal of ESG risk assessment is to identify, prioritise, and mitigate risks while also leveraging opportunities to enhance the company's overall performance and resilience.

Here are the top 5 prioritised risks following the ESG risk assessment:

ESG Risk	Impact	Risk Mitigation Plan
Environmental risks associated with pollution, resource depletion, carbon emissions, waste management, and environmental compliance.	Environmental incidents, regulatory penalties, or remediation efforts can disrupt the company's regular operations, leading to downtime, increased costs, and potential project delays.	Please refer to pages 36 to 64 of this Annual Report
Occupational health and safety issues	Accidents, injuries, or fatalities can damage the company's reputation and result in legal and financial consequences.	Please refer to pages 77 to 87 of this Annual Report
Human rights violations and labour exploitation in the supply chain	Ethical concerns related to suppliers or contractors, such as allegations of corruption, unethical practices, or non-compliance with social responsibility or violate human rights.	Please refer to pages 97 to 98 of this Annual Report
Stakeholder Relations	Poor customer satisfaction, employee dissatisfaction, community opposition to projects, and investor activism.	Please refer to pages 10 to 15 of this Annual Report
Cybersecurity risk	Unauthorised access, theft, or exposure of sensitive data, like customer information and financial data.	Please refer to page 76 of this Annual Report

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

During FYE 2023, 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. Additionally, the RMC also reviewed ESG risk assessment and discussed potential impacts of climate-related risks and opportunities. 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.

The management of 10 significant risks identified for FYE 2023 are outlined below:

No.	Risk Title	Impact	Risk Mitigation Action	Residual Risk Rating
R1	Uncertain of global economy	The weak global demand, supply chain instability, rising inflation rates, and political instability are causing consequences such as affecting the financial performance of the Group.	1.1) The KGB Board reviewed and acknowledged the strategic plan for years 2023 to 2024. 1.2) All business units established their strategic plans for the years 2024 to 2026. 1.3) Regularly reviewing business plan against performance to address any shortfalls. 1.4) Focus on enhancing efficiency and productivity across the operations.	**Medium**
R2	Ability to achieve strategic plan	Unable to meet stakeholders' expectation.	2.1) Established KPIs linked to annual performance assessment. 2.2) 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**
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) Persist in overseeing ESG performance and executing sustainability initiatives to achieve designated goals. 4.2) Integrate ESG discussions into the boardroom agenda and incorporate them into the board's deliberations regarding the Company's strategies.	**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 10 significant risks identified for FYE 2023 are outlined below: (Cont'd)

No.	Risk Title	Impact	Risk Mitigation Action	Residual Risk Rating
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) Enhance the company's competitiveness via develop innovative solutions that address environmental challenges. 5.2) Improve price competitiveness through price submission consistency and strategic sourcing of materials. 5.3) Developing and exploring new markets that complement our base capabilities that will bring in recurring income. 5.4) 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.	**Medium**
		Industrial Gases Division Competition from existing competitors and/or new entrants in the Industrial Gases Business.	5.5) 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. 5.6) Expansion of products/ services to increase customer base.	**Medium**

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 10 significant risks identified for FYE 2023 are outlined below: (Cont'd)

No.	Risk Title	Impact	Risk Mitigation Action	Residual Risk Rating
R6	Slow Recoverability of Debts	As at FYE 31 Dec 2023, the balance of trade receivables amounted to RM393.6 million of which RM54.8 million exceeded their credit terms. The over due 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**
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.	**Medium**

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 10 significant risks identified for FYE 2023 are outlined below: (Cont'd)

No.	Risk Title	Impact	Risk Mitigation Action	Residual Risk Rating
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.	**High**
R10	Data Back Up & Data Recovery Management	Loss of data can result in severe consequences. It may lead to compromised quality control, productivity disruptions, operational inefficiencies, regulatory compliance issues, and supply chain disruptions.	10.1) To establish a disaster recovery plan and perform data recovery test. 10.2) To establish secondary back up for company data.	**High**

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 153 to 154 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 emphasised 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 (Cont'd)

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
Malaysia - Engineering	40%	• ISO 9001:2015 Quality Management System certified since March 2018
Malaysia - Ace Gases	6%	• ISO 9001:2015 Quality Management System certified since October 2019
Singapore	38%	• ISO 9001:2015 Quality Management System certified since November 2018
China	14%	• ISO 9001:2015 Quality Management System certified since June 2019
Taiwan	2%	• 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

2.5 Internal Control (Cont'd)

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	Environmental Management System
Malaysia - Engineering	40%	• Certified to OHSAS 18001:2007 from July 2014 to Sept 2019 • ISO 45001:2018 certified since July 2020	• ISO 14001:2015 certified since 2021
Malaysia - Ace Gases	6%	• Adapting safety & health standards to ensure workplace safety and target to obtain ISO 45001:2018 certification by Y2024.	• ISO 14001:2015 certified since 2022
Singapore	38%	• ISO 45001:2018 certified since December 2020	• ISO 14001:2015 certified since 2018
China	14%	• Certified to OHSAS 18001:2007 from June 2019 to June 2020 • ISO 45001:2018 certified since August 2020	• ISO 14001:2015 certified since 2019
Taiwan	2%	• Adapting safety & health standards to ensure workplace safety	

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 (Cont'd)

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 26 April 2024.

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 2023 is as follows:

Details of Auditors' Remuneration

	Group (RM)	Company (RM)
- Statutory Audit Fees	726,998	214,259
- Non-Audit Fees	7,000	7,000
Total	**733,998**	**221,259**

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 2023 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 2023.

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.

During the FYE 31 December 2023, the Company has vested 1,776,200 shares under the ESS to the eligible Directors and employees. Brief details on the number of ESS Shares offered, granted and outstanding during the FYE 31 December 2023 is set out in the table below:

	Total ESS Shares outstanding as at 31 December 2022	Total number of ESS Shares vested during the FY 2023	Total ESS Shares outstanding as at 31 December 2023
Directors & Senior Management	18,004,000	570,000	17,434,000
Other Eligible Employees	7,716,000	1,206,200	6,509,800
TOTAL	**25,720,000**	**1,776,200**	**23,943,800**

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	110,000
Ong Weng Leong	1,100,000	110,000
Soh Tong Hwa	1,100,000	110,000
Cham Teck Kuang	1,100,000	110,000
Hu Keqin	1,100,000	110,000
Soo Yuit Weng	50,000	5,000
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	50,000	5,000
Ng Lee Kuan (1)	50,000	5,000
Tan Chuan Yong (2)	50,000	5,000
TOTAL	**5,700,000**	**570,000**

Notes:
(1) *Resigned on 31 August 2023*
(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 2023.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of investment holding, 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	106,018	31,035
Attributable to:-		
Owners of the Company	104,135	31,035
Non-controlling interests	1,883	-
	106,018	31,035

DIVIDENDS

Dividends paid or declared by the Company since 31 December 2022 are as follows:-

	RM'000
Ordinary Share	
In respect of the financial year 31 December 2022	
Second interim dividend of 1.50 sen per ordinary share, paid on 21 April 2023	9,645
In respect of the financial year 31 December 2023	
An interim dividend of 1.50 sen per ordinary share, paid on 2 October 2023	9,672

On 28 February 2024, the Company declared a second interim dividend of 2.50 sen per ordinary share amounting to RM16,605,843 in respect of current financial year, payable on 5 April 2024, to shareholders whose names appeared in the record of depositors on 22 March 2024. 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 2024.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) the Company increased its issued and paid-up share capital from RM73,291,772 to RM73,792,409 by way of:-

(i) issuance of 1,776,200 new ordinary shares from the exercise of options under the Company's Employee Share Scheme ("ESS") amounted to RM482,238 which is the fair value of the share options measured at grant date; and

(ii) issuance of 13,333 new ordinary shares from the exercise of Warrants 2021/2026 at the exercise price of RM1.38 per warrant which amounted to RM18,399.

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

(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 2023, the Company held a total of 2,239,800 (2022 - 2,239,800) treasury shares out of the total 647,036,485 (2022 - 645,246,952) issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of approximately RM534,000 (2022 - 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 ESS 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 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.

WARRANTS (CONT'D)

The new ordinary shares allotted and issued upon exercise of the warrants shall rank equally 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 2023, the total number of warrants that remain unexercised were 214,325,488 (2022 - 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
Ng Meng Kwai
Soh Tong Hwa
Cham Teck Kuang
Hu Keqin
Laksamana Madya Datuk Haji Jamil Bin Haji Osman (Resigned on 29 February 2024)
Rahima Beevi Binti Mohamed Ibrahim (Appointed on 1 March 2023)
Chin Wei Min (Appointed on 31 August 2023)
Chow Meow Luan (Appointed on 31 August 2023)
Tan Chuan Yong (Resigned on 1 March 2023)
Ng Lee Kuan (Resigned on 31 August 2023)

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
Roderick R.C. Salazar III
Lino Jose A. Equipilag
Justin Nicol B. Gular
Ong Seng Heng
Chong Ann Tsun
Alan Lim Chui Boon
Bayani B. Loste (Resigned on 17 April 2023)
Richard Wee Liang Huat @ Richard Wee Liang Chiat (Resigned on 27 November 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 1.1.2023	**Bought**	**Exercised of ESS Offered**	**Sold**	**At 31.12.2023**
Direct Interests					
Gan Hung Keng	4,696,332	-	110,000	-	**4,806,332**
Ong Weng Leong	4,391,800	-	110,000	-	**4,501,800**
Soo Yuit Weng	1,434,000	310,000	5,000	-	**1,749,000**
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	-	-	5,000	-	**5,000**
Soh Tong Hwa	1,475,532	-	110,000	-	**1,585,532**
Cham Teck Kuang	-	-	110,000	-	**110,000**
Hu Keqin	-	-	110,000	-	**110,000**
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 1.1.2023	**Bought**	**Sold**	**At 31.12.2023**
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**
Soh Tong Hwa	491,844	-	-	**491,844**
Indirect Interests				
Gan Hung Keng *	53,311,160	-	-	**53,311,160**
Ong Weng Leong *	53,311,160	-	-	**53,311,160**
Soh Tong Hwa *	53,311,160	-	-	**53,311,160**
Cham Teck Kuang *	53,311,160	-	-	**53,311,160**
Hu Keqin *	53,311,160	-	-	**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 1.1.2023	Exercised	At 31.12.2023
ESS of the Company			
Direct Interests			
Gan Hung Keng	1,100,000	(110,000)	**990,000**
Ong Weng Leong	1,100,000	(110,000)	**990,000**
Soo Yuit Weng	50,000	(5,000)	**45,000**
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	50,000	(5,000)	**45,000**
Soh Tong Hwa	1,100,000	(110,000)	**990,000**
Cham Teck Kuang	1,100,000	(110,000)	**990,000**
Hu Keqin	1,100,000	(110,000)	**990,000**

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 39 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 the warrants issued to 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	282	282
Salaries, bonuses and other benefits	5,927	3,005
Defined contribution benefit	351	187
Retirement gratuity fee	5,466	5,466
Share-based payments	1,007	424
	13,033	9,364

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 RM84,000 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.

No indemnity was given to or insurance effected for auditors of the Company.

SUBSIDIARIES

The details of the subsidiary name, place of incorporation, principal activities and percentage of issued share capital held by the Company in each subsidiary are disclosed in Note 5 to the financial statements.

The available auditors' report on the financial statements of the subsidiaries did not contain any qualification.

SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

The significant events during and after the financial year are disclosed in Note 43 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	727	214
Non-audit fees	7	7
	734	221

Signed in accordance with a resolution of the directors dated 26 April 2024

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 186 to 280 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 2023 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 26 April 2024

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 186 to 280 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 26 April 2024

Jong Yu Huat

Before me

Shaiful Hilmi Bin Halim (No. W-804)
COMISSIONER 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 2023 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 material accounting policy information, as set out on pages 186 to 280.

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 2023, 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KELINGTON GROUP BERHAD

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KELINGTON GROUP BERHAD

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 14 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 12 to the financial statements

Key Audit Matter

The balance of trade receivables amounted to RM386.6 million of which RM54.8 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;
- 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;
- Reviewed the changes in expected credit losses assessment considering all reasonable and supportable information available about past events, current conditions and forecasts of future economic conditions; and
- Reviewed adequacy of disclosure of the assumptions used to measure the expected credit losses.

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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KELINGTON GROUP BERHAD

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.

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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KELINGTON GROUP BERHAD

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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
03329/10/2025 J
Chartered Accountant

Kuala Lumpur

26 April 2024

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	The Group 2023 RM'000	The Group 2022 RM'000	The Company 2023 RM'000	The Company 2022 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	**-**	-	**51,030**	48,963
Property, plant and equipment	6	**168,750**	106,791	**2,763**	2,915
Right-of-use assets	7	**6,756**	3,561	**-**	-
Amounts owing by subsidiaries	8	**-**	-	**26,620**	-
Goodwill	9	**7,211**	6,829	**-**	-
Deferred tax assets	10	**1,333**	682	**-**	-
		184,050	117,863	**80,413**	51,878
CURRENT ASSETS					
Inventories	11	**25,450**	21,871	**-**	550
Trade receivables	12	**386,584**	385,403	**4,016**	5,485
Other receivables, deposits and prepayments	13	**46,293**	67,400	**894**	1,230
Contract assets	14	**159,382**	196,558	**1,168**	2,766
Amounts owing by subsidiaries	8	**-**	-	**9,932**	36,341
Current tax assets		**308**	6,579	*	274
Fixed deposits with licensed banks	15	**36,129**	25,586	**18,911**	16,466
Cash and bank balances	16	**233,132**	234,381	**23,904**	9,546
		887,278	937,778	**58,825**	72,658
TOTAL ASSETS		**1,071,328**	1,055,641	**139,238**	124,536

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

	Note	The Group 2023 RM'000	The Group 2022 RM'000	The Company 2023 RM'000	The Company 2022 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	**73,792**	73,292	**73,792**	73,292
Treasury shares	18	**(534)**	(534)	**(534)**	(534)
Reserves	19	**259,338**	166,541	**36,661**	22,262
Equity attributable to the owners of the Company		**332,596**	239,299	**109,919**	95,020
Non-controlling interests	5	**5,796**	3,816	**-**	-
		338,392	243,115	**109,919**	95,020
NON-CURRENT LIABILITIES					
Lease liabilities	20	**2,598**	1,423	**-**	-
Hire purchase payables	21	**4,430**	2,186	**-**	-
Term loans	22	**55,617**	31,863	**-**	-
Deferred tax liabilities	10	**5,922**	2,675	**-**	-
		68,567	38,147	**-**	-
CURRENT LIABILITIES					
Trade payables	23	**223,841**	201,469	**3,590**	8,542
Contract liabilities	14	**249,714**	283,566	**352**	1,761
Other payables and accruals	24	**50,685**	61,242	**10,550**	3,480
Amount owing to subsidiaries	8	**-**	-	**2,307**	3,636
Provisions	25	**1,355**	828	**344**	97
Lease liabilities	20	**4,080**	2,018	**-**	-
Short-term borrowings	26	**119,241**	206,296	**12,000**	12,000
Bank overdrafts	27	**2,246**	1,253	**-**	-
Current tax liabilities		**12,773**	14,745	**176**	-
Derivative liabilities	28	**434**	2,962	**-**	-
		664,369	774,379	**29,319**	29,516
TOTAL LIABILITIES		**732,936**	812,526	**29,319**	29,516
TOTAL EQUITY AND LIABILITIES		**1,071,328**	1,055,641	**139,238**	124,536

** - Less than RM1,000*

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 2023

	Note	The Group 2023 RM'000	The Group 2022 RM'000	The Company 2023 RM'000	The Company 2022 RM'000
REVENUE	29	**1,614,449**	1,278,837	**70,527**	64,331
COST OF SALES		**(1,384,949)**	(1,130,695)	**(28,490)**	(26,738)
GROSS PROFIT		**229,500**	148,142	**42,037**	37,593
OTHER INCOME		**9,571**	4,197	**5,274**	1,357
		239,071	152,339	**47,311**	38,950
SELLING AND DISTRIBUTION EXPENSES		**(3,834)**	(2,588)	**(180)**	(143)
ADMINISTRATIVE EXPENSES		**(72,902)**	(56,396)	**(16,305)**	(8,140)
OTHER EXPENSES		**(7,727)**	(9,505)	**(372)**	(1,974)
FINANCE COSTS		**(10,951)**	(5,416)	**(641)**	(349)
NET (IMPAIRMENT LOSSES)/ REVERSAL OF IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS	30	**(9,754)**	(4,043)	**1,781**	(3,027)
PROFIT BEFORE TAXATION	31	**133,903**	74,391	**31,594**	25,317
INCOME TAX EXPENSE	32	**(27,885)**	(15,885)	**(559)**	(129)
PROFIT AFTER TAXATION		**106,018**	58,506	**31,035**	25,188
OTHER COMPREHENSIVE INCOME/ (EXPENSES)					
Item that Will be Reclassified Subsequently to Profit or Loss					
Foreign currency translation differences		**4,308**	4,088	**(1,382)**	1,621
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**110,326**	62,594	**29,653**	26,809
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		**104,135**	55,752	**31,035**	25,188
Non-controlling interests		**1,883**	2,754	**-**	-
		106,018	58,506	**31,035**	25,188

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 2023

	Note	The Group 2023 RM'000	The Group 2022 RM'000	The Company 2023 RM'000	The Company 2022 RM'000
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
Owners of the Company		**108,423**	59,833	**29,653**	26,809
Non-controlling interests		**1,903**	2,761	**-**	-
		110,326	62,594	**29,653**	26,809
EARNINGS PER SHARE (SEN)	33				
- Basic		**16.17**	8.67		
- Diluted		**15.61**	8.67		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The Group	Note	Share Capital RM'000	Treasury Shares RM'000	← Non-distributable Capital Reserve RM'000	Non-distributable Employee Share Scheme Reserve RM'000	Non-distributable 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 1.1.2022		73,292	(534)	9,474	-	4,847	104,613	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	36	-	-	-	-	-	(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 contributions by and distributions to owners of the Company		-	-	676	634	-	(13,536)	(12,226)	-	(12,226)
Balance at 31.12.2022		73,292	(534)	10,150	634	8,928	146,829	239,299	3,816	243,115

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The Group	Note	Share Capital RM'000	Treasury Shares RM'000	← Non-distributable Capital Reserve RM'000	Non-distributable Employee Share Scheme Reserve RM'000	Non-distributable 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 31.12.2022/1.1.2023		**73,292**	**(534)**	**10,150**	**634**	**8,928**	**146,829**	**239,299**	**3,816**	**243,115**
Profit after taxation for the financial year		-	-	-	-	-	**104,135**	**104,135**	**1,883**	**106,018**
Other comprehensive income for the financial year:										
- Foreign currency translation differences		-	-	-	-	**4,288**	-	**4,288**	**20**	**4,308**
Total comprehensive income for the financial year		-	-	-	-	**4,288**	**104,135**	**108,423**	**1,903**	**110,326**
Contributions by and distributions to owners of the Company:										
- Dividends	36	-	-	-	-	-	**(19,317)**	**(19,317)**	-	**(19,317)**
- Share-based payments		-	-	-	**4,545**	-	-	**4,545**	-	**4,545**
- Employees' share scheme exercised		**482**	-	-	**(482)**	-	-	-	-	-
- Warrants exercised		**18**	-	-	-	-	-	**18**	-	**18**
- Bonus shares issued by subsidiaries		-	-	**25,479**	-	-	**(25,479)**	-	-	-
- Transfer of non-distributable reserve funds by a subsidiary		-	-	**1,022**	-	-	**(1,022)**	-	-	-
Total contributions by and distributions to owners of the Company		**500**	-	**26,501**	**4,063**	-	**(45,818)**	**(14,754)**	-	**(14,754)**
Balance carried forward		**73,792**	**(534)**	**36,651**	**4,697**	**13,216**	**205,146**	**332,968**	**5,719**	**338,687**

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The Group	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	Attributable to Owners of the Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
			← Non-distributable			→	Distributable			
Balance brought forward		73,792	(534)	36,651	4,697	13,216	205,146	332,968	5,719	338,687
Changes in ownership interests in subsidiaries:										
Acquisition of non-controlling interests in:										
- a direct subsidiary	34	-	-	-	-	-	(16)	(16)	(84)	(100)
- indirect subsidiaries	34	-	-	-	-	(23)	(1,919)	(1,942)	(3,260)	(5,202)
Dilution of interests in subsidiaries		-	-	-	-	-	1,586	1,586	3,606	5,192
Disposal of a subsidiary	35	-	-	-	-	-	-	-	(185)	(185)
Total changes in ownership interests		-	-	-	-	(23)	(349)	(372)	77	(295)
Balance at 31.12.2023		**73,792**	**(534)**	**36,651**	**4,697**	**13,193**	**204,797**	**332,596**	**5,796**	**338,392**

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The Company	Note	Share Capital RM'000	Treasury Shares 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 1.1.2022		73,292	(534)	-	(3,115)	10,794	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	36	-	-	-	-	(12,860)	(12,860)
- Share-based payments	19(c)	-	-	634	-	-	634
Total contributions by and distributions to owners of the Company		-	-	634	-	(12,860)	(12,226)
Balance at 31.12.2022		73,292	(534)	634	(1,494)	23,122	95,020

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The Company	Note	Share Capital RM'000	Treasury Shares 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 31.12.2022/1.1.2023		73,292	(534)	634	(1,494)	23,122	95,020
Profit after taxation for the financial year		-	-	-	-	31,035	31,035
Other comprehensive expenses for the financial year:							
- Foreign currency translation differences		-	-	-	(1,382)	-	(1,382)
Total comprehensive income for the financial year		-	-	-	(1,382)	31,035	29,653
Contributions by and distributions to owners of the Company/Total transaction with owners:							
- Dividends	36	-	-	-	-	(19,317)	(19,317)
- Employees' share scheme reserve		-	-	4,545	-	-	4,545
- Employees' share scheme exercised		482	-	(482)	-	-	-
- Warrants exercised		18	-	-	-	-	18
Total contributions by and distributions to owners of the Company		500	-	4,063	-	(19,317)	(14,754)
Balance at 31.12.2023		**73,792**	**(534)**	**4,697**	**(2,876)**	**34,840**	**109,919**

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit before taxation	**133,903**	74,391	**31,594**	25,317
Adjustments for:-				
Bad debts written off	**-**	-	**121**	-
Depreciation of property, plant and equipment	**7,134**	5,958	**239**	280
Depreciation of right-of-use assets	**3,888**	1,210	**-**	-
Net impairment losses/(reversal of impairment loss) on financial assets and contract assets	**9,754**	4,043	**(1,781)**	3,027
Loss/(Gain) on disposal of subsidiaries	**36**	-	**(640)**	-
Interest expense on lease liabilities	**189**	91	**-**	-
Other interest expenses	**10,706**	5,242	**610**	300
Changes on lease modification	**(3)**	342	**-**	-
Loss/(Gain) on disposal of property, plant and equipment	**134**	66	**(6)**	-
Property, plant and equipment written off	**33**	-	**-**	-
Net addition/(reversal) of provision for warranty costs	**310**	286	**11**	13
Provision for restoration costs	**-**	167	**-**	-
Provision for foreseeable loss	**323**	-	**323**	-
Struck off of a subsidiary	**-**	-	**-**	50
Share-based payments	**4,545**	634	**2,121**	293
Dividend income	**-**	-	**(30,345)**	(27,950)
Fair value (gain)/loss on derivatives	**(2,568)**	2,943	**-**	-
Interest income	**(2,463)**	(470)	**(2,085)**	(1,109)
Net addition of provision for unutilised leave	**-**	453	**-**	-
Unrealised loss/(gain) on foreign exchange	**18**	2,918	**(1,634)**	1,266
Waiver of debts	**(164)**	-	**(164)**	-
Operating profit/(loss) before working capital changes	**165,775**	98,274	**(1,636)**	1,487
(Increase)/Decrease in inventories	**(3,135)**	(15,662)	**565**	(568)
Increase in contract assets/liabilities	**4,783**	163,007	**1,554**	820
Decrease/(Increase) in trade and other receivables	**18,706**	(345,744)	**2,651**	(3,888)
Increase in trade, other payables and provisions	**9,759**	142,628	**1,693**	4,589
Decrease/(Increase) in amounts owing by subsidiaries	**-**	-	**1,000**	(3,425)
Decrease in amount owing to subsidiaries	**-**	-	**(1,329)**	(242)
CASH FROM/(FOR) OPERATIONS	**195,888**	42,503	**4,498**	(1,227)
Income tax (paid)/refunded	**(21,331)**	(13,583)	**(109)**	37
Interest paid	**(34)**	(64)	**-**	(41)
Interest received	**2,463**	470	**573**	225
NET CASH FROM/(FOR) OPERATING ACTIVITIES	**176,986**	29,326	**4,962**	(1,006)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	The Group 2023 RM'000	The Group 2022 RM'000	The Company 2023 RM'000	The Company 2022 RM'000
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Advances to subsidiaries		**-**	-	**(4,000)**	(22,850)
Disposal of subsidiaries, net of cash and cash equivalents disposed of	35	**(65)**	-	**960**	-
Dividends received		**-**	-	**30,345**	27,950
Interest income received		**-**	-	**1,512**	884
Purchase of property, plant and equipment	37(a)	**(69,170)**	(38,155)	**(86)**	(190)
Proceeds from disposal of property, plant and equipment		**1,117**	284	**6**	-
Receipts of advances from subsidiaries		**-**	-	**3,960**	-
Additions of fixed deposits with tenure more than 3 months		**(21)**	(1,153)	**-**	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		**(68,139)**	(39,024)	**32,697**	5,794
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Acquisition of non-controlling interests	34	**(110)**	-	**(100)**	-
Dividends paid	36	**(19,317)**	(12,860)	**(19,317)**	(12,860)
Drawdown of borrowings	37(b)	**195,686**	391,343	**2,389**	10,500
Repayment from subsidiaries for share-based payments		**-**	-	**136**	-
Proceeds from exercise of warrants		**18**	-	**18**	-
Repayment of borrowings and lease liabilities	37(b)	**(271,086)**	(210,260)	**(2,389)**	(2,359)
Interest paid	37(b)	**(11,480)**	(4,439)	**(610)**	(259)
(Additions to)/Withdrawal of pledged fixed deposits and bank balances		**(490)**	(6,738)	**555**	(4,489)
NET CASH (FOR)/FROM FINANCING ACTIVITIES		**(106,779)**	157,046	**(19,318)**	(9,467)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**2,068**	147,348	**18,341**	(4,679)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**5,722**	(2,862)	**(983)**	333
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**229,532**	85,046	**9,546**	13,892
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	37(c)	**237,322**	229,532	**26,904**	9,546

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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 : Level 13, Menara 1 Sentrum,
201, Jalan Tun Sambanthan, Brickfields,
50470 Kuala Lumpur,
Wilayah Persekutuan Kuala Lumpur.

Principal place of business : 3, Jalan Astaka U8/83, Seksyen U8,
Bukit Jelutong Industrial Park,
40150 Shah Alam,
Selangor Darul Ehsan.

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

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.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 26 April 2024.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of investment holding, 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 and of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under material accounting policy information, 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 and the Company have adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)
MFRS 17: Insurance Contracts
Amendments to MFRS 17: Insurance Contracts
Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 - Comparative Information
Amendments to MFRS 101: Disclosure of Accounting Policies
Amendments to MFRS 108: Definition of Accounting Estimates
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to MFRS 112: International Tax Reform - Pillar Two Model Rules

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

The Amendments to MFRS 101 'Disclosure of Accounting Policies' did not result in any changes to the existing accounting policies of the Group and of the Company. The amendments require the disclosure of 'material' rather than 'significant' accounting policies and provide guidance on how entities apply the concept of materiality in making decisions about the material accounting policy disclosures. The Group and the Company have made updates to the accounting policies presented in Note 4 to the financial statements in line with the amendments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION (CONT'D)

3.2 The Group and the Company have 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
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
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 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025

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 and of the Company upon their initial application.

4. MATERIAL ACCOUNTING POLICY INFORMATION

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 and the Company anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 6 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(b) 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 11 to the financial statements.

(c) Impairment of Trade Receivables and Contract Assets

The Group and the Company use 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 and the Company develop 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, contract assets and amount owing by subsidiaries (trade balances) as at the reporting date are disclosed in Notes 12, 14 and 8 to the financial statements respectively.

(d) 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 and the Company to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. The Group and the Company use judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends and existing market conditions. The carrying amounts of other receivables and amount owing by subsidiaries (non-trade balances) as at the reporting date are disclosed in Notes 13 and 8 to the financial statements respectively.

(e) Revenue Recognition for Construction Contracts

The Group and the Company 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 14 to the financial statements.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(f) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company 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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Current tax assets	308	6,579	*	274
Current tax liabilities	12,773	14,745	176	-

** - Less than RM1,000*

(g) 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).

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical Judgements Made in Applying Accounting Policies (Cont'd)

(b) Share-based Payments

The Group and the Company 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.

4.2 FINANCIAL INSTRUMENTS

(a) Financial Assets

Financial Assets Through Profit or Loss

The financial assets are initially measured at fair value. Subsequent to the initial recognition, the financial assets are remeasured to their fair values at the reporting date with fair value changes recognised in profit or loss. The fair value changes do not include interest and dividend income.

Financial Assets at Amortised Cost

The financial assets are initially measured at fair value plus transaction costs except for trade receivables without significant financing component which are measured at transaction price only. Subsequent to the initial recognition, all financial assets are measured at amortised cost less any impairment losses.

Financial Assets Through Other Comprehensive Income

The Group and the Company has elected to designate the equity instruments as financial assets through other comprehensive income at initial recognition.

The financial assets are initially measured at fair value plus transaction costs. Subsequent to the initial recognition, the financial assets are remeasured to their fair values at the reporting date with fair value changes taken up in other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference of a debt instrument which are recognised directly in profit or loss. The fair value changes do not include interest and dividend income.

(b) Financial Liabilities

Financial Liabilities Through Profit or Loss

The financial liabilities are initially measured at fair value. Subsequent to the initial recognition, the financial liabilities are remeasured to their fair values at the reporting date with fair value changes recognised in profit or loss. The fair value changes do not include interest expense.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

4.2 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities (Cont'd)

Financial Liabilities at Amortised Cost

The financial liabilities are initially measured at fair value less transaction costs. Subsequent to the initial recognition, the financial liabilities are measured at amortised cost.

(c) Equity

Ordinary Shares

Ordinary shares are recorded on initial recognition at the proceeds received less directly attributable transaction costs incurred. The ordinary shares are not remeasured subsequently.

Treasury Shares

Treasury shares are recorded on initial recognition at the consideration paid less directly attributable transaction costs incurred. The treasury shares are not remeasured subsequently.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the treasury shares. If such shares are issued by resale, any difference between the sales consideration received and the carrying amount of the treasury shares is recognised in equity. Where treasury shares are cancelled, their carrying amounts are shown as a movement in retained profits.

(d) Derivatives

Derivatives are initially measured at fair value. Subsequent to the initial recognition, the derivatives are remeasured to their fair values at the reporting date with fair value changes recognised in profit or loss.

(e) Financial Guarantee Contracts

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to the initial recognition, the 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 Company, as the issuer, is required to reimburse the holder for the associated loss, the reimbursement is recognised as a liability and measured at the higher of the amount of loss allowance determined using the expected credit loss model and the amount of financial guarantee initially recognised less cumulative amortisation.

4.3 GOODWILL

Goodwill is initially measured at cost. Subsequent to the initial recognition, the goodwill is measured at cost less accumulated impairment losses, if any. A bargain purchase gain is recognised in profit or loss immediately.

4.4 INVESTMENT IN SUBSIDIARIES

Investments in subsidiaries (including the share options granted to employees of the subsidiaries), which are eliminated on consolidation, are stated in the separate financial statements of the Company at cost less impairment losses, if any.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

4.5 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost.

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

Freehold land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over the estimated useful lives. The principal annual depreciation rates 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 represent plant and machinery under construction. They are not depreciated until such time when the asset is available for use.

4.6 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Short-term Leases and Leases of Low-value Assets

The Group apply the "short-term lease" and "lease of low-value assets" recognition exemption. For these leases, the Group recognise the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more appropriate.

(b) Right-of-use Assets

Right-of-use assets are initially measured at cost. Subsequent to the initial recognition, the right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of lease liabilities.

The right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the estimated useful lives of the right-of-use assets or the end of the lease term.

(c) Lease Liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the entities' incremental borrowing rate. Subsequent to the initial recognition, the lease liabilities are measured at amortised cost and adjusted for any lease reassessment or modifications.

4.7 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and comprises all costs of purchase plus other costs incurred in bringing the inventories to their present location and condition.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2023 RM'000	2022 RM'000
Unquoted shares, at cost:		
- in Malaysia	**25,954**	26,174
- outside Malaysia	**21,478**	21,478
Employee share scheme ("ESS") granted to employees of subsidiaries	**3,768**	1,481
	51,200	49,133
Accumulated impairment losses	**(170)**	(170)
	51,030	48,963

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 2023 %	2022 %	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 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	Provision of scientific and technical researches, laboratory testing service and experiments.
Ace Gases Sdn. Bhd. ("AGSB")	Malaysia	**90.71**	97.20	Construction of gas delivery system and manufacturing facilities, production, distribution, supply, import and trading of gases.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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 2023 %	2022 %	Principal Activities
Subsidiaries of the Company (Cont'd)				
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	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.
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.#

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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 2023 %	2022 %	Principal Activities
Subsidiaries of KESG (Cont'd)				
Kelington Engineering (HK) Ltd. ("KEHK")*	Hong Kong	**100**	-	Providing construction, process, install testing and commissioning body corporate.#
Subsidiaries of AGSB				
Ace Gases Marketing Sdn. Bhd. ("AGMSB")	Malaysia	**90.71**	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	**90.71**	87.5	Wholesaling of chemicals and chemical products, manufacturing of industrial gases and dry ice.
CLSB	Malaysia	**90.71**	-	Provision of skid tank renting and industrial gases transportation and logistics arrangement and general trading of industrial gases.

Notes:-
** - These subsidiaries were audited by firms other than Crowe Malaysia PLT.*
 # - These subsidiaries did not carry out any business activities during the financial year.

(a) On 5 May 2023, the Company acquired additional 8% equity interests in CLSB for a cash consideration of RM8. Upon completion of the acquisition, CLSB became a 90% owned subsidiary of the Company.

On 22 May 2023, the Company acquired the remaining 10% equity interests in CLSB for a cash consideration of RM100,000. Upon completion of the acquisition, CLSB became a wholly-owned subsidiary of the Company.

On 23 November 2023, the Company has entered into an internal restructuring with its subsidiary, AGSB, to dispose the entire equity interest in CLSB for a cash consideration of RM740,192.

(b) On 22 May 2023, AGSB, a subsidiary of the Company, acquired remaining 10% equity interests in AGMS for SGD3,000 in cash from its non-controlling interests. Upon completion of the acquisition, AGMS became a wholly-owned subsidiary of AGSB.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

(c) On 1 June 2023, AGSB, a subsidiary of the Company, acquired remaining 20% equity interests in AGMSB for a consideration of RM5,192,700 which was satisfied through the issuance of 1,822,000 new ordinary shares of AGSB. Upon completion of the acquisition, AGMSB became a wholly-owned subsidiary of AGSB.

On the same date, AGSB, a subsidiary of the Company, increased its paid-up share capital from RM25,500,000 to RM30,692,700 by the issuance of 1,822,000 new ordinary shares for a total consideration of RM5,192,700. These new ordinary shares were subscribed by third parties. Following to the subscription, the equity interest of the Company in AGSB has been diluted from 97.20% to 90.71%.

(d) On 5 September 2023, KESG, a wholly-owned subsidiary of the Company, incorporated a subsidiary known as KEHK with an issued and paid-up share capital of HKD1 comprising 1 ordinary share.

(e) On 4 October 2023, the Company has disposed of its entire equity interest in KASSB for a cash consideration of RM220,000. The details of the disposal are disclosed in Note 35 to the financial statements.

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

The Group	Effective Equity Interest 2023 %	Effective Equity Interest 2022 %	2023 RM'000	2022 RM'000
KNSB	**10**	10	**-**	(91)
KASSB	**-**	45	**-**	183
AGSB Group	**9.29**	2.8	**5,760**	3,605
KESG Group:				
- KSP	**10**	10	**36**	40
CLSB	**-**	18	**-**	79
			5,796	3,816

(g) 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 1.1.2023 RM'000	Additions RM'000	Transfer From/(To) RM'000	Disposals RM'000	Disposal Of A Subsidiary RM'000	Written off RM'000	Exchange Fluctuation Differences RM'000	Depreciation Charges RM'000	At 31.12.2023 RM'000
2023									
Carrying amount									
Freehold land	4,030	-	-	-	-	-	-	-	4,030
Building	1,545	-	-	-	-	-	-	(43)	1,502
Motor vehicles	5,023	2,945	1,665	(1,244)	-	-	60	(888)	7,561
Office and computer equipment	2,477	706	-	(7)	(7)	(33)	72	(807)	2,401
Tools and equipment	8,497	6,708	280	-	(26)	-	53	(1,725)	13,787
Furniture, fittings and renovation	4,585	321	57	-	(2)	-	122	(692)	4,391
Plant and machinery	48,018	5,167	8,458	-	-	-	95	(2,979)	58,759
Capital work-in-progress	32,616	54,163	(10,460)	-	-	-	-	-	76,319
	106,791	70,010	-	(1,251)	(35)	(33)	402	(7,134)	168,750

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	7,959	-	87	(2,579)	48,018
Capital work-in-progress	4,934	36,452	(8,770)	-	-	-	32,616
	68,756	44,204	-	(350)	139	(5,958)	106,791

6. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

The Group	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
2023			
Freehold land	4,030	-	4,030
Building	2,150	(648)	1,502
Motor vehicles	10,228	(2,667)	7,561
Office and computer equipment	6,084	(3,683)	2,401
Tools and equipment	26,187	(12,400)	13,787
Furniture, fittings and renovation	7,620	(3,229)	4,391
Plant and machinery	69,967	(11,208)	58,759
Capital work-in-progress	76,319	-	76,319
	202,585	(33,835)	168,750
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	56,280	(8,262)	48,018
Capital work-in-progress	32,616	-	32,616
	134,595	(27,804)	106,791

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company	At 1.1.2023 RM'000	Additions RM'000	Exchange Fluctuation Difference RM'000	Depreciation Charges RM'000	At 31.12.2023 RM'000
2023					
Carrying Amount					
Freehold land	**1,300**	**-**	**-**	**-**	**1,300**
Building	**840**	**-**	**-**	**(28)**	**812**
Motor vehicles	**2**	**-**	**-**	**-**	**2**
Office and computer equipment	**488**	**86**	**1**	**(165)**	**410**
Tools and equipment	**12**	**-**	**-**	**(6)**	**6**
Furniture, fittings and renovation	**273**	**-**	**-**	**(40)**	**233**
	2,915	**86**	**1**	**(239)**	**2,763**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
2023			
Freehold land	**1,300**	**-**	**1,300**
Building	**1,400**	**(588)**	**812**
Motor vehicles	**130**	**(128)**	**2**
Office and computer equipment	**1,174**	**(764)**	**410**
Tools and equipment	**754**	**(748)**	**6**
Furniture, fittings and renovation	**945**	**(712)**	**233**
	5,703	**(2,940)**	**2,763**
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

Included in the carrying amount of property, plant and equipment of the Group and of the Company at the end of the reporting period are the following assets pledged to licensed banks as securities for banking facilities granted to the Group and to the Company as disclosed in Note 22 and Note 26 to the financial statements:-

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Freehold land	**4,030**	4,030	**1,300**	1,300
Building	**1,502**	1,545	**812**	840
Plant and machinery	**11,403**	-	**-**	-
	16,935	5,575	**2,112**	2,140

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Included in property, plant and equipment of the Group at the end of the reporting period were the following assets held under hire purchase arrangements. These assets have been pledged as security for the hire purchase payables of the Group as disclosed in Note 21 to the financial statements.

	The Group	
	2023 RM'000	2022 RM'000
Motor vehicles	**7,026**	3,805
Plant and machinery	**1,611**	-
	8,637	3,805

Included in capital work-in-progress of the Group is term loans interest amounting to approximately RM512,000 (2022 - RM86,000).

7. RIGHT-OF-USE ASSETS

The Group	At 1.1.2023 RM'000	Additions RM'000	Depreciation Charges RM'000	Derecognition Due to Lease Modification RM'000	Exchange Fluctuation Differences RM'000	At 31.12.2023 RM'000
2023						
Carrying Amount						
Hostels	**224**	**470**	**(214)**	**(153)**	**6**	**333**
Leasehold land	**144**	**-**	**(2)**	**-**	**-**	**142**
Motor vehicles	**376**	**-**	**(233)**	**-**	**18**	**161**
Office premises	**2,187**	**2,614**	**(1,427)**	**-**	**102**	**3,476**
Tanks	**-**	**3,998**	**(1,538)**	**-**	**-**	**2,460**
Warehouse	**630**	**-**	**(474)**	**-**	**28**	**184**
	3,561	**7,082**	**(3,888)**	**(153)**	**154**	**6,756**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

7. RIGHT-OF-USE ASSETS (CONT'D)

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						
Hostels	-	336	(106)	(6)	-	224
Leasehold land	146	-	(2)	-	-	144
Motor vehicles	-	461	(83)	(2)	-	376
Office premises	1,082	2,182	(915)	34	(196)	2,187
Warehouse	29	912	(104)	(6)	(201)	630
	1,257	3,891	(1,210)	20	(397)	3,561

The Group leases various office premises, warehouse, motor vehicles, tanks and hostels of which the leasing activities are summarised below:-

(i)	Hostels	The Group has leased a number of hostels for 2 (2022 - 2) years, with an option to renew the lease after that date.
(ii)	Leasehold land	The Group has entered into 1 (2022 - 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.
(iii)	Motor vehicles	The Group has leased a number of motor vehicles for 2 (2022 - 2) years, with no option to renew the lease after that date.
(iv)	Office premises	The Group has leased a number of office premises between 2 and 4 (2022 - 2 and 3) years, with an option to renew the lease after that date. The Group is not allowed to sublease the office premises.
(v)	Tanks	The Group has leased a number of tanks for 2 years (2022 - Nil), with an option to renew the lease after that date.
(vi)	Warehouse	The Group has leased a warehouse for 2 (2022 - 2) years, with an option to renew the lease after that date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

8. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	The Company	
	2023 RM'000	2022 RM'000
Amounts owing by:-		
Trade balances	**1,689**	6,209
Non-trade balances:		
- interest-free	**5,823**	1,597
- interest-bearing ranging from 4.74% to 5.40% (2022 - 4.39% to 7.26%)	**29,040**	29,000
	36,552	36,806
Allowance for impairment losses	**-**	(465)
	36,552	36,341

	The Company	
	2023 RM'000	2022 RM'000
Allowance for impairment losses:-		
At 1 January	**465**	465
Written off during the financial year	**(465)**	-
At 31 December	**-**	465
Analysed by:-		
Non-current assets	**26,620**	-
Current assets	**9,932**	36,341
	36,552	36,341
Amount owing to:-		
Non-trade balances:		
- interest-free	**(2,307)**	(3,636)

(a) The trade balances are subject to the normal trade credit term of 30 (2022 - 30) days. The amount owing is to be settled in cash.

(b) The interest-free balances are non-trade in nature, unsecured and repayable on demand. The amount owing is to be settled in cash.

(c) The interest-bearing balances are non-trade in nature, unsecured and repayable in 12 yearly instalments (2022 - repayable on demand). The amount owing is to be settled in cash.

9. GOODWILL

	The Group	
	2023 RM'000	2022 RM'000
At 1 January	**6,829**	6,449
Disposal of a subsidiary	**(30)**	-
Foreign exchange adjustments	**412**	380
At 31 December	**7,211**	6,829

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

	The Group	
	2023 RM'000	2022 RM'000
PTS:		
- provision of engineering services in clean energy system	**7,011**	6,599
Other cash-generating units without significant goodwill	**200**	230
	7,211	6,829

(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	
2023	2022	2023	2022	2023	2022
15%	12%	**5%**	-14% to 5%	**10.66%**	9.05%

(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) Management believes 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

10. DEFERRED TAX ASSETS/(LIABILITIES)

The Group	At 1.1.2023 RM'000	Recognised In Profit or Loss (Note 32) RM'000	Exchange Fluctuation Differences RM'000	At 31.12.2023 RM'000
2023				
Deferred tax liabilities				
Plant and machinery	**(7,979)**	**(2,404)**	**(6)**	**(10,389)**
Other taxable temporary differences	**-**	**(117)**	**-**	**(117)**
	(7,979)	**(2,521)**	**(6)**	**(10,506)**
Deferred tax assets				
Unused tax losses	**97**	**-**	**-**	**97**
Unabsorbed capital allowances	**5,037**	**(723)**	**-**	**4,314**
Other deductible temporary differences	**852**	**637**	**17**	**1,506**
	5,986	**(86)**	**17**	**5,917**
	(1,993)	**(2607)**	**11**	**(4,589)**

The Group	At 1.1.2022 RM'000	Recognised In Profit or Loss (Note 32) RM'000	Exchange Fluctuation Differences RM'000	At 31.12.2022 RM'000
2022				
Deferred tax liabilities				
Plant and machinery	(5,491)	(2,488)	-	(7,979)
Deferred tax assets				
Unused tax losses	98	(1)	-	97
Unabsorbed capital allowances	4,604	433	-	5,037
Other deductible temporary differences	284	590	(22)	852
	4,986	1,022	(22)	5,986
	(505)	(1,466)	(22)	(1,993)

NOTES TO THE FINANCIAL STATEMENTS
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10. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities in respect of each entity and when the deferred income taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:-

	The Group	
	2023 RM'000	2022 RM'000
Deferred tax assets, net	**1,333**	682
Deferred tax liabilities, net	**(5,922)**	(2,675)
	(4,589)	(1,993)

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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Unused tax losses:				
- expiring within 5 years	**15,949**	18,936	**15,390**	16,667
- expiring within 6 to 10 years	**2,687**	4,600	**2,507**	3,859
Unabsorbed capital allowances	**3**	647	**-**	634
Other deductible temporary differences	**21,694**	13,437	**12,297**	5,725
	40,333	37,620	**30,194**	26,885

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.

11. INVENTORIES

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Materials for contracts	**24,609**	19,558	**-**	550
Industrial gases	**841**	2,313	**-**	-
	25,450	21,871	**-**	550
Recognised in profit or loss:-				
Inventories recognised as cost of sales	**12,426**	12,572	**550**	-

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NOTES TO THE FINANCIAL STATEMENTS
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12. TRADE RECEIVABLES

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Trade receivables	**401,848**	400,689	**4,661**	6,626
Allowance for impairment losses	**(15,264)**	(15,286)	**(645)**	(1,141)
	386,584	385,403	**4,016**	5,485
Allowance for impairment losses:-				
At 1 January	**(15,286)**	(15,591)	**(1,141)**	(1,115)
Additions during the financial year (Note 30)	**(743)**	(3,037)	**-**	(1,075)
Reversal during the financial year (Note 30)	**935**	2,353	**549**	1,002
Written off during the financial year	**-**	811	**-**	-
Disposal of a subsidiary	**36**	-	**-**	-
Effect of foreign exchange translation	**(206)**	178	**(53)**	47
At 31 December	**(15,264)**	(15,286)	**(645)**	(1,141)

(a) The Group's normal trade credit terms range from 7 to 120 (2022 - 7 to 120) days. Other credit terms are assessed and approved on a case-by-case basis.

(b) Included in trade receivables of the Group and of the Company are project retention sums which are expected to be received from customers in accordance with the terms of respective contracts as below:-

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Within 1 year	**34,415**	4,090	**-**	24
More than 1 year	**44,008**	46,539	**-**	-
	78,423	50,629	**-**	24

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Other receivables:-				
Third parties	**19,231**	7,006	**-**	1
Advances paid to suppliers	**12,879**	47,757	**-**	-
Goods and Services Tax ("GST") recoverable	**4,725**	3,824	**-**	-
	36,835	58,587	**-**	1
Deposits	**3,078**	2,173	**162**	120
Prepayments	**6,380**	6,640	**732**	1,109
	46,293	67,400	**894**	1,230

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.

14. CONTRACT ASSETS/(LIABILITIES)

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Contract Assets				
Contract assets relating to construction contracts	**173,677**	200,707	**3,619**	6,311
Allowance for impairment losses	**(14,295)**	(4,149)	**(2,451)**	(3,545)
	159,382	196,558	**1,168**	2,766
Allowance for impairment losses:-				
At 1 January	**(4,149)**	(943)	**(3,545)**	(706)
Addition during the financial year (Note 30)	**(11,183)**	(4,047)	**-**	(3,642)
Reversal during the financial year (Note 30)	**1,237**	688	**1,232**	688
Effect of foreign exchange translation	**(200)**	153	**(138)**	115
At 31 December	**(14,295)**	(4,149)	**(2,451)**	(3,545)
Contract Liabilities				
Contract liabilities relating to construction contracts	**(249,714)**	(283,566)	**(352)**	(1,761)

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14. CONTRACT ASSETS/(LIABILITIES) (CONT'D)

(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.

(c) The changes to contract assets and contract liabilities balances during the financial year are summarised below:-

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At 1 January	**(87,008)**	80,257	**1,005**	5,118
Revenue recognised in profit or loss during the financial year (Note 29)*	**1,496,379**	1,214,380	**30,371**	32,075
Billings to customers during the financial year	**(1,506,603)**	(1,385,614)	**(32,453)**	(32,882)
(Impairment losses)/Reversal of impairment losses on contract assets (Note 30)	**(9,946)**	(3,359)	**1,232**	(2,954)
Foreign exchange adjustments	**16,846**	7,328	**661**	(352)
At 31 December	**(90,332)**	(87,008)	**816**	1,005
Represented by:-				
Contract assets	**159,382**	196,558	**1,168**	2,766
Contract liabilities	**(249,714)**	(283,566)	**(352)**	(1,761)
	(90,332)	(87,008)	**816**	1,005

* - Included amount of approximately RM278,325,000 and RM1,761,000 (2022 - RM25,081,000 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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Within 1 year	**1,083,465**	1,303,923	**9,476**	19,892
Between 1 and 2 years	**107,059**	497,752	**1,150**	3,836
	1,190,524	1,801,675	**10,626**	23,728

15. FIXED DEPOSITS WITH LICENSED BANKS

	The Group		The Company	
	2023	2022	2023	2022
Effective interest rates (%)	**2.10 - 4.98**	1.65 - 3.92	**2.10 - 4.98**	1.65 - 3.92
Maturity periods (days)	**7 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 were amounts of approximately RM24,068,000 and RM15,911,000 (2022 - RM24,433,000 and RM16,466,000) 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 approximately RM4,451,000 (2022 - RM3,596,000) which has been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Notes 22 and 26 to the financial statements.

(b) Included in the cash and bank balances of the subsidiaries in the PRC which amounted to RM29,372,000 (2022 - RM58,395,000) 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			
	2023 Number Of Shares	2022 Number Of Shares	2023 RM'000	2022 RM'000
Issued And Fully Paid-Up				
Ordinary shares				
At 1 January	**645,246,952**	645,246,952	**73,292**	73,292
New shares issued for cash:				
- ESS (Note 19(c))	**1,776,200**	-	**482**	-
- Warrants (Note 19(d))	**13,333**	-	**18**	-
At 31 December	**647,036,485**	645,246,952	**73,792**	73,292

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17. SHARE CAPITAL (CONT'D)

(a) 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.

(b) During the financial year, the Company increased its issued and paid-up share capital from RM73,291,772 to RM73,792,409 by:-

(i) issuance of 1,776,200 new ordinary shares from the exercise of options under the Company's ESS amounted to RM482,238 which is the fair value of the share options measured at grant date; and

(ii) issuance of 13,333 new ordinary shares from the exercise of Warrants 2021/2026 at the exercise price of RM1.38 per warrant which amounted to RM18,399.

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

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 647,036,485 (2022 - 645,246,952) issued and paid-up share capital at the end of the reporting period, 2,239,800 (2022 - 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

	Note	The Group 2023 RM'000	 2022 RM'000	The Company 2023 RM'000	 2022 RM'000
Non-distributable reserves:-					
Capital reserve	(a)	**36,651**	10,150	**-**	-
Exchange fluctuation reserve	(b)	**13,193**	8,928	**(2,876)**	(1,494)
Employees' share scheme reserve	(c)	**4,697**	634	**4,697**	634
		54,541	19,712	**1,821**	(860)
Distributable reserve:-					
Retained profits		**204,797**	146,829	**34,840**	23,122
		259,338	166,541	**36,661**	22,262

(a) Capital Reserve

	The Group 2023 RM'000	 2022 RM'000	The Company 2023 RM'000	 2022 RM'000
Capital reserve is represented by:-				
Non-distributable reserve funds by subsidiaries	**3,969**	2,948	**-**	-
Bonus shares issued by subsidiaries	**32,682**	7,202	**-**	-
	36,651	10,150	**-**	-

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 equally 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.*

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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 2023 RM'000	The Company 2023 RM'000
Expenses arising from equity-settled share-based payment transaction	(4,545)	(2,121)

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 1.1.2023	Granted	Allotted	At 31.12.2023
1 December 2023	Not applicable	2,572,000	23,148,000	(1,776,200)	23,943,800

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 confirmed 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.

The details in the movement of the Company's Warrants 2021/2026 are as follows:-

		Entitlement for Ordinary Shares		
	Exercise Price	At 1.1.2023	Exercised	At 31.12.2023
Warrant 2021/2026	RM1.38	214,338,821	(13,333)	214,325,488

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19. RESERVES (CONT'D)

(d) Warrant (Cont'd)

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	
	2023 RM'000	2022 RM'000
At 1 January	**3,441**	1,117
Addition during the financial year (Note 37(b))	**7,082**	3,891
Derecognition due to lease modification	**(156)**	(55)
Interest expense recognised in profit or loss (Note 31)	**189**	91
Repayment of principal	**(3,901)**	(1,573)
Repayment of interest expenses	**(189)**	(93)
Effect of foreign exchange translation	**212**	63
At 31 December	**6,678**	3,441
Analysed by:-		
Current liabilities	**4,080**	2,018
Non-current liabilities	**2,598**	1,423
	6,678	3,441

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21. HIRE PURCHASE PAYABLES

	The Group	
	2023 RM'000	2022 RM'000
Current liabilities (Note 26)	**1,505**	1,065
Non-current liabilities	**4,430**	2,186
	5,935	3,251

(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 3.59% to 6.98% (2022 - 3.00% to 5.97%). The interest rates are fixed at the inception of the hire purchase arrangements.

22. TERM LOANS

	The Group	
	2023 RM'000	2022 RM'000
Current liabilities (Note 26)	**18,300**	17,287
Non-current liabilities	**55,617**	31,863
	73,917	49,150

(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	
	2023 %	2022 %	2023 RM'000	2022 RM'000
Fixed rate term loans	**N/A**	3.85 - 6.53	**-**	3,243
Floating rate term loans	**4.84 - 6.25**	4.06 - 4.98	**73,917**	45,907
			73,917	49,150

(c) Term loans of RM73,917,000 (2022 - RM47,695,000) are secured by a negative pledge that imposes certain covenants on the subsidiaries that have received those loans. The significant covenants of the term loans are as follows:-

i. Gearing ratio shall not be more than 2 times; and
ii. Tangible net worth shall not be less than SGD5 million (equivalent to RM17,393,500) for the financial year and each subsequent financial year thereafter.

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23. TRADE PAYABLES

The normal trade credit terms granted to the Group and the Company range from 7 to 90 (2022 - 7 to 90) days.

24. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Other payables:-				
Third parties	**1,239**	3,105	**29**	1
Advances received from customers	**52**	22,769	**-**	-
Unpaid balance for acquisition of property, plant and equipment	**1,896**	5,949	**-**	-
GST payables	**3,154**	1,248	**-**	-
	6,341	33,071	**29**	1
Accruals	**44,344**	28,171	**10,521**	3,479
	50,685	61,242	**10,550**	3,480

25. PROVISIONS

		The Group		The Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Provision for foreseeable losses	(i)	**329**	-	**329**	-
Provision for warranty costs	(ii)	**848**	628	**15**	97
Provision for restoration costs	(iii)	**178**	200	**-**	-
		1,355	828	**344**	97

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25. PROVISIONS (CONT'D)

		The Group		The Company	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Provision for foreseeable losses:-	(i)				
At 1 January		**-**	-	**-**	-
Addition during the financial year		**323**	-	**323**	-
Effect of foreign exchange translation		**6**	-	**6**	-
At 31 December	(a)	**329**	-	**329**	-
Provision for warranty costs:-	(ii)				
At 1 January		**628**	354	**97**	93
Addition during the financial year		**844**	359	**110**	13
Utilised during the financial year		**(95)**	(4)	**(95)**	(4)
Reversal during the financial year		**(534)**	(73)	**(99)**	-
Effect of foreign exchange translation		**5**	(8)	**2**	(5)
At 31 December	(b)	**848**	628	**15**	97
Provision for restoration costs:-	(iii)				
At 1 January		**200**	46	**-**	-
Addition during the financial year		**-**	167	**-**	-
Utilised during the financial year		**(35)**	(16)	**-**	-
Effect of foreign exchange translation		**13**	3	**-**	-
At 31 December	(c)	**178**	200	**-**	-
		1,355	828	**344**	97

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

(b) Provision for warranty costs is recognised for expected claims on the contract revenue during the 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.

(c) 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 removal and restoration will only take place upon expiry of the lease terms of 2 (2022 - 2) years. The discount rate used to determine the obligation as at the reporting date was 3.05% (2022 - 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.

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26. SHORT-TERM BORROWINGS

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Term loans (Note 22)	**18,300**	17,287	**-**	-
Hire purchase payables (Note 21)	**1,505**	1,065	**-**	-
Invoice financing	**43,519**	52,275	**-**	-
Trust receipts	**29,667**	121,050	**-**	-
Revolving credits	**26,250**	14,619	**12,000**	12,000
	119,241	206,296	**12,000**	12,000

(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:-

		Effective Interest Rate			
		The Group		The Company	
	Interest Rate	2023 %	2022 %	2023 %	2022 %
Invoice financing	Floating	**3.95 - 5.45**	5.65 - 5.70	**-**	-
Trust receipts	Floating	**4.04 - 7.49**	2.41 - 6.70	**-**	-
Revolving credits	Floating	**4.22 - 6.27**	3.89 - 5.56	**4.22 - 5.07**	3.89 - 4.54

(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;
xiii. an all monies facilities agreement; and
xiv. specific debentures on assets which are movable tanks as disclosed in Note 6 to the financial statements.

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; and
iii. a corporate guarantee of the Company.

(b) The bank overdrafts of the Group at the end of the reporting period bore floating interest rate ranging from 4.30% to 6.60% (2022 - 2.27% to 6.35%) per annum.

28. DERIVATIVE LIABILITIES

	Contract/ Notional Amount		The Group	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Forward currency contracts	**23,307**	79,099	**434**	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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue from contracts with customers				
Recognised over time				
Contract revenue (Note 14)	**1,496,379**	1,214,380	**30,371**	32,075
Sales of services:				
- Facility fee	**9,899**	1,646	**-**	-
- Leasing of tanks	**530**	537	**-**	-
	1,506,808	1,216,563	**30,371**	32,075
Recognised at a point in time				
Sale of goods	**107,114**	61,525	**1,750**	-
Laboratory testing services	**527**	749	**-**	-
	107,641	62,274	**1,750**	-
Revenue from Other Sources				
Dividend income	**-**	-	**30,345**	27,950
Management fee	**-**	-	**8,061**	4,306
	-	-	**38,406**	32,256
	1,614,449	1,278,837	**70,527**	64,331

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29. REVENUE (CONT'D)

(a) The information on the disaggregation of revenue by geographical market is disclosed in Note 40.2 to the financial statements.

(b) The information about the performance obligations in contracts with customers is summarised below:-

Nature of Goods or Services	Timing and Method of Revenue Recognition	Significant Payment Terms	Variable Considerations	Warranty and Obligation for Returns or Refunds
Contract revenue	When services are rendered using the cost incurred method.	Based agreed milestones. The credit period ranging from 45 to 120 days from the invoice date.	Contract stipulates a predetermined rate for late penalty charges, which is capped at a specified amount.	Defect liability period ranges from 1 to 2 years are given to customers.
Facility fee and leasing of tanks	Straight-line method over the period of service.	Credit periods ranging from 30 to 90 days from the invoice date.	Discounts are given when customers pay within 14 days from the invoice date.	Not applicable.
Sales of goods	When the goods are delivered and accepted by customers.	Credit periods ranging from 7 to 120 days from the invoice date.	Not applicable.	Not applicable.
Laboratory testing services	When the services have been rendered to the customers and coincides with the delivery of services and acceptance by customers.	Credit periods ranging from 14 to 30 days from the invoice date.	Not applicable.	Not applicable.

30. NET IMPAIRMENT LOSSES/(REVERSAL OF IMPAIRMENT LOSSES) ON FINANCIAL ASSETS AND CONTRACT ASSETS

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Impairment losses:				
- Trade receivables (Note 12)	**743**	3,037	**-**	1,075
- Contract assets (Note 14)	**11,183**	4,047	**-**	3,642
Reversal of impairment losses:				
- Trade receivables (Note 12)	**(935)**	(2,353)	**(549)**	(1,002)
- Contract assets (Note 14)	**(1,237)**	(688)	**(1,232)**	(688)
	9,754	4,043	**(1,781)**	3,027

31. PROFIT BEFORE TAXATION

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before taxation is arrived at after charging/(crediting):-				
Auditors' remuneration:				
- audit fees:				
- Crowe Malaysia PLT:				
- statutory audit for the financial year	**333**	276	**144**	129
- underprovision in the previous financial year	**75**	21	**19**	2
- other auditors:				
- statutory audit for the financial year	**319**	257	**51**	29
- non-audit fees:				
- Crowe Malaysia PLT	**7**	6	**7**	6
Directors' remuneration (Note 38(a))	**13,033**	5,535	**9,364**	2,797

31. PROFIT BEFORE TAXATION (CONT'D)

	The Group		The Company	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Profit before taxation is arrived at after charging/(crediting) (Cont'd):-				
Material Expenses/(Income)				
Depreciation of property, plant and equipment	**7,134**	5,958	**239**	280
Depreciation of right-of-use assets	**3,888**	1,210	**-**	-
Freight charges	**10,467**	5,066	**-**	-
Hired transport cost	**9,313**	5,499	**-**	-
Interest expense on financial liabilities that are not at fair value through profit or loss:				
- bank overdrafts	**34**	64	**-**	41
- invoice financing	**2,577**	1,383	**76**	27
- hire purchase payables	**280**	134	**-**	-
- revolving credits	**1,038**	330	**534**	232
- term loans	**2,802**	1,429	**-**	-
- trust receipts	**3,975**	1,902	**-**	-
Interest expense on lease liabilities	**189**	91	**-**	-
Lease expenses:				
- short-term leases	**11,261**	4,377	**243**	180
- low-value assets	**26**	9	**-**	-
Loss/(Gain) on foreign exchange:				
- realised	**2,814**	(1,623)	**(480)**	358
- unrealised	**18**	2,918	**(1,634)**	1,266
Maintenance fee	**3,968**	2,072	**-**	-

31. PROFIT BEFORE TAXATION (CONT'D)

	The Group		The Company	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Profit before taxation is arrived at after charging/(crediting) (Cont'd):-				
Material Expenses/(Income) (Cont'd)				
Staff costs:				
- salaries, wages, bonuses, allowances and others	**107,196**	85,237	**3,898**	3,358
- defined contribution plan	**10,268**	7,479	**159**	157
- share-based payments	**3,538**	493	**1,697**	234
Fair value (gain)/loss on financial liabilities measured at fair value through profit or loss mandatorily:				
- derivatives	**(2,568)**	2,943	**-**	-
Interest income on financial assets measured at amortised cost:				
- financial institutions	**(2,463)**	(470)	**(573)**	(225)
- subsidiaries	**-**	-	**(1,512)**	(884)

32. INCOME TAX EXPENSE

	The Group		The Company	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Current tax:				
- Malaysian tax	**15,571**	10,684	**498**	129
- Foreign tax	**9,896**	4,777	**-**	-
	25,467	15,461	**498**	129
(Over)/Underprovision in the previous financial year:				
- Malaysian tax	**(77)**	(27)	**61**	-
- Foreign tax	**(112)**	(1,015)	**-**	-
	(189)	(1,042)	**61**	-
	25,278	14,419	**559**	129
Deferred tax (Note 10):				
- Origination and reversal of temporary differences	**2,809**	1,466	**-**	-
- Overprovision in the previous financial year	**(202)**	-	**-**	-
	2,607	1,466	**-**	-
Total income tax expense	**27,885**	15,885	**559**	129

NOTES TO THE FINANCIAL STATEMENTS
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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

32. INCOME TAX EXPENSE (CONT'D)

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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before taxation	**133,903**	74,391	**31,594**	25,317
Tax at Malaysian statutory tax rate of 24% (2022 - 24%)	**32,137**	17,854	**7,582**	6,076
Tax effects of:-				
Differential in tax rates	**(4,439)**	(2,003)	**(62)**	198
Non-deductible expenses	**4,238**	1,825	**386**	400
Tax-exempt income	**(1,347)**	(685)	**-**	-
Non-taxable income	**(1,303)**	(148)	**(7,858)**	(6,708)
(Over)/Underprovision in the previous financial year:				
- current tax	**(189)**	(1,042)	**61**	-
- deferred tax	**(202)**	-	**-**	-
Deferred tax assets not recognised during the current financial year	**1,580**	364	**1,189**	527
Utilisation of deferred tax assets not recognised in the previous financial year	**(929)**	(5)	**(396)**	(364)
Others	**(1,661)**	(275)	**(343)**	-
Income tax expense for the financial year	**27,885**	15,885	**559**	129

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2022 - 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.

33. EARNINGS PER SHARE

	The Group	
	2023	2022
Profit attributable to owners of the Company (RM'000)	**104,135**	55,752
Number of shares in issue as of 1 January	**645,246,952**	645,246,952
Effects through:		
- ESS exercised	**880,801**	-
- warrants exercised	**329**	-
- treasury shares	**(2,239,800)**	(2,239,800)
Weighted average number of ordinary shares for basic earnings per share computation	**643,888,282**	643,007,152
Effect of dilution - ESS	**1,979,624**	218,444
Effect of dilution - Warrants	**21,203,707**	-
Weighted average number of ordinary shares for diluted earnings per share computation	**667,071,613**	643,225,596
Basic earnings per ordinary share attributable to owners of the Company (sen)	**16.17**	8.67
Diluted earnings per ordinary share attributable to owners of the Company (sen)	**15.61**	8.67

(a) The basic earnings per share is calculated by dividing the consolidated profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year after deducting for treasury shares.

(b) The diluted earnings per share is calculated by dividing the consolidated profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year after deducting for treasury shares and adjusted for the effects of dilutive potential ordinary shares.

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34. ACQUISITION OF NON-CONTROLLING INTERESTS

(a) On 5 May 2023, the Company acquired additional 8% equity interests in CLSB for a cash consideration of RM8, increasing its ownership from 82% to 90%.

On 22 May 2023, the Company acquired the remaining 10% equity interests in CLSB for a cash consideration of RM100,000, increasing its ownership from 90% to 100%.

The carrying amount of CLSB's net assets in the Group financial statements on that date was RM469,389. The Group recognised a decrease in non-controlling interests of RM84,490 and a decrease in retained profits of RM15,518.

(b) On 22 May 2023, the Company through its subsidiary, AGSB acquired remaining 10% equity interests in AGMS for SGD3,000, equivalent to RM10,214 in cash, increasing its ownership from 90% to 100%.

The carrying amount of AGMS's net assets in the Group financial statements on that date was RM4,498,949. The Group recognised a decrease in non-controlling interests of RM426,825 and an increase in retained profits of RM439,681.

(c) On 1 June 2023, the Company through its subsidiary, AGSB acquired remaining 20% equity interests in AGMSB for a consideration of RM5,192,700 which was satisfied through the issuance of 1,822,000 new ordinary shares of AGSB.

The carrying amount of AGMSB's net assets in the Group financial statements on that date was RM14,173,087. The Group recognised a decrease in non-controlling interests of RM2,833,490 and a decrease in retained profits of RM2,359,210.

(d) The following summarises the effect of changes in the equity interests in CLSB, AGMS and AGMSB that is attributable to the owners of the Company:-

	(a) CLSB 2023 RM'000	(b) AGMS 2023 RM'000	(c) AGMSB 2023 RM'000	Total 2023 RM'000
Equity interest at 1 January	79	244	2,011	2,334
Effect of increase in the Company's ownership interest	(84)	(427)	(2,833)	(3,344)
Share of profits up to date of disposal	5	183	822	1,010
Equity interest at 31 December	-	-	-	-

(e) There was no acquisition of non-controlling interests in the previous financial year.

35. DISPOSAL OF A SUBSIDIARIES

(a) On 4 October 2023, the Company disposed of its entire equity interest in KASSB for a total consideration of RM220,000.

The financial effects of the disposal at the date of disposal are summarised below:-

	The Group 2023 RM'000	The Company 2023 RM'000
Investment in a subsidiary	-	220
Property, plant and equipment	35	-
Goodwill	30	-
Trade and other receivables	208	-
Current tax assets	23	-
Cash and bank balances	285	-
Trade and other payables	(140)	-
Non-controlling interests	(185)	-
Carrying amount of net assets disposed of	256	220
Loss on disposal of a subsidiary	(36)	-
Consideration received, satisfied in cash	220	220
Less: Cash and bank balances of a subsidiary disposed of	(285)	-
Net cash (outflow)/inflow from the disposal of subsidiary	(65)	220

(b) On 23 November 2023, the Company has entered into an internal restructuring with its subsidiary, AGSB, to dispose the entire equity interest in CLSB for a cash consideration of RM740,192.

The financial effects of the disposal at the date of disposal are summarised below:-

	The Company 2023 RM'000
Investment in a subsidiary	100
Loss on disposal of a subsidiary	640
Consideration received/Net cash inflow from the disposal of subsidiary	740

(c) There was no disposal of subsidiary in the previous financial year.

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36. DIVIDENDS

	The Group/The Company	
	2023 RM'000	2022 RM'000
Paid:-		
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
Interim dividend of 1.50 sen per ordinary share in respect of the financial year ended 31 December 2022	9,645	-
Interim dividend of 1.50 sen per ordinary share in respect of the financial year ended 31 December 2023	9,672	-
	19,317	12,860

37. CASH FLOW INFORMATION

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

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Property, plant and equipment				
Cost of property, plant and equipment purchased (Note 6)	70,010	44,204	86	190
Less: Acquired through hire purchase arrangements	(4,400)	(1,030)	-	-
Less: Capitalisation of interest charges of term loans	(512)	(86)	-	-
Less: Other payables - balances remained unpaid at financial year end (Note 24)	(1,896)	(5,949)	-	-
Add: Payments in respect of previous financial year's purchases	5,949	929	-	-
Add: Exchange fluctuation differences	19	87	-	-
	69,170	38,155	86	190
Right-of-use assets				
Cost of right-of-use assets acquired (Note 7)	7,082	3,891	-	-
Addition of new lease liabilities (Note (b) below)	(7,082)	(3,891)	-	-
	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
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37. 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							
2023							
At 1 January	3,441	3,251	52,275	14,619	49,150	121,050	243,786
Changes in Financing Cash Flows							
Proceeds from drawdown	-	-	87,732	26,419	45,152	36,383	195,686
Repayment of principal	(3,901)	(1,741)	(97,798)	(14,889)	(20,825)	(131,932)	(271,086)
Repayment of interests	(189)	(280)	(2,349)	(1,038)	(3,314)	(4,310)	(11,480)
	(4,090)	(2,021)	(12,415)	10,492	21,013	(99,859)	(86,880)
Other Changes							
Additions (Note (a) above)	7,082	4,400	-	-	-	-	11,482
Accrued interest	-	-	-	-	-	(654)	(654)
Modification of lease	(156)	-	-	-	-	-	(156)
Interest expense recognised in profit or loss	189	280	2,577	1,038	2,802	3,975	10,861
Interest expense capitalised under capital work-in-progress	-	-	-	-	512	-	512
Foreign exchange adjustments	212	25	1,082	101	440	5,155	7,015
	7,327	4,705	3,659	1,139	3,754	8,476	29,060
At 31 December	6,678	5,935	43,519	26,250	73,917	29,667	185,966

NOTES TO THE FINANCIAL STATEMENTS
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37. 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	Term Loans RM'000	Trust Receipts RM'000	Total RM'000
The Group							
2022							
At 1 January	1,117	3,057	15,306	3,351	30,191	3,339	56,361
Changes in Financing Cash Flows							
Proceeds from drawdown	-	-	61,817	16,056	33,481	279,989	391,343
Repayment of principal	(1,573)	(866)	(23,098)	(4,917)	(14,634)	(165,172)	(210,260)
Repayment of interests	(93)	(134)	(1,383)	(330)	(1,514)	(985)	(4,439)
	(1,666)	(1,000)	37,336	10,809	17,333	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	330	1,429	1,902	5,269
Interest expense capitalised under capital work-in-progress	-	-	-	-	86	-	86
Foreign exchange adjustments	63	30	(1,750)	129	111	1,977	560
	3,990	1,194	(367)	459	1,626	3,879	10,781
At 31 December	3,441	3,251	52,275	14,619	49,150	121,050	243,786

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

37. 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			
2023			
At 1 January	**-**	**12,000**	**12,000**
Changes in Financing Cash Flows			
Proceeds from drawdown	**2,389**	**-**	**2,389**
Repayment of principal	**(2,389)**	**-**	**(2,389)**
Repayment of interests	**(76)**	**(534)**	**(610)**
	(76)	**(534)**	**(610)**
Other Changes			
Interest expense recognised in profit or loss	**76**	**534**	**610**
At 31 December	**-**	**12,000**	**12,000**
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

NOTES TO THE FINANCIAL STATEMENTS
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37. CASH FLOW INFORMATION (CONT'D)

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

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Fixed deposits with licensed banks	**36,129**	25,586	**18,911**	16,466
Cash and bank balances	**233,132**	234,381	**23,904**	9,546
Bank overdrafts	**(2,246)**	(1,253)	**-**	-
	267,015	258,714	**42,815**	26,012
Less: Fixed deposits pledged to licensed banks (Note 15)	**(24,068)**	(24,433)	**(15,911)**	(16,466)
Less: Bank balance pledged to a licensed bank (Note 16)	**(4,451)**	(3,596)	**-**	-
Less: Fixed deposits with tenure of more than 3 months	**(1,174)**	(1,153)	**-**	-
	237,322	229,532	**26,904**	9,546

(d) The total cash outflows for leases as a lessee are as follows:-

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Payment of short-term leases	**11,261**	4,377	**243**	180
Payment of low-value assets	**26**	9	**-**	-
Interest paid on lease liabilities	**189**	93	**-**	-
Payment of lease liabilities	**3,901**	1,573	**-**	-
	15,377	6,052	**243**	180

NOTES TO THE FINANCIAL STATEMENTS
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38. KEY MANAGEMENT PERSONNEL COMPENSATION

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

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

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(a) Directors of the Company:-				
Short-term employee benefits:				
- fee	**282**	241	**282**	241
- salaries, bonuses and other benefits	**5,927**	4,868	**3,005**	2,339
Defined contribution benefits	**351**	285	**187**	158
Retirement gratuity fee	**5,466**	-	**5,466**	-
Share-based payments	**1,007**	141	**424**	59
	13,033	5,535	**9,364**	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 RM84,000 and RM56,000 (2022 - RM79,950 and RM56,000) respectively.

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(b) Other key management personnel:-				
Short-term employee benefits:				
- salaries, bonuses and other benefits	**7,459**	5,576	**1,062**	872
Defined contribution benefits	**330**	220	**62**	56
Share-based payments	**495**	74	**141**	25
	8,284	5,870	**1,265**	953

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39. RELATED PARTY DISCLOSURES

(a) Subsidiaries

Details of the subsidiaries are disclosed in Note 5 to the financial statements.

(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	
	2023 RM'000	2022 RM'000
Dividends from subsidiaries	**30,345**	27,950
Management fees from subsidiaries	**8,061**	4,306
Interest charged to subsidiaries	**1,512**	884
Rental charged to subsidiaries	**231**	228

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

40. 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 4 main reportable segments as follows:-

(i) Service segment - involved in the provision of scientific and technical research, laboratory testing service and experiments;

(ii) Investment holding - involved in group-level corporate services;

(iii) Manufacturing, trading and rental segment - involved in the manufacturing and trading of industrial and specialty gases, equipment and materials, facility fee and leasing of tanks; and

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS
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40. OPERATING SEGMENTS (CONT'D)

The Group is organised into following geographical segments:
- Malaysia
- Singapore
- PRC
- Others

40.1 BUSINESS SEGMENTS

	Service Segment RM'000	Investment Holding Segment RM'000	Manufacturing, Trading and Rental Segment RM'000	Construction Segment RM'000	The Group RM'000
2023					
Revenue					
External revenue	527	-	117,543	1,496,379	1,614,449
Inter-segment revenue	-	38,847	103,722	11,222	153,791
	527	38,847	221,265	1,507,601	1,768,240
Adjustments and eliminations					(153,791)
					1,614,449
Represented by:-					
Revenue from contracts with customers					
Revenue recognised at a point of time					
- Sale of goods	-	-	210,836	-	210,836
- Laboratory testing services	527	-	-	-	527
Revenue recognised over time					
- Contract revenue	-	-	-	1,507,601	1,507,601
- Facility fee	-	-	9,899	-	9,899
- Leasing of tanks	-	-	530	-	530
Revenue from other sources					
- Dividend income	-	30,345	-	-	30,345
- Management fee	-	8,502	-	-	8,502
	527	38,847	221,265	1,507,601	1,768,240
Adjustments and eliminations					(153,791)
					1,614,449

NOTES TO THE FINANCIAL STATEMENTS
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40. OPERATING SEGMENTS (CONT'D)

40.1 BUSINESS SEGMENTS (CONT'D)

	Service Segment RM'000	Investment Holding Segment RM'000	Manufacturing, Trading and Rental Segment RM'000	Construction Segment RM'000	The Group RM'000
2023					
Results					
Segment profit before interest and taxation	11	28,282	47,703	97,921	173,917
Interest income					2,463
Finance costs					(10,951)
					165,429
Adjustments and eliminations					(31,526)
Consolidated profit before taxation					133,903
Income tax expense					(27,885)
Consolidated profit after taxation					106,018
Segment profit includes the following:-					
Interest income	-	-	260	2,203	2,463
Finance costs	-	-	(3,311)	(7,640)	(10,951)
Unrealised gain/(loss) on foreign exchange	-	1,566	(507)	(1,077)	(18)
Loss on disposal of property, plant and equipment	-	-	(39)	(95)	(134)
Net (impairment losses)/reversal of impairment losses on financial assets and contract assets	4	-	(44)	(9,714)	(9,754)
Depreciation of property, plant and equipment	(17)	(219)	(4,333)	(2,565)	(7,134)
Depreciation of right-of-use assets	-	-	(1,541)	(2,347)	(3,888)
Fair value gain on derivatives	-	-	-	2,568	2,568

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40. OPERATING SEGMENTS (CONT'D)

40.1 BUSINESS SEGMENTS (CONT'D)

	Service Segment RM'000	Investment Holding Segment RM'000	Manufacturing, Trading and Rental Segment RM'000	Construction Segment RM'000	The Group RM'000
2023					
Assets					
Segment assets	-	51,290	260,356	789,678	1,101,324
Unallocated assets:					
- Current tax assets					308
- Deferred tax assets					1,333
Adjustments and eliminations					(31,637)
					1,071,328
Additions to non-current assets other than financial instruments and deferred tax assets are:					
- Property, plant and equipment	10	86	60,394	9,520	70,010
- Right-of-use assets	-	-	3,998	3,084	7,082
Liabilities					
Segment liabilities	-	20,178	180,106	575,131	775,415
Unallocated liabilities:					
- Current tax liabilities					12,773
- Deferred tax liabilities					5,922
Adjustments and eliminations					(61,174)
					732,936

40. OPERATING SEGMENTS (CONT'D)

40.1 BUSINESS SEGMENTS (CONT'D)

	Service Segment RM'000	Investment Holding Segment RM'000	Manufacturing, Trading and Rental Segment RM'000	Construction Segment RM'000	The Group RM'000
2022					
Revenue					
External revenue	749	-	63,708	1,214,380	1,278,837
Inter-segment revenue	-	32,601	24,616	8,269	65,486
	749	32,601	88,324	1,222,649	1,344,323
Adjustments and eliminations					(65,486)
					1,278,837
Represented by:-					
Revenue from contracts with customers					
Revenue recognised at a point of time					
- Sale of goods	-	-	85,916	-	85,916
- Laboratory testing services	749	-	-	-	749
Revenue recognised over time					
- Contract revenue	-	-	-	1,222,649	1,222,649
- Facility fee	-	-	1,646	-	1,646
- Leasing of tanks	-	-	762	-	762
Revenue from other sources					
- Dividend income	-	27,950	-	-	27,950
- Management fee	-	4,651	-	-	4,651
	749	32,601	88,324	1,222,649	1,344,323
Adjustments and eliminations					(65,486)
					1,278,837

40. OPERATING SEGMENTS (CONT'D)

40.1 BUSINESS SEGMENTS (CONT'D)

	Service Segment RM'000	Investment Holding Segment RM'000	Manufacturing, Trading and Rental Segment RM'000	Construction Segment RM'000	The Group RM'000
2022					
Results					
Segment profit before interest and taxation	104	28,667	22,272	57,276	108,319
Interest income					470
Finance costs					(5,416)
					103,373
Adjustments and eliminations					(28,982)
Consolidated profit before taxation					74,391
Income tax expense					(15,885)
Consolidated profit after taxation					58,506
Segment profit includes the following:-					
Interest income	-	224	18	228	470
Finance costs	-	(322)	(1,580)	(3,514)	(5,416)
Unrealised gain/(loss) on foreign exchange	-	1,744	(677)	(3,985)	(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	(22)	(207)	(3,577)	(2,152)	(5,958)
Depreciation of right-of-use assets	-	-	(15)	(1,195)	(1,210)
Fair value gain on derivatives	-	-	(139)	(2,804)	(2,943)

40. OPERATING SEGMENTS (CONT'D)

40.1 BUSINESS SEGMENTS (CONT'D)

	Service Segment RM'000	Investment Holding Segment RM'000	Manufacturing, Trading and Rental Segment RM'000	Construction Segment RM'000	The Group RM'000
2022					
Assets					
Segment assets	575	59,412	186,957	864,752	1,111,696
Unallocated assets:					
- Current tax assets					6,579
- Deferred tax assets					682
Adjustments and eliminations					(63,316)
					1,055,641
Additions to non-current assets other than financial instruments and deferred tax assets are:					
- Property, plant and equipment	5	160	38,380	5,659	44,204
- Right-of-use assets	-	-	-	3,891	3,891
Liabilities					
Segment liabilities	181	14,078	134,356	709,863	858,478
Unallocated liabilities:					
- Current tax liabilities					14,745
- Deferred tax liabilities					2,675
Adjustments and eliminations					(63,372)
					812,526

40. OPERATING SEGMENTS (CONT'D)

40.2 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.

The Group	Revenue 2023 RM'000	Revenue 2022 RM'000	Non-current Assets 2023 RM'000	Non-current Assets 2022 RM'000
Malaysia	**699,453**	571,623	**158,790**	97,324
Singapore	**610,544**	477,616	**12,535**	9,261
PRC	**238,221**	178,995	**4,142**	3,709
Others	**66,231**	50,603	**39**	58
	1,614,449	1,278,837	**175,506**	110,352

The information on the disaggregation of revenue based on geographical region is summarised below:-

The Group	At A Point In Time 2023 RM'000	At A Point In Time 2022 RM'000	Over Time 2023 RM'000	Over Time 2022 RM'000	The Group 2023 RM'000	The Group 2022 RM'000
Malaysia	**44,721**	30,365	**654,732**	541,258	**699,453**	571,623
Singapore	**24,717**	12,447	**585,827**	465,169	**610,544**	477,616
PRC	**2,323**	745	**235,898**	178,250	**238,221**	178,995
Others	**35,880**	18,717	**30,351**	31,886	**66,231**	50,603
	107,641	62,274	**1,506,808**	1,216,563	**1,614,449**	1,278,837

40.3 MAJOR CUSTOMERS

The following is major customer with revenue equal to or more than 10% of the Group's total revenue:-

	Revenue 2023 RM'000	Revenue 2022 RM'000	Segment
Customer 1	**-**	285,437	Construction
Customer 2	**446,853**	287,160	Construction
Customer 3	**189,562**	-	Construction

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41. CAPITAL COMMITMENTS

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Purchase of property, plant and equipment	**47,559**	96,667	**-**	-

42. FINANCIAL INSTRUMENTS

The activities of the Group and of the Company 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 overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group and of the Company.

42.1 FINANCIAL RISK MANAGEMENT POLICIES

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

(a) Market Risk

(i) Foreign Currency Risk

The Group and the Company are 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. On occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The 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
2023				
Financial Assets				
Trade receivables	15,517	11,328	4,015	120,227
Other receivables	9,512	-	-	1,197
Fixed deposits with licensed banks	-	9,625	-	21
Cash and bank balances	29,376	27,067	4,380	68,871
	54,405	48,020	8,395	190,316
Financial Liabilities				
Lease liabilities	(1,014)	-	-	(2,885)
Hire purchase payables	-	-	-	(1,273)
Term loans	-	-	-	(3,479)
Invoice financing	(43,519)	-	-	-
Trust receipts	-	-	-	(24,979)
Derivative liabilities	-	(434)	-	-
Trade payables	(47,490)	(33,408)	(3,498)	(41,065)
Other payables and accruals	(5,645)	(1)	(2,590)	(17,660)
	(97,668)	(33,843)	(6,088)	(91,341)
Net financial (liabilities)/ assets	(43,263)	14,177	2,307	98,975
Add: Forward foreign currency contracts (contracted notional principal)	-	23,307	-	-
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	42,928	-	(2,307)	(89,379)
Currency exposure	(335)	37,484	-	9,596

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42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 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
2022					
Financial Assets					
Trade receivables	9,604	8,414	5,485	110,643	-
Other receivables	2,712	-	-	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)	-	-	(6,548)	-
Invoice financing	(52,275)	-	-	-	-
Trust receipts	-	-	-	(82,579)	-
Revolving credits	-	-	-	(2,619)	-
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)
Add: Forward foreign currency contracts (contracted notional principal)	-	2,937	-	-	25
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	34,369	-	1,581	(37,405)	-
Currency exposure	(5,945)	(15,734)	-	1,244	(7,617)

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42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 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
2023			
Financial Assets			
Trade receivables	**-**	**4,016**	**-**
Amount owing by subsidiaries	**69**	**-**	**4,502**
Fixed deposits with licensed banks	**2,737**	**-**	**-**
Cash and bank balances	**3,028**	**4,379**	**10,669**
	5,834	**8,395**	**15,171**
Financial Liabilities			
Trade payables	**(92)**	**(3,498)**	**-**
Other payables and accruals	**-**	**(2,590)**	**-**
Amount owing to subsidiaries	**(2,088)**	**-**	**-**
	(2,180)	**(6,088)**	**-**
Net financial assets	**3,654**	**2,307**	**15,171**
Less: Net financial assets denominated in the entity's functional currency	**-**	**(2,307)**	**-**
Currency exposure	**3,654**	**-**	**15,171**

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42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 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	-	-
Currency exposure	2,777	-	6,477	(762)

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42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Effects on profit after taxation				
CNY				
- strengthened by 10%	**(34)**	(595)	**-**	(76)
- weakened by 10%	**34**	595	**-**	76
USD				
- strengthened by 10%	**3,748**	(1,573)	**365**	278
- weakened by 10%	**(3,748)**	1,573	**(365)**	(278)
SGD				
- strengthened by 10%	**960**	124	**1,517**	648
- weakened by 10%	**(960)**	(124)	**(1,517)**	(648)
EUR				
- strengthened by 10%	**-**	(762)	**-**	-
- weakened by 10%	**-**	762	**-**	-

(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 exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group and the Company adopt a policy of obtaining 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 fixed rate debt instruments of the Group and of the Company are not subject to interest rate risk since neither carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The 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.

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Effects on Profit After Taxation				
Increase of 100 basis points	**(1,760)**	(2,381)	**(120)**	(120)
Decrease of 100 basis points	**1,760**	2,381	**120**	120

(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 exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group and the Company manage their exposures 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 and the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

Also, the Company's exposure to credit risk includes loans and advances to subsidiaries, and corporate guarantee given to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the ability of these subsidiaries to serve their loans on an individual basis.

(i) Credit Risk Concentration Profile

The Group's and the Company's major concentration of credit risk relates to the trade receivables (including amount owing by subsidiaries) at the end of the reporting period are as follows:-

	2023	2022
The Group		
Major concentration of credit risk	**40%**	59%
Number of customers	**3**	3
The Company		
Major concentration of credit risk	**81%**	48%
Number of customers	**3**	2

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 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 the 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 (including amount owing by subsidiaries) at the end of the reporting period is as follows:-

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Malaysia	**238,252**	252,328	**1,689**	1,714
Singapore	**118,680**	109,187	**-**	4,495
PRC	**15,517**	9,604	**-**	-
Taiwan	**4,016**	5,500	**4,016**	5,485
Others	**10,119**	8,784	**-**	-
	386,584	385,403	**5,705**	11,694

(ii) Maximum 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

The Group and the Company have an informal credit policy in place and the exposure to credit risk is monitored on an on-going basis through periodic review of the ageing of the receivables. The Group and the Company closely monitor the receivables' financial strength to reduce the risk of loss.

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.

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42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

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

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; or
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

The Group and the Company consider 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.

Trade Receivables (including amount owing by subsidiaries) and Contract Assets

The Group and the Company apply the simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for all trade receivables (including amount owing by subsidiaries) and contract assets.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

To measure the expected credit losses, trade receivables (including amount owing by subsidiaries) 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 (including amount owing by subsidiaries) are a reasonable approximation of the loss rates for the contract assets.

The Group and the Company 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 3 (2022 - 2) years 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.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

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42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

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

Trade Receivables (including amount owing by subsidiaries) and Contract Assets (Cont'd)

Allowance for Impairment Losses

The Group	Gross Amount RM'000	Lifetime Individual Allowance RM'000	Lifetime Collective Allowance RM'000	Carrying Amount RM'000
2023				
Current (not past due)	**332,515**	**-**	**(724)**	**331,791**
Less than 3 months past due	**55,294**	**-**	**(901)**	**54,393**
3 to 6 months past due	**1,123**	**-**	**(792)**	**331**
More than 6 months past due	**732**	**-**	**(663)**	**69**
Credit impaired	**12,184**	**(12,184)**	**-**	**-**
Trade receivables	**401,848**	**(12,184)**	**(3,080)**	**386,584**
Contract assets	**173,677**	**-**	**(14,295)**	**159,382**
	575,525	**(12,184)**	**(17,375)**	**545,966**
2022				
Current (not past due)	344,905	-	(133)	344,772
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	400,689	(11,603)	(3,683)	385,403
Contract assets	200,707	-	(4,149)	196,558
	601,396	(11,603)	(7,832)	581,961

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

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

Trade Receivables (including amount owing by subsidiaries) and Contract Assets (Cont'd)

Allowance for Impairment Losses (Cont'd)

The Company	Gross Amount RM'000	Lifetime Individual Allowance RM'000	Lifetime Collective Allowance RM'000	Carrying Amount RM'000
2023				
Current (not past due)	**4,822**	**-**	**(115)**	**4,707**
Less than 3 months past due	**257**	**-**	**(1)**	**256**
3 to 6 months past due	**208**	**-**	**-**	**208**
More than 6 months past due	**534**	**-**	**-**	**534**
Credit impaired	**529**	**(529)**	**-**	**-**
Trade receivables	**6,350**	**(529)**	**(116)**	**5,705**
Contract assets	**3,619**	**-**	**(2,451)**	**1,168**
	9,969	**(529)**	**(2,567)**	**6,873**
2022				
Current (not past due)	6,091	-	-	6,091
Less than 3 months past due	1,542	-	(100)	1,442
3 to 6 months past due	418	-	-	418
More than 6 months past due	3,743	-	-	3,743
Credit impaired	1,041	(1,041)	-	-
Trade receivables	12,835	(1,041)	(100)	11,694
Contract assets	6,311	-	(3,545)	2,766
	19,146	(1,041)	(3,645)	14,460

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

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

Trade Receivables (including amount owing by subsidiaries) and Contract Assets (Cont'd)

Allowance for Impairment Losses (Cont'd)

The movements in the loss allowances in respect of trade receivables, contract assets and amount owing by subsidiaries are disclosed in Notes 12, 14 and 8 to the financial statements respectively.

Other Receivables

The Group and the Company apply 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 and the Company assess 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 and the Company consider 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 and the Company use 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 and the Company measure 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.

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42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

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

Other Receivables (Cont'd)

Inputs, Assumptions and Techniques used for Estimating Impairment Losses (Cont'd)

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 and the Company consider the receivable's past payment status and its financial condition as at the reporting date.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

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 and the Company consider the licensed banks have low credit risks. Therefore, the Group and the Company are 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

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

Amount Owing By Subsidiaries (Non-trade Balances) (Cont'd)

Inputs, Assumptions and Techniques used for Estimating Impairment Losses (Cont'd)

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.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

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

Corporate guarantees for borrowing facilities granted to subsidiaries are financial guarantee contract.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

The Company closely monitors the subsidiaries' financial strength to reduce the risk of loss.

The Company considers there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. A financial guarantee contract is credit impaired when:

- The subsidiary is unlikely to repay its obligation to the bank in full; or
- The subsidiary is having a deficit in equity and is continuously loss making.

The Company determines the probability of default of the guaranteed amounts individually using internal information available.

Allowance for Impairment Losses

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group and the Company practise 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
2023					
Non-derivative Financial Liabilities					
Lease liabilities	**6,678**	**6,909**	**4,521**	**2,388**	**-**
Hire purchase payables	**5,935**	**6,808**	**1,826**	**4,677**	**305**
Term loans	**73,917**	**135,415**	**19,156**	**55,305**	**60,954**
Invoice financing	**43,519**	**43,519**	**43,519**	**-**	**-**
Trust receipts	**29,667**	**29,667**	**29,667**	**-**	**-**
Revolving credits	**26,250**	**26,250**	**26,250**	**-**	**-**
Trade payables	**223,841**	**223,841**	**223,841**	**-**	**-**
Other payables and accruals	**47,479**	**47,479**	**47,479**	**-**	**-**
Bank overdrafts	**2,246**	**2,246**	**2,246**	**-**	**-**
Derivative Financial Liabilities					
Forward currency contracts	**434**	**434**	**434**	**-**	**-**
	459,966	**522,568**	**398,939**	**62,370**	**61,259**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 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 Group	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Over Within 1 Year RM'000	1 - 5 Years RM'000	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	49,150	59,579	20,076	37,263	2,240
Invoice financing	52,275	52,275	52,275	-	-
Trust receipts	121,050	121,050	121,050	-	-
Revolving credits	14,619	14,619	14,619	-	-
Trade payables	201,469	201,469	201,469	-	-
Other payables and accruals	37,225	37,225	37,225	-	-
Bank overdrafts	1,253	1,253	1,253	-	-
Derivative Financial Liabilities					
Forward currency contracts	2,962	2,962	2,962	-	-
	486,695	497,553	454,229	41,078	2,246

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

42. FINANCIAL INSTRUMENTS (CONT'D)

42.1 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
2023			
Non-derivative Financial Liabilities			
Revolving credits	**12,000**	**12,000**	**12,000**
Amount owing to subsidiaries	**2,307**	**2,307**	**2,307**
Trade payables	**3,590**	**3,590**	**3,590**
Other payables and accruals	**10,550**	**10,550**	**10,550**
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	**-**	**219,430**	**219,430**
	28,447	**247,877**	**247,877**
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 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 values on initial recognition were not material.

42. FINANCIAL INSTRUMENTS (CONT'D)

42.2 CAPITAL RISK MANAGEMENT

The Group and the Company 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 and the Company 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 and the Company 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 and the Company 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 and of the Company at the end of the reporting period are as follows:-

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Lease liabilities	**6,678**	3,441	**-**	-
Hire purchase payables	**5,935**	3,251	**-**	-
Term loans	**73,917**	49,150	**-**	-
Invoice financing	**43,519**	52,275	**-**	-
Trust receipts	**29,667**	121,050	**-**	-
Revolving credits	**26,250**	14,619	**12,000**	12,000
Bank overdrafts	**2,246**	1,253	**-**	-
	188,212	245,039	**12,000**	12,000
Less: Cash and cash equivalents (Note 37(c))	**(237,322)**	(229,532)	**(26,904)**	(9,546)
(Net cash)/Net debts	**(188,212)**	15,507	**(14,904)**	2,454
Total equity	**338,392**	243,115	**109,919**	95,020
Debt-to-equity ratio	*	0.06	*	0.03

* Not applicable as the Company's cash and cash equivalents exceed its borrowings.

There was no change in the approach to capital management during the financial year. The Group and the Company 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

42. FINANCIAL INSTRUMENTS (CONT'D)

42.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Financial Asset				
Amortised Cost				
Trade receivables	**386,584**	385,403	**4,016**	5,485
Other receivables	**19,231**	7,006	**-**	1
Amount owing by subsidiaries	**-**	-	**36,552**	36,341
Fixed deposits with licensed banks	**36,129**	25,586	**18,911**	16,466
Cash and bank balances	**233,132**	234,381	**23,904**	9,546
	675,076	652,376	**83,383**	67,839
Financial Liabilities				
Fair Value Through Profit or Loss				
Derivative liabilities	**434**	2,962	**-**	-
Amortised Cost				
Lease liabilities	**6,678**	3,441	**-**	-
Hire purchase payables	**5,935**	3,251	**-**	-
Term loans	**73,917**	49,150	**-**	-
Invoice financing	**43,519**	52,275	**-**	-
Trust receipts	**29,667**	121,050	**-**	-
Revolving credits	**26,250**	14,619	**12,000**	12,000
Amount owing to subsidiaries	**-**	-	**2,307**	3,636
Trade payables	**223,841**	201,469	**3,590**	8,542
Other payables and accruals	**47,479**	37,225	**10,550**	3,480
Bank overdrafts	**2,246**	1,253	**-**	-
	459,532	483,733	**28,447**	27,658

42. FINANCIAL INSTRUMENTS (CONT'D)

42.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Financial Asset				
Amortised Cost				
Net (losses)/gains recognised in profit or loss by:				
- mandatorily required by MFRS 9	**(6,666)**	(5,337)	**6,101**	(3,533)
Financial Liabilities				
Fair Value Through Profit or Loss				
Net gains/(losses) recognised in profit or loss by:				
- mandatorily required by MFRS 9	**2,568**	(2,943)	**-**	-
Amortised Cost				
Net losses recognised in profit or loss by:				
- mandatorily required by MFRS 9	**(14,055)**	(4,943)	**(477)**	(358)

42. FINANCIAL INSTRUMENTS (CONT'D)

42.5 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 terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those 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				
The Group	**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**
2023								
Financial Liabilities								
Term loans:								
- floating rate	**-**	**-**	**-**	**-**	**73,917**	**-**	**73,917**	**73,917**
Hire purchase payables	**-**	**-**	**-**	**-**	**5,953**	**-**	**5,953**	**5,935**
Derivative liabilities:								
- forward currency contracts	**-**	**434**	**-**	**-**	**-**	**-**	**434**	**434**
2022								
Financial Liabilities								
Term loans:								
- fixed rate	-	-	-	-	3,241	-	3,241	3,243
- floating rate	-	-	-	-	45,907	-	45,907	45,907
Hire purchase payables	-	-	-	-	3,251	-	3,251	3,251
Derivative liabilities:								
- forward currency contracts	-	2,962	-	-	-	-	2,962	2,962
The Company								
2023								
Financial Asset								
Amount owing by subsidiaries:								
- interest-bearing balances	**-**	**-**	**-**	**-**	**-**	**29,040**	**29,040**	**29,040**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

42. FINANCIAL INSTRUMENTS (CONT'D)

42.5 FAIR VALUE INFORMATION (CONT'D)

(a) Fair Value of Financial Instruments Carried at Fair Value

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 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	
	2023 %	**2022 %**
Term loans (fixed rate)	**-**	3.85 - 6.54
Hire purchase payables (fixed rate)	**3.59 - 7.60**	3.00 - 5.97

(iii) The fair value of amount owing by subsidiaries is calculated based on the present value of the projected repayment of loans.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

43. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

(a) 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.

(i) 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.

On 8 June 2021, KTSB received the Adjudication Determination under the Construction Industry Payment & Adjudication Act 2012 ("CIPAA").

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

43. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

(ii) 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 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.

KTSB had on 19 August 2022 responded to the Claimant with its disagreement about Claimant's notice of withdrawal dated 3 August 2022 which expressed their position that the previous Notice of Arbitration dated 27 November 2020 ("Previous Notice of Arbitration") is no longer valid and shall be withdrawn with immediate effect.

KTSB accepted the Claimant'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.

(iii) On 19 August 2022, 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 Pertubuhan Akitek Malaysia (PAM) Arbitration Rules.

On 14 November 2022, KTSB had received a notice dated 8 November 2022 from PAM that a sole arbitrator has been appointed for the Arbitration Proceedings.

On 22 April 2024, KTSB had served a statement of case to JCT pursuant to Article 10 of the PAM Rules 2019.

In this arbitral proceeding, KTSB seeks from JCT, amongst others, the outstanding payment of RM6,272,033.97, and costs and interests arising from the same.

The Company will make the necessary announcements on material development in respect of this matter from time to time.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

43. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

43. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

(b) 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.

On 27 February 2024, the High Court, Taiwan has fixed the next hearing on 24 April 2024.

On 24 April 2024, the High Court, Taiwan has fixed the final hearing on 8 May 2024.

The Company will make the necessary announcement on further material development of the above matter in due course.

(c) On 7 January 2024, KNSB, a wholly-owned subsidiary of the Company had completed the application for striking off with Companies Commission Malaysia. Subsequently on 5 April 2024, KNSB has been struck off from the register.

(d) On 6 March 2024, KESG, a wholly-owned subsidiary of the Company, incorporated a subsidiary known as Kelington Engineering (Germany) GmbH with an issued and paid-up share capital of Euro 25,000 comprising 25,000 ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

44. 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 Statements of Financial Position (Extract):-				
Current Assets				
Trade receivables	385,507	385,403	-	-
Other receivables, deposits and pre-payments	63,712	67,400	-	-
Current tax assets	10,163	6,579	-	-
Current Liabilities				
Other payables and accruals	60,786	61,242	-	-
Provisions	1,284	828	-	-
Consolidated Statements of Profit or Loss and Other Comprehensive Income (Extract):-				
Revenue	-	-	32,075	64,331
Other income	5,037	4,197	33,924	1,357
Other expenses	(10,345)	(9,505)	(2,285)	(1,974)
Consolidated Statements of Changes in Equity (Extract):-				
Capital reserve	11,194	10,150	1,044	-
Retained profits	145,785	146,829	22,078	23,122
Consolidated Statement of Cash Flows (Extract):-				
Net cash from operating activities	34,259	29,326	-	-
Net cash for investing activities	(42,804)	(39,024)	-	-
Cash and cash equivalents at the end of the financial year	(230,685)	(229,532)	-	-

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

Soo Yuit Weng
Senior 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

Chin Wei Min
Independent Non-Executive Director

Chow Meow Luan
Independent Non-Executive Director

AUDIT COMMITTEE

Soo Yuit Weng
Chairman
Senior Independent Non-Executive Director

Ng Meng Kwai
Member
Independent Non-Executive Director

Chow Meow Luan
Member
Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE

Chin Wei Min
Chairman
Independent Non-Executive Director

Soh Tong Hwa
Member
Non-Independent Non-Executive Director

Cham Teck Kuang
Member
Non-Independent Non-Executive Director

Hu Keqin
Member
Non-Independent Non-Executive Director

REMUNERATION COMMITTEE

Rahima Beevi Binti Mohamed Ibrahim
Chairwoman
Independent Non-Executive Director

Soo Yuit Weng
Member
Senior Independent Non-Executive Director

Chin Wei Min
Independent Non-Executive Director

NOMINATION COMMITTEE

Soo Yuit Weng
Chairman
Senior Independent Non-Executive Director

Rahima Beevi Bt Mohamed Ibrahim
Member
Independent Non-Executive Director

Chow Meow Luan
Independent Non-Executive Director

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Soo Yuit Weng
williamsooipoh@gmail.com

COMPANY SECRETARIES

Teo Mee Hui
MAICSA 7050642
SSM PC No. 202008001081

Tan Bee Hwa
MAICSA 7058049
SSM PC No. 202008001174

REGISTERED OFFICE

Level 13, Menara 1 Sentrum
201, Jalan Tun Sambanthan, Brickfields
50470 Kuala Lumpur
Wilayah Persekutuan
Tel : +603-2382 4288
Fax : +603-2382 4170
Email : tmfkl-cosec@tmf-group.com

MANAGEMENT OFFICE

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

INVESTOR RELATIONS

Capital Front PLT (LLP0006141-LGN)
B-6-27, Block B
Plaza Ativo, Jalan PJU 9/1
Damansara Avenue
Bandar Sri Damansara
52200 Kuala Lumpur
Wilayah Persekutuan
Tel : +603 6262 577
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 Darul Ehsan
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
Wilayah Persekutuan
Tel : +603-2788 9999
Fax : +603-2788 9998

PRINCIPAL BANKER

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

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Ordinary Shares
Stock Name : KGB
Stock Code : 0151

Warrants B
Stock Name : KGB-WB
Stock Code : 0151WB

ANALYSIS OF SHAREHOLDINGS
AS AT 29 MARCH 2024

Issued and Paid-up share capital : RM101,188,236.31 comprising of 666,888,534 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	108	1.79	4,357	0.00
100-1,000	1,014	16.85	637,025	0.09
1,001-10,000	3,032	50.37	14,386,590	2.16
10,001-100,000	1,466	24.36	47,107,092	7.06
100,001- less than 5%	397	6.60	429,711,024*	64.44
5% and above	2	0.03	175,042,446	26.25
TOTAL	**6,019**	**100.00**	**666,888,534**	**100.00**

* *Including 2,239,800 treasury shares.*

LIST OF SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 29 MARCH 2024

Names	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Palace Star Sdn. Bhd.	135,406,980	20.37	-	-
Sun Lead International Limited	39,635,466	5.96	-	-
Gan Hung Keng	4,806,332	0.73	135,406,980[1]	20.37[1]
Ong Weng Leong	4,501,800	0.68	135,406,980[1]	20.37[1]
Cham Teck Kuang	110,000	0.02	135,406,980[1]	20.37[1]
Hu Ke Qin	110,000	0.02	135,406,980[1]	20.37[1]
Soh Tong Hwa	1,585,532	0.24	137,877,778[2]	20.74[2]
Fortune Dragon Holding Inc.	-	-	39,635,466[3]	5.96[3]
Lien Hwa Industrial Holdings Corp.	-	-	39,635,466[4]	5.96[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 29 MARCH 2024

Names	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Gan Hung Keng[1]	4,806,332	0.72	135,406,980[1]	20.37[1]
Ong Weng Leong[1]	4,501,800	0.68	135,406,980[1]	20.37[1]
Soo Yuit Weng	1,937,000	0.29	-	-
Cham Teck Kuang	110,000	0.02	135,406,980[1]	20.37[1]
Soh Tong Hwa	1,585,532	0.24	137,877,778[2]	20.74[2]
Hu Keqin	110,000	0.02	135,406,980[1]	20.37[1]
Ng Meng Kwai	-	-	-	-
Rahima Beevi Binti Mohamed Ibrahim	-	-	-	-
Chow Meow Luan	-	-	-	-
Chin Wei Min	-	-	-	-

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 29 MARCH 2024
(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	20.37%
2	SUN LEAD INTERNATIONAL LIMITED	39,635,466	5.96%
3	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	30,238,400	4.55%
4	CARTABAN NOMINEES (TEMPATAN) SDN BHD ICAPITAL.BIZ BERHAD	28,383,200	4.27%
5	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND	22,211,700	3.34%
6	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG	13,503,059	2.03%
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)	11,788,800	1.77%
8	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 19)	10,974,000	1.65%
9	LEE BEE SENG	8,864,400	1.33%
10	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	8,667,200	1.30%

ANALYSIS OF SHAREHOLDINGS
AS AT 29 MARCH 2024

No.	Name of Shareholders	No. of Shares	%
11	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (PF)	8,510,000	1.28%
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM KAF) (446190)	7,600,000	1.14%
13	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA SHARIAH GROWTH OPPORTUNITIES FUND (50156 TR01)	7,559,100	1.14%
14	CARTABAN NOMINEES (TEMPATAN) SDN BHD CN CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA GROWTH FUND SERIES 2	5,990,600	0.90%
15	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG DIVIDEND FUND	5,800,000	0.87%
16	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT SHARIAH PROGRESS FUND	5,663,400	0.85%
17	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD - KENANGA SYARIAH GROWTH FUND	5,635,300	0.85%
18	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (TMEF)	5,600,000	0.84%
19	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR SINGULAR VALUE FUND	5,487,100	0.83%
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (ABERDEEN 2)	5,084,800	0.77%
21	AMANAHRAYA TRUSTEES BERHAD PB ISLAMIC SMALLCAP FUND	5,021,400	0.76%
22	GAN HUNG KENG	4,806,332	0.72%
23	HSBC NOMINEES (ASING) SDN BHD J.P. MORGAN SECURITIES PLC	4,569,538	0.69%
24	HSBC NOMINEES (TEMPATAN) SDN BHD HBAP FOR ONG WENG LEONG (PB-SGDIV)	4,391,800	0.66%
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM KENANGA) (410196)	4,158,000	0.63%
26	AMANAHRAYA TRUSTEES BERHAD PMB SHARIAH GROWTH FUND	3,800,000	0.57%
27	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PETROLIAM NASIONAL BERHAD (ACF-KENANGA-EQ)	3,462,600	0.52%
28	CHIA ZHEN CONG	3,354,300	0.51%
29	AMANAH RAYA BERHAD KUMPULAN WANG BERSAMA SYARIAH	3,341,600	0.50%
30	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD KAF CORE INCOME FUND	2,937,300	0.44%

ANALYSIS OF WARRANT HOLDINGS
AS AT 29 MARCH 2024

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	1,074	26.60	49,769	0.03
100-1,000	555	13.74	300,109	0.15
1,001-10,000	1,435	35.54	6,395,175	3.30
10,001-100,000	795	19.69	28,070,524	14.48
100,001- less than 5%	176	4.36	85,775,147	44.26
5% and above	3	0.07	73,206,382	37.78
TOTAL	**4,038**	**100**	**193,797,106**	**100**

LIST OF DIRECTORS' WARRANT HOLDINGS AS PER THE REGISTER OF DIRECTORS' WARRANTS HOLDINGS AS AT 29 MARCH 2024

	Direct Interest		Indirect Interest	
Names	No. of Warrant	%	No. of Warrant	%
Gan Hung Keng	1,565,444	0.81	53,311,160[1]	27.51[1]
Ong Weng Leong	1,463,933	0.76	53,311,160[1]	27.51[1]
Soo Yuit Weng	470,200	0.24	-	-
Soh Tong Hwa	491,844	0.25	54,134,758[2]	27.93[2]
Cham Teck Kuang	-	-	53,311,160[1]	27.51[1]
Hu Keqin	-	-	53,311,160[1]	27.51[1]
Ng Meng Kwai	-	-	-	-
Rahima Beevi Binti Mohamed Ibrahim	-	-	-	-
Chow Meow Luan	-	-	-	-
Chin Wei Min	-	-	-	-

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
AS AT 29 MARCH 2024

TOP THIRTY (30) WARRANTS ACCOUNTS HOLDERS AS AT 29 MARCH 2024
(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	27.51%
2	SUN LEAD INTERNATIONAL LIMITED	10,182,422	5.25%
3	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	9,712,800	5.01%
4	CARTABAN NOMINEES (TEMPATAN) SDN BHD ICAPITAL.BIZ BERHAD	9,461,066	4.88%
5	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR KOAY HEAN ENG	3,964,000	2.05%
6	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIAN WOON SENG (020)	2,682,800	1.38%
7	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR SOH CHIN LEH	2,655,400	1.37%
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIU HEE KHENG	2,558,800	1.32%
9	SOH CHIN LEH	2,537,200	1.31%
10	AMANAHRAYA TRUSTEES BERHAD PB ISLAMIC SMALLCAP FUND	2,423,466	1.25%
11	KANG CHUN EE	1,700,000	0.88%
12	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN BOON PING (7004677)	1,695,800	0.86%
13	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO PUI MENG (7004172)	1,600,000	0.83%
14	GAN HUNG KENG	1,565,444	0.81%
15	OOI POH KEOH	1,470,000	0.76%
16	ONG WENG LEONG	1,463,933	0.76%
17	ONG LAM HUAT	1,224,600	0.63%
18	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN KAM TONG	1,000,000	0.52%
19	CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAY MOY KOH (SEGAMAT-CL)	984,800	0.51%
20	ANAS BIN AHMAD FARIS	866,400	0.45%
21	CHUA ENG KIAT	865,745	0.45%
22	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN BOON PING (KLC/PIV)	825,000	0.43%
23	NABILAH BINTI ZAINUL	813,900	0.42%
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO PUI MENG	800,000	0.41%
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD CAPITAL DYNAMICS ASSET MANAGEMENT SDN BHD FOR KESM INDUSTRIES BERHAD (CDAM30-990472)	789,800	0.41%
26	OH LAY YEE	750,000	0.39%
27	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR SOH TONG HWA	728,444	0.38%
28	CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TI JIA JUN (MP0496)	723,000	0.38%
29	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM TEONG LEONG	702,000	0.36%
30	KENANGA NOMINEES (TEMPATAN) SDN BHD THE VISITOR IN THE FEDERATION OF MALAYA OF THE CHRISTIAN BROTHERS' SCHOOLS	696,700	0.36%

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Fourth Annual General Meeting ("24th AGM") of **Kelington Group Berhad** ("KGB" or "Company") will be conducted fully virtual from the Broadcast Venue at Lot 9-11 Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur on Friday, 21 June 2024 at 10:00 a.m. or at any adjournment thereof, for the purpose of considering the following businesses:

AGENDA

Ordinary Business

1. To lay before the Meeting the Audited Financial Statements for the financial year ended 31 December 2023 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) Gan Hung Keng **(Ordinary Resolution 1)**

   (ii) Soo Yuit Weng **(Ordinary Resolution 2)**

   (iii) Soh Tong Hwa **(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) Chow Meow Luan **(Ordinary Resolution 4)**

   (ii) Chin Wei Min **(Ordinary Resolution 5)**

4. To approve the payment of Directors' remuneration payable to the Board of the Company amounting to RM345,000.00 for the period from 1 July 2024 until 30 June 2025. **(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 Director**

   "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 8)**

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 9)**

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 Companies Act 2016, 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 Renewal of Authority for Purchase of Own Shares by the Company**

"THAT, subject always to the Companies Act 2016, the provisions of the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations, 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 10)**

(i) the aggregate number of shares purchased does not exceed ten per centum (10%) of its 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 as at the time of purchase; and

(iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or to 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 an employee share scheme or as purchase consideration.

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") of the Company following the general meeting at which such resolution was passed, at which time it shall lapse unless, by ordinary resolution passed at that 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 an ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

AND THAT authority be and is hereby given unconditionally and generally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act 1991 of Malaysia, and the entering into all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the fullest power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the purchased shares or to resell the shares or distribute the shares as dividends or transfer the shares under employee share scheme or as purchase consideration) in accordance with the Constitution of the Company and the requirements and/or guidelines of Main Market Listing Requirements of Bursa Securities and all other relevant governmental and/or regulatory authorities."

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

BY ORDER OF THE BOARD

TEO MEE HUI (SSM PC No. 202008001081 & MAICSA 7050642)
TAN BEE HWA (SSM PC No. 202008001174 & MAICSA 7058049)

Company Secretaries

Kuala Lumpur
Dated this 30th day of April 2024

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 invalid. A proxy may, but need not, be a member of the Company and there shall be no restriction as to the qualification of the proxy.

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

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

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

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

   (i) In hard copy form
   To be deposited at the Company's Share Registrar's office at 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
   bsr.helpdesk@boardroomlimited.com

6. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Clause 62 of the Constitution of the Company, a Record of Depositors as at 11 June 2024 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 2023.

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*

Mr Gan Hung Keng, Mr Soo Yuit Weng and Mr Soh Tong Hwa are retiring by rotation in accordance with Clause 97 of the Constitution of the Company whilst Ms Chow Meow Luan and Mr Chin Wei Min are retiring in accordance with Clause 104 of the Constitution of the Company.

The profile of the retiring Directors are set out in the Annual Report 2023.

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 2024 until 30 June 2025 ("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	-	327,400
Meeting allowance	-	17,600
TOTAL	**-**	**345,000**

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 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 24th AGM.

In the event the proposed amount is insufficient due to more meetings or an enlarge Board size, approval will be sought at the next Annual Genereal Meeting for the shortfall.

NOTICE OF ANNUAL GENERAL MEETING

(d) *Ordinary Resolution 8*
Continuing in Office as Independent Non-Executive Director

The Board has assessed the independence of Mr Soo Yuit Weng, who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine years, and recommended him to continue act as an Independent Non-Executive Director of the Company based on the following justifications:-

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

The Board considered Mr Soo Yuit Weng to be independent based on the above justifications and recommended him to be retained as Independent Non-Executive Director of the Company.

(e) *Ordinary Resolution 9*
Authority to Issue and Allot Shares

The proposed Ordinary Resolution 9, if passed, will give flexibility to the Directors to issue shares to such persons at any time in their absolute discretion without convening a general meeting. This authorisation will expire at the conclusion of next Annual General Meeting of the Company.

This is 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 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 10*
Proposed Renewal of Authority for Purchase of Own Shares by the Company

The proposed Ordinary Resolution 10, if approved, will empower the Company to purchase and/or hold up to ten per centum (10%) of the total number of issued shares of the Company through Bursa Malaysia Securities Berhad. For more information, please refer to the Share Buy-Back Statement dated 30 April 2024.

FORM OF PROXY

KELINGTON GROUP BERHAD
(Registration No. 199901026486 (501386-P))
(Incorporated in Malaysia)

Number of Shares Held

CDS Account No.

* I/We ____________________ NRIC No./Passport No./Company 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-Fourth Annual General Meeting of the Company to be conducted fully virtual from the Broadcast Venue at Lot 9-11 Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur on Friday, 21 June 2024 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 Gan Hung Keng as Director	Resolution 1		
2	To re-elect Soo Yuit Weng as Director	Resolution 2		
3	To re-elect Soh Tong Hwa as Director	Resolution 3		
4	To re-elect Chow Meow Luan as Director	Resolution 4		
5	To re-elect Chin Wei Min 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 2024 until 30 June 2025	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 Soo Yuit Weng as an Independent Non-Executive Director	Resolution 8		
9	Authority to Issue and Allot Shares	Resolution 9		
10	Proposed Renewal of Authority for Purchase of Own Shares by the Company	Resolution 10		

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__________________ 2024

____
Signature / Common Seal of Shareholder

Notes:
1. *A member may appoint up to two (2) proxies to attend, participate, speak and vote at the meeting. If a member appoints more than one (1) proxy, he shall specify the proportions of his holdings to be represented by each proxy, failing which the appointment shall be invalid. A proxy may, but need not, be a member of the Company and there shall be no restriction as to the qualification of the proxy.*
2. *The instrument appointing a proxy shall be in writing, under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.*
3. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.*
5. *The appointment of proxy may be made in hard copy or in electronic form. The instrument appointing a proxy must be submitted in the following manners, at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof:-*
   (i) *In hard copy form*
   To be deposited at the Company's Share Registrar's office at 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
   bsr.helpdesk@boardroomlimited.com
6. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Clause 62 of the Constitution of the Company, a Record of Depositors as at 11 June 2024 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The 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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