

[www.kelington-group.com](http://www.kelington-group.com)

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

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

T | 603 7845 5696  
F | 603 7845 7097

KELINGTON GROUP BERHAD (501386-P)

Annual Report 2014





# CONTENTS

- 02 About Us
- 04 Corporate Information
- 05 Corporate Structure
- 06 Our Strategic Intent
- 07 Financial Highlights
- 08 Chairman's Statement
- 11 Board of Directors' Profile
- 14 Corporate Highlights
- 17 Corporate Governance Statement
- 30 Statement on Risk Management and Internal Control
- 33 Audit Committee Report
- 38 Additional Compliance Information
- 43 Financial Statements
- 126 Analysis of Shareholdings
- 129 Analysis of Warrant Holdings
- 131 Notice of Annual General Meeting  
Proxy Form

# ABOUT US

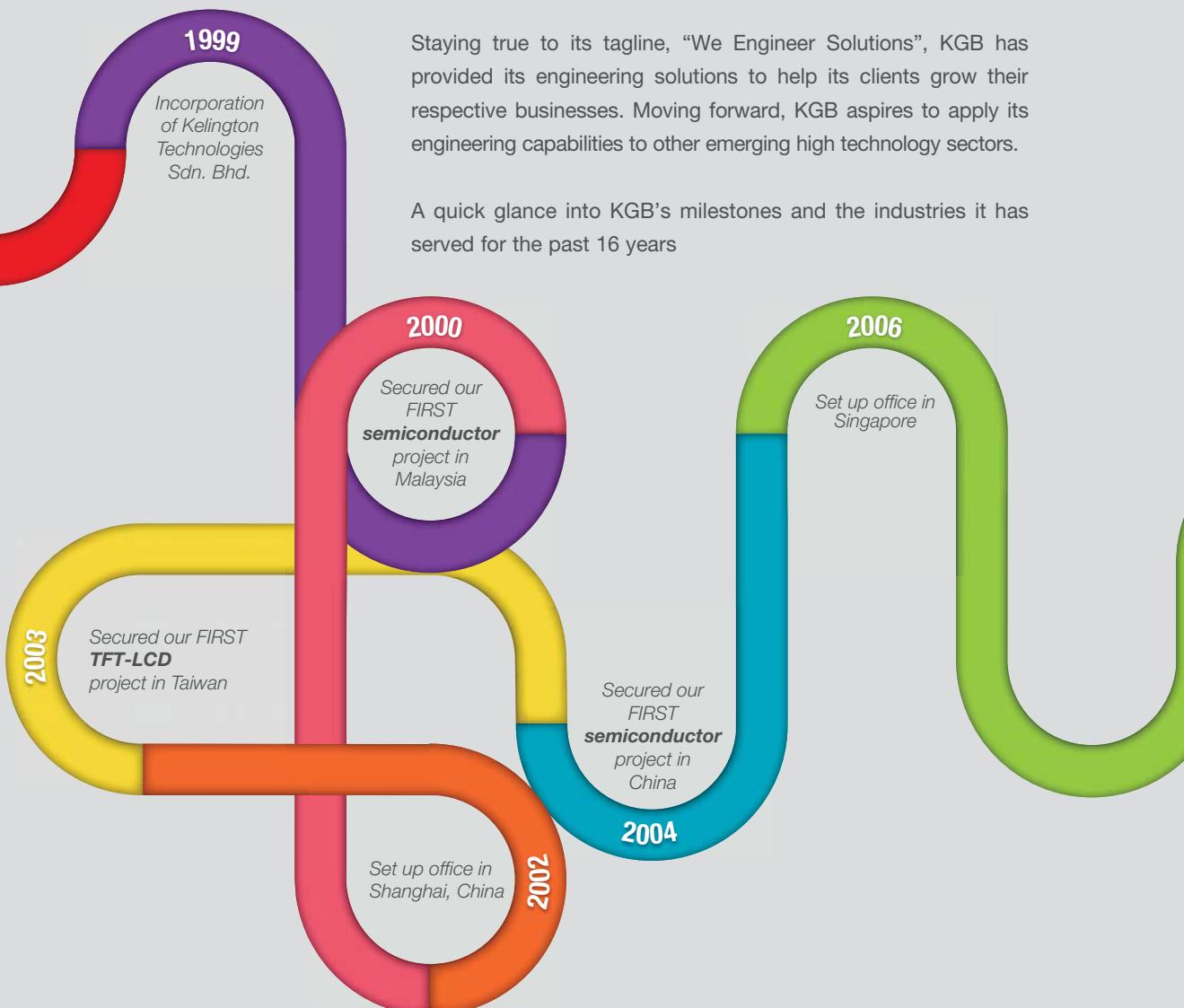


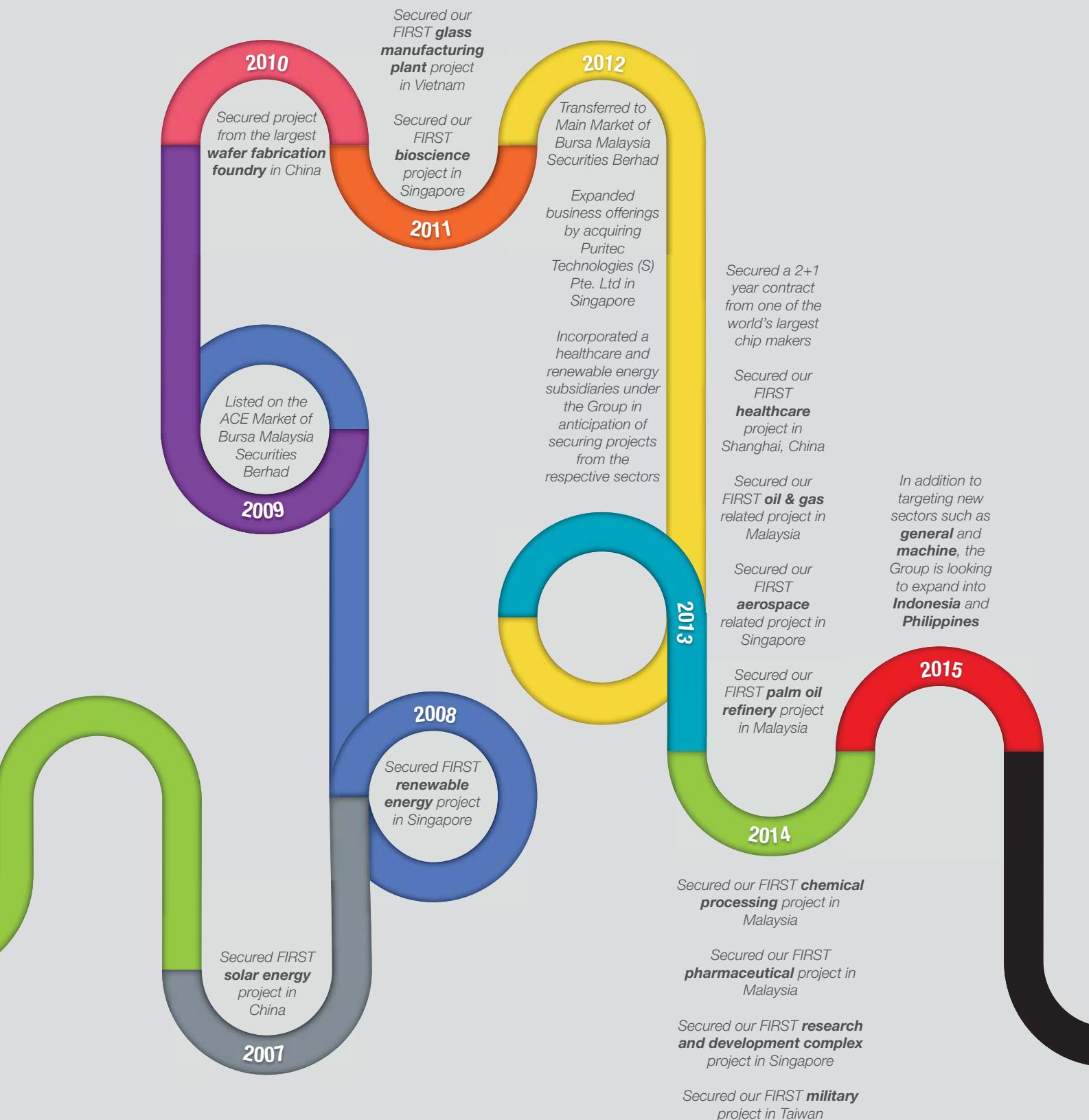
**Kelington Group Berhad's ("KGB" or "the Company") core strength** is its engineering capabilities with focus in the high technology and emerging industries. Since inception, the Company and its subsidiaries ("the Group" or "KGB Group") has been applying its engineering capabilities to help its broad spectrum of clients from diverse industries to increase efficiency leading to cost optimisation.

KGB's reputable track record has helped the Group to expand its business offerings to China, Taiwan, Singapore, and Vietnam.

Staying true to its tagline, "We Engineer Solutions", KGB has provided its engineering solutions to help its clients grow their respective businesses. Moving forward, KGB aspires to apply its engineering capabilities to other emerging high technology sectors.

A quick glance into KGB's milestones and the industries it has served for the past 16 years





## CORPORATE INFORMATION

### BOARD OF DIRECTORS

<b>Ir. Gan Hung Keng</b> Chairman/Chief Executive Officer ("CEO")	<b>Tan Chuan Yong</b> Chairman Senior Independent Non-Executive Director	<b>Management Office</b>
<b>Ong Weng Leong</b> Executive Director/Chief Operating Officer ("COO")	<b>Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman</b> Member Independent Non-Executive Director	3, Jalan Astaka U8/83 Seksyen U8 Bukit Jelutong Industrial Park 40150 Shah Alam Selangor Darul Ehsan, Malaysia Tel : +603-7845 5696 Fax : +603-7845 7097 Email : enquiry@kelington-group.com
<b>Chan Thian Kiat</b> Senior Independent Non-Executive Director	<b>Soo Yuit Weng</b> Member Independent Non-Executive Director	<b>Investor Relations</b>
<b>Tan Chuan Yong</b> Senior Independent Non-Executive Director	<b>OPTION COMMITTEE</b>	ZJ Advisory Sdn. Bhd. (645449-V) Suite 22B, 22nd Floor Sunway Tower No.86, Jalan Ampang 50450 Kuala Lumpur, Malaysia Tel : +603-2032 2328 Fax : +603-2032 1328
<b>Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman</b> Independent Non-Executive Director	<b>Ir. Gan Hung Keng</b> Chairman/CEO	<b>SHARE REGISTRAR</b>
<b>Soo Yuit Weng</b> Independent Non-Executive Director	<b>Ong Weng Leong</b> Member Executive Director/COO	Symphony Share Registrars Sdn. Bhd. (378993-D) Level 6, Symphony House Pusat Dagangan Dara 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan, Malaysia Tel : +603-7841 8000 Fax : +603-7841 8151/8152

### AUDIT COMMITTEE

<b>Chan Thian Kiat</b> Chairman Senior Independent Non-Executive Director	<b>Tan Chuan Yong</b> Member Senior Independent Non-Executive Director
<b>Tan Chuan Yong</b> Member Senior Independent Non-Executive Director	<b>SENIOR INDEPENDENT NON-EXECUTIVE DIRECTORS</b>
<b>Soo Yuit Weng</b> Member Independent Non-Executive Director	<b>Tan Chuan Yong</b> tcy@kllaw.com.my

### REMUNERATION COMMITTEE

<b>Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman</b> Chairman Independent Non-Executive Director	<b>COMPANY SECRETARIES</b>
<b>Tan Chuan Yong</b> Member Senior Independent Non-Executive Director	<b>Lim Lee Kuan</b> (MAICSA 7017753 )
<b>Ong Weng Leong</b> Member Executive Director/COO	<b>Teo Mee Hui</b> (MAICSA 7050642)

### NOMINATION COMMITTEE

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

### OPTION COMMITTEE

<b>Ir. Gan Hung Keng</b> Chairman/CEO
<b>Ong Weng Leong</b> Member Executive Director/COO

### SENIOR INDEPENDENT NON-EXECUTIVE DIRECTORS

<b>Tan Chuan Yong</b> tcy@kllaw.com.my
<b>Chan Thian Kiat</b> steventkchan@yahoo.com

### COMPANY SECRETARIES

<b>Lim Lee Kuan</b> (MAICSA 7017753 )
<b>Teo Mee Hui</b> (MAICSA 7050642)

### REGISTERED OFFICE

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

### MANAGEMENT OFFICE

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

### INVESTOR RELATIONS

ZJ Advisory Sdn. Bhd. (645449-V)  
Suite 22B, 22nd Floor  
Sunway Tower  
No.86, Jalan Ampang  
50450 Kuala Lumpur, Malaysia  
Tel : +603-2032 2328  
Fax : +603-2032 1328

### SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.  
(378993-D)  
Level 6, Symphony House  
Pusat Dagangan Dara 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel : +603-7841 8000  
Fax : +603-7841 8151/8152

### AUDITORS

Messrs. Crowe Horwath [AF 1018]  
Chartered Accountants  
Level 16, Tower C  
Megan Avenue II  
12, Jalan Yap Kwan Seng  
50450 Kuala Lumpur, Malaysia  
Tel : +603-2788 9999  
Fax : +603-2166 2096

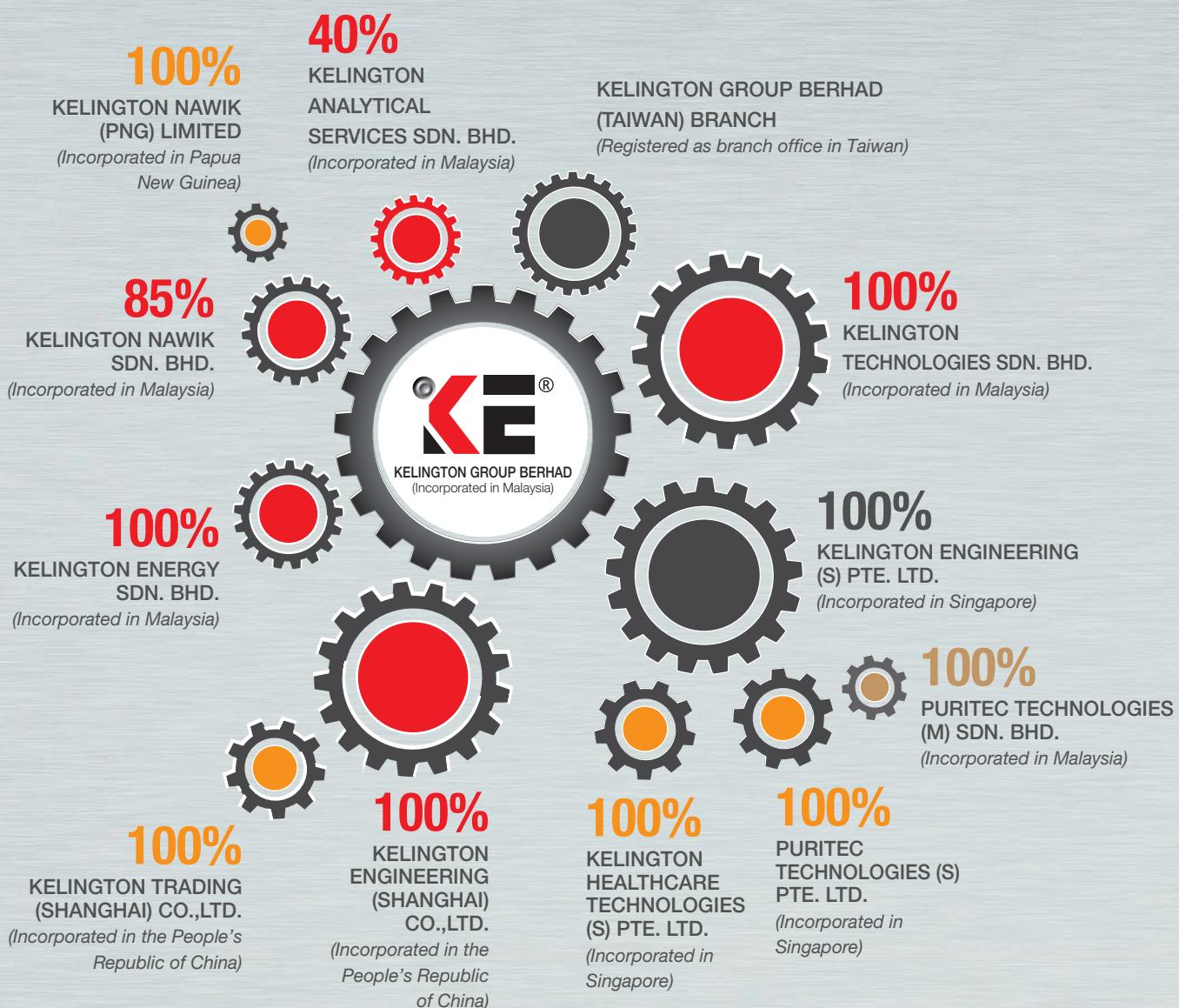
### PRINCIPAL BANKER

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

### STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad  
Stock Name : KGB  
Stock Code : 0151

## CORPORATE STRUCTURE





## OUR STRATEGIC INTENTS



## OUR VISION

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

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

## OUR MISSION

Everything we do is inspired by our enduring mission. We strive to build KGB as a profitable organisation that is continuously investing in new technology, delivering world class and quality services to meet our customers' requirement, safely and cost effectively.

## OUR CORE VALUES

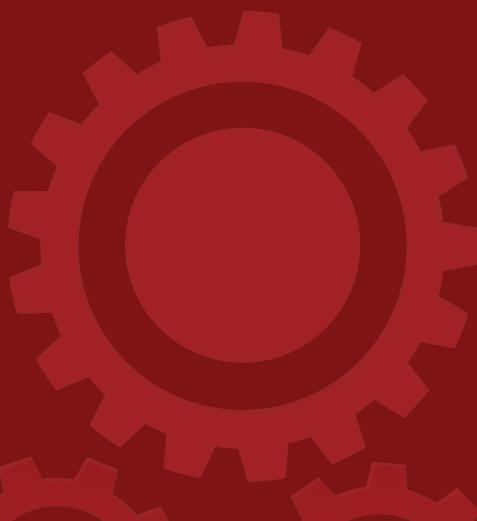
In our drive towards our vision, we uphold the following four core values:

*Building Partnership*

*Continuous Improvement*

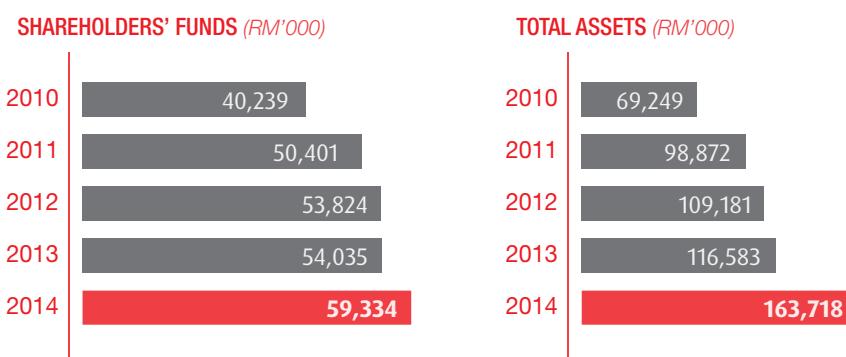
*Encourage Innovation*

*Work Safety*



## FINANCIAL HIGHLIGHTS

	2010	2011	2012	2013	2014
Revenue (RM'000)	84,510	139,586	116,198	117,416	<b>189,102</b>
Profit before taxation (RM'000)	8,592	9,772	7,232	1,649	<b>5,219</b>
Profit after taxation (RM'000)	8,538	8,728	6,081	1,611	<b>5,149</b>
Shareholders' Funds (RM'000)	40,239	50,401	53,824	54,035	<b>59,334</b>
Total Assets (RM'000)	69,249	98,872	109,181	116,583	<b>163,718</b>
Number of Ordinary share ('000)	74,710	79,110	159,595	160,680	<b>216,966</b>
Net Assets Per Share (RM)	0.54	0.64	0.34	0.34	<b>0.27</b>



# CHAIRMAN'S STATEMENT



**DEAR SHAREHOLDERS,**

**"On behalf of the Board of Directors, I am pleased to present the Annual Report of KGB for the financial year ended ("FYE") 31 December 2014."**

## **OPERATIONAL REVIEW**

We had shown improvement in financial year ("FY") 2014 from a challenging operating environment in both FY2012 and FY2013. As compared to outstanding order book of RM52 million as at 31 December 2012, we achieved growth of 287% to RM201 million outstanding order book as at 31 December 2013. Our job flows in FY2014 continued to gain momentum with average new orders per quarter of approximately RM47 million. On track execution of majority of our outstanding order book as at 31 December 2013 as well as completion of some of our FY2014 new orders thus contributed to our strong rebound in FY2014.

We have learnt from the challenges we faced in FY2012 where we were heavily reliant on semiconductor industry. Leveraging on our core skill in engineering, we have identified healthcare and process plant industries as an effort to diversify from the said heavy reliant. Process plant industry refers to petrol chemical, ole-chemical, gas plant and other process related infrastructures whereas healthcare industry refers to medical, biopharmaceutical and other healthcare related projects. In conclusion, while we are still maintaining the semiconductor industry as one of our main contributors, we have expanded our engineering services to serve additional two core industries – healthcare and process plant industries.

## CHAIRMAN'S STATEMENT

*cont'd*

Semiconductor industry had been gaining momentum in FY2014. Notably, we consistently saw new orders in our Total Facility Management contract with one of the world's largest semiconductor manufacturer. Moreover, our diversification effort since FY2012 began to bear fruit as we continued to increase our exposure in healthcare and process plant industries. In addition to a healthcare project worth RM148 million from International Healthway Corporation ("IHC"), which was secured in December 2013, we regularly saw ourselves securing process plant projects on a quarterly basis.

Majority of our projects were executed timely. IHC's healthcare project and the said Total Facility Management contract were the two largest single project which contributed 20% respectively to FY2014's revenue. We saw challenges in implementation of the IHC's healthcare project. It was executed in first half of FY2014 but was temporarily put on hold in second half of FY2014 pending authority's approval on change of layout design from maternity centre to a full-fledged hospital. Nonetheless, we are hopeful that the project to resume soon when IHC secures the operating licence in second half of FY2015.

All of our key regions, namely, Malaysia, Singapore and China performed well with at least 30% higher project values being executed respectively in FY2014. Malaysia's operation was driven by semiconductor and process plants projects. Singapore was due to semiconductor and other non-core industries such as research and development complex, pharmaceutical and bioscience projects whilst China was attributable to IHC's healthcare project.

Malaysia continued to be the star performer which accounted for 51% in FY2014's revenue whilst Singapore and China contributed 24% respectively and Taiwan the remaining 1%. While significant business development had been seen in Malaysia, Singapore and China, we are gradually expanding our Taiwan's operation. Business progress went well where we secured a Taiwan's military project worth New Taiwan Dollar ("NTD") 131 million (equivalent to RM14 million at exchange rate NTD 1 = RM 0.1080) in December 2014.

### FINANCIAL PERFORMANCE

The Group's FY2014 revenue increased 62% to RM189 million from RM117 million in FY2013. This was attributable to execution of more projects driven by our expansion strategy. Our projects namely wafer from semiconductor industry, chemical processing and oil and gas plant from process plant industry, IHC's healthcare project and pharmaceutical from healthcare industry and a research and development complex project had contributed significantly to the Group's revenue in FY2014.

Despite a strong growth in revenue, a less significant increase of 10% in operating expenses had contributed to margin improvement in FY2014. As a result, our profit attributable to shareholders of KGB increased 150% to RM5 mil in FY2014 as compared to RM2 million reported a year ago.

Puritec Technologies (S) Pte Ltd, a Singapore-based operation which was acquired in FY2012 had been contributing positively to the Group since then. Its revenue and net profit recorded two-year compound annual growth rate of 36% and 163% respectively from FY2012 to FY2014.

Our balance sheet continued to gain strength in FY2014. Shareholders' funds improved to RM59 million as at 31 December 2014 as compared to RM54 million in the previous year corresponding period. Deposits, cash and bank balances rose 79% to RM34 million as at 31 December 2014 from RM19 million a year ago. Despite increased in net gearing ratio to 0.22 times as at end of FY2014 from 0.02 times in the previous year corresponding period, we expect normalized net gearing ratio moving forward on pairing down of borrowing upon completion of healthcare project from IHC.

### CORPORATE DEVELOPMENT

We had completed a bonus issue of 53,937,631 ordinary shares of RM0.10 each ("KGB shares") on the basis of one (1) bonus share for every three (3) existing KGB shares held in June 2014. With the completion of this bonus issue exercise, the number of shares quoted on Bursa Malaysia Securities Berhad ("Bursa Securities") had been enlarged to 216,966,231 shares in FY2014. In addition, bonus issue of 53,937,631 warrants on the basis of one (1) free warrant for every three (3) existing KGB shares held in June 2014 had also been completed. Our shareholders had been rewarded with two rounds of bonus shares and one round of bonus warrants including this since the Group's listing on Bursa Securities in FY2009.

## CHAIRMAN'S STATEMENT

*cont'd*

### SUSTAINABILITY

We will continue to focus on economic performance while embedding sustainability within KGB. Managing a safe and efficient project is at the core of good operational performance. In July 2014, KGB and Kelington Technologies Sdn Bhd achieved the OHSAS 18001:2007 and MS 17021:2011 certification by Intertek. It is a part of the Management's effort in demonstrating effective safety and health leadership to motivate our staff engage effectively in improving our performance in quality, health, safety, and environment.

We also understand the enormous contribution of our people towards our growth and success. As presented in the section Corporate Activities in our Annual Report 2014, we organised workshops, sport activities, and company trips to enhance and foster unity within our people.

There is now a strategic shift and we see sustainability as a commercial imperative instead of something we have to do for shareholders or our public image. Moving forward, we will apply our expertise and knowledge from our history in the engineering sector to develop technologies and innovations to create environmentally beneficial products and services.

### DIVIDEND

As KGB continued its commitment to reward shareholders and in line with our Group's policy which stipulates a minimum dividend payout of 25% of its annual net profit, the Board has proposed a final tax exempt dividend of one sen per share or total dividend of approximately RM2 million for the FYE 31 December 2014 subject to shareholders' approval at the forthcoming Annual General Meeting.

### FUTURE PROSPECTS

Since our growth initiatives in FY2012, we had moved KGB forward from FY2012's order book of RM156 million to FY2013's RM307 million and FY2014's RM390 million across various sectors. Our job flows sustained as we saw the trend continued in FY2015 especially on securing a pulp and paper mill project worth USD7.6 million (equivalent to RM39 million at exchange rate USD1 : RM3.59) in February 2015. On track execution of RM200 million outstanding order book as at 31 December 2014 as well as continued new orders should allow us to achieve satisfactory performance for the financial year ending 31 December 2015.

Our tender book stood at RM705 million in January 2015. Moving forward, the Group will continue to strengthen its presence in the existing industries while identifying new opportunities for expansion into other industries which allows the Group to maintain growth with healthy profit margins.

### ACKNOWLEDGEMENT

On the back of record high revenue, we had rebounded strongly in FY2014. In this regard, I would like to thank all our staff for their commitment and hard work. I would also like to thank my fellow Board members for their valuable services and wise counsel in moving KGB forward.

In addition, I would like to extend my gratitude to our customers, suppliers, business associates, government and relevant authorities, analysts and members of the media for continued support to the Group. Finally, I am grateful for the trust and confidence of all shareholders in KGB. KGB is committed for business growth and creating value for shareholders, we look forward to your continued support.

Thank you.

**IR. GAN HUNG KENG**

*Chairman*

## BOARD OF DIRECTORS' PROFILE



### **IR. GAN HUNG KENG**

*aged 51, Malaysian  
Chairman/CEO*

Ir. Gan Hung Keng is a Company founder, Executive Director and Chairman of the Company since 14 February 2000 and was appointed as the Managing Director on 22 November 2004 and assumed the role of CEO with effect from 1 September 2009. As the CEO, he is responsible for the overall strategic

direction and management functions of the Group and in particular, the Group's new ventures. He is also the Chairman of the Option Committee. He graduated with a Bachelor of Chemical & Process Engineering degree from Universiti Kebangsaan Malaysia, Malaysia. He is also a Professional Engineer on the Board of Engineers, Malaysia.

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

a year before taking up his current position.

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

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



### **ONG WENG LEONG**

*aged 47, Malaysian  
Executive Director/COO*

Mr Ong Weng Leong has been a Director of the Company since 22 November 2004. He was appointed as the General Manager on 1 August 2005 and assumed the role of COO with effect from 1 September 2009. As the COO, he is responsible for the management of the day to-day functions and operations of the

Group in Taiwan and China. He is also a member of the Remuneration Committee and Option Committee. He graduated in 1992 with a Bachelor of Chemical Engineering degree from Universiti Teknologi Malaysia, Malaysia. He also received a Master in Business Administration from the University of Bath, United Kingdom in 2002.

He 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 2005 as the General Manager.

Throughout more than ten (10) years at MOX and more than nine (9) years at KGB in management roles, he has acquired expertise in detailed designing of all gas system ranging from gas production plants to the supply stations of customers and engineering construction management of industrial gas related projects.

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

## BOARD OF DIRECTORS' PROFILE

*cont'd*



### CHAN THIAN KIAT

*aged 59, Malaysian  
Senior Independent Non-Executive  
Director*

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

as a Director. He left Bank of America Malaysia Berhad as the Principal, Head of Corporate Finance which he held from 1997 to 2001. At BA Associates, he provides corporate finance consultancy services, assist clients in debt and equity capital raising and mergers and acquisitions. He is also a Director of a few private limited companies.

He has held various positions at Bank of America Malaysia Berhad during his 17-year tenure before joining BA Associates Sdn. Bhd. ("BA Associates") as a Principal and KGB



### TAN CHUAN YONG

*aged 59, Malaysian  
Senior Independent Non-Executive  
Director*

Mr Tan Chuan Yong was appointed as an Independent Non-Executive Director of the Company on 11 September 2009 and identified as a Senior Independent Non-Executive Director on 29 April 2013. He is the Chairman of the Nomination Committee. He is also a member of the Audit Committee, Remuneration Committee and Option Committee. He holds a Barrister-at-Law from the Honourable Society of Lincoln's Inn. He was admitted to the English Bar in 1982 and the Malaysian Bar in 1983. He is currently an Advocate & Solicitor and practising as a Partner in Messrs Tan Chuan Yong & S.M. Chan, Advocates & Solicitors. He has been a member of the Malaysian Bar since 1983. He is also a Notary Public.

Mr Tan is currently an Independent Non-Executive Director of TAFI Industries Berhad, a public company listed on the Main Market of Bursa Securities and also a Director of a few private limited companies.

## BOARD OF DIRECTORS' PROFILE

*cont'd*



### **VICE ADMIRAL (RETIRED) DATUK HAJI JAMIL BIN HAJI OSMAN**

*Aged 57, Malaysian  
Independent Non-Executive Director*

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

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

Officer responsible for peace keeping operations under the United Nations banner, and special missions in aid of disasters struck areas in the region.

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

He is currently an Independent Non-Executive Director of Carimin Petroleum Berhad, a public company listed on the Main Market of Bursa Securities and also a Director of a few private limited companies.



### **SOO YUIT WENG**

*Aged 47, Malaysian  
Independent Non-Executive Director*

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

He holds a Bachelor of Economics from Monash University, Australia majoring in Accounting. He is a member of Malaysian Institute of Accountants (MIA) and a fellow of Chartered Tax Institute of Malaysia ("CTIM"). Mr Soo is also a licensed Auditor and Tax Agent in Malaysia.

He is a Chartered Accountant and is currently practicing under his own firm namely Y W Soo & Co. Prior to

that, Mr Soo was attached to various professional firms and has more than 23 years' experience in the field of audit and taxation.

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

He is also a Director of Soo Seng Sooi Holding Berhad.

#### **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 10 years.

#### **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 25 of this Annual Report.

#### **Directors' Shareholdings**

The details of Directors' shareholdings are set out in the Analysis of Shareholding(s) on pages 127 and 129 of this Annual Report.

## CORPORATE HIGHLIGHTS



*KE Malaysia  
6-9 November 2014  
4D3N Angkor Adventure*



*KE Malaysia  
13-16 November 2014  
4D3N Angkor Adventure*



*KGB : 30 May 2014  
Extraordinary General Meeting  
Head Office, Shah Alam*



*KGB : 25 June 2014  
Annual General Meeting  
Sime Darby Convention Centre*

## CORPORATE HIGHLIGHTS

*cont'd*



*Kelington Technologies Sdn. Bhd.  
22-23 November 2014  
Confined Space Training*



### SPORTS SPONSORSHIP

Lifestyle has a strong influence on health. We encourage our staff to have adequate physical activity by providing sports sponsorship.

*27 September 2014 ,Saturday  
IRONMAN Malaysia, Langkawi*



*KE Weekly Badminton Sessions*

## CORPORATE HIGHLIGHTS

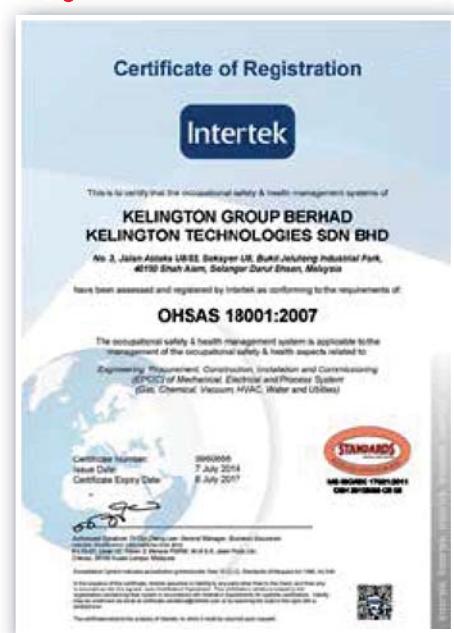
cont'd



Puritec Technologies (S) Pte. Ltd.  
Promosing SME 500 Award 2014



Kelington Group Berhad and  
Kelington Technologies Sdn. Bhd.  
achieved the OHSAS 18001:2007 and  
MS 17021:2011 certification by Intertek



## CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“the Board”) of KGB recognises the importance of adopting a good corporate governance culture in the organisation. The Board also took cognisant of the fact that appropriate standard of corporate governance will generate long term values to the shareholders of the Company as well as other stakeholders. Therefore, the Board is committed to implement the Principles and Recommendations as set out in the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) with reference to the Corporate Governance Guide (“the Guide”) issued by Bursa Securities.

The Board is pleased to provide the following statement which outlined the principles and recommendations of the MCCG 2012 that have been in place throughout the FY 2014:-

### **1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES**

#### **1.1 Clear functions of the Board and those delegated to Management**

The Board is responsible for formulating and reviewing KGB’s strategic plans and key policies, and charting the course of the Group’s business operations whilst providing effective oversight of Management’s performance, risk assessment and controls over business operations.

The role of Management is to support the Executive Directors and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

The responsibility for the operation and administration of the Group is delegated by the Board to the Executive Directors.

The Board delegates and confers some of the Board’s authorities and discretion on the Executive Directors as well as on properly constituted Committees comprising Non-Executive Directors which operates within clearly defined terms and reference. The Board Committees consist of Audit Committee (“AC”), Nomination Committee (“NC”), Remuneration Committee (“RC”), and Option Committee (“OC”). Key matters that reserved for the Board’s approval include, amongst others the following:

- Key corporate announcements including annual financial statements and interim reports.
- Declaration of dividends.
- Board strategy, business plans and annual operating budget and of any subsequent material changes in strategic direction or material deviations in business plans.
- Treasury policies and bank mandate.
- The prosecution, defence or settlement of legal or arbitration proceedings where material and except in the ordinary course of business.
- The approval and authority to issue Circulars to Shareholders of the Company.
- Key human resource issue and Succession Planning.
- Material acquisitions and disposition of assets not in the ordinary course of business.
- Investments in capital projects.
- Authority levels.
- Risk management policies.

The Board has established the roles and responsibilities of the Chairman which is distinct and separate from the duties and responsibilities of the CEO as set out in the Board Charter. This segregation between the duties of the Chairman and CEO, ensures an appropriate balance of role, responsibility and accountability at Board level. The Chairman of the Board is Ir. Gan Hung Keng, an Executive Chairman cum CEO. He will continue to carry out his roles as Executive Chairman cum CEO of the Company given by his wide experience in engineering services until the appropriate candidate is identified and the roles will be segregated.

The Non-Executive Directors are independent of Management. Their roles are to constructively challenge Management and monitor the success of Management in delivering the approved targets and business plans within the risk appetite set by the Board. They have free and open contact with Management at all levels, and they engage with the External and Internal Auditors to address matters concerning Management and oversight of the Company’s business and operations.

## CORPORATE GOVERNANCE STATEMENT

*cont'd*

### 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd*

#### 1.2 Clear roles and responsibilities in discharging fiduciary and leadership functions

The Board has discharged its responsibilities in the best interests of the Company. The following are among the key responsibilities of the Board:

##### a. *Reviewing and adopting the Company's strategic plans*

The Board had implemented a strategy planning process, whereby Management presents to the Board its recommended strategy annually, together with its proposed business plans for the ensuing year for the Board's review and approval.

The Board will deliberate both Management's and its own perspectives, and challenges the Management's views and assumptions to ensure the best outcome.

##### b. *Overseeing the conduct of the Company's business*

The CEO is responsible for the day-to-day management of the business and operations of the Group to ensure the smooth and effective running of the Group. He is supported by the COO, the key personnel and Management and other Board Committees.

Management's performance, under the leadership of CEO, is assessed by the Board through monitoring the success of Management in delivering the approved targets and business plans against the performance of the Group.

##### c. *Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures*

Through the AC, the Board oversees the Risk Management framework of the Group. The AC advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The AC reviews the action plans implemented and makes relevant recommendations to the Board to manage residual risks.

##### d. *Succession Planning*

The Board has entrusted the NC and RC with the responsibility to review candidates for the Board and key management positions and to determine compensation packages for these appointments, and to formulate nomination, selection compensation and succession policies for the Group.

The NC also undertakes yearly evaluation of the performance of the Chief Financial Officer ("CFO") whose remunerations is directly linked to performance, based on his score sheet. For this purpose, the performance evaluation for the year 2014 of the CFO was reviewed by the NC in February 2015.

##### e. *Overseeing the development and implementation of a shareholder communications policy for the Company*

The Company strongly believes that transparency, effectiveness and timely communication are essential in maintaining good relations with the investors and investment community. The Company carried out its Investor Relations ("IR") activities with reference to its stated Corporate Disclosure Policy, which is available on its website.

The Company has identified Mr Tan Chuan Yong and Mr Chan Thian Kiat, as the Senior Independent Non-Executive Directors to whom concerns of shareholders and other stakeholders may be conveyed.

In addition to the above, shareholders and investors can make inquiries about IR matters with designated management personnel directly responsible for IR, via dedicated email addresses which are available on the Group's corporate website.

## CORPORATE GOVERNANCE STATEMENT *cont'd*

### **1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd***

#### **1.2 Clear roles and responsibilities in discharging fiduciary and leadership functions *cont'd***

##### **f. *Reviewing the adequacy and integrity of management information and internal control system of the Company***

The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system. Details pertaining to the Company's internal control system and the reviews of its effectiveness are set out in the Statement on Risk Management and Internal Control of this Annual Report.

#### **1.3 Formalised ethical standards through Code of Ethics**

The Board is guided by the Directors' Code of Ethics in discharging its oversight role effectively. The Code of Ethics requires all Directors to observe high ethical business standards, honesty and integrity and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders. A summary of the Code of Ethics was published on the corporate website.

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

#### **1.4 Strategies promoting sustainability**

The Board has formalised the Company's strategies on promoting sustainability. A detailed report on sustainability was published on the corporate website.

#### **1.5 Access to information and advice**

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretaries in ensuring the effective functioning of the Board. The Directors may seek advice from Management on issues under their respective purview. The Directors may also interact directly with Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them.

In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties in relation to matters being deliberated.

#### **1.6 Qualified and competent Company Secretaries**

The Directors have ready and unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively.

The Board is regularly updated and apprised by the Company Secretary on new regulation issued by the regulatory authorities. The Company Secretary also serves notice to the Directors and Principal Officers to notify them of closed periods for trading in KGB securities.

The Company Secretary attends and ensures that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory register of the Company.

The Company Secretary works closely with Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees, and between the Non-Executive Directors and Management.

## **CORPORATE GOVERNANCE STATEMENT**

*cont'd*

### **1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd***

#### **1.7 Board Charter**

In discharging its duties, the Board of KGB is constantly mindful of the need to safeguard the interests of the Group's stakeholders. In order to facilitate the effective discharge of its duties, the Board is guided by the Board Charter together with a Board Manual. The Board Charter was published on the corporate website.

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

The Board Manual provides reference for Directors in relation to the Directors' duties and obligations and outlines processes and procedures to ensure the Group's Board and their Committees' effectiveness and efficiency. It shall be updated from time to time to reflect changes to the amendments of relevant rules and regulations, or to be reviewed at least once in two (2) years, whichever is earlier.

The chapters covered under the Board Manual are as follows:-

- Group's Standard of Business Conduct
- Directors' Duties and Obligations
- Appointment and Resignation of Directors
- Board and Board Committee Proceedings
- Remuneration and Benefits for Directors
- Supply of Information to the Board
- Delegation of Authority Table
- Training and Induction Programmes
- Annual Board Assessment
- Conflict of Interest and Related Party Transactions
- Code of Ethics and Conduct for Company Director
- Whistleblowing Policy
- Corporate Disclosure Policy
- Gender Diversity Policy

### **2.0 STRENGTHEN COMPOSITION**

#### **2.1 NC**

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

The Terms of Reference ("TOR") of the NC are as follows:-

- To recommend candidates for all directorships to be filled by shareholders or the Board;
- To recommend candidates to fill the seats on Board Committees;
- To recruit and retain the best available Directors;
- To assess the contribution of each individual Director;
- To review annually the Board structure, size, composition and the balance between Executive Directors, Non-Executive Directors and Independent Directors to ensure that the Board has the appropriate mix of skills and experience including core competencies which Directors should bring to the Board and other qualities to function effectively and efficiently;
- To take the necessary steps to ensure that women candidates are sought as part of the Company's recruitment exercise to meet its gender diversity policy;
- To review annually the independence of Independent Directors;
- To ensure existence of an appropriate framework and succession plan for the Executive Director and Senior Management of the Company;
- To recommend Directors who are retiring (by rotation) for re-election and termination of Board membership for appropriate reasons;

## CORPORATE GOVERNANCE STATEMENT *cont'd*

### **2.0 STRENGTHEN COMPOSITION *cont'd***

#### **2.1 NC *cont'd***

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

- To recommend to the Board the removal of a Director from the Board or Management if the Director or Management is inefficient, errant and negligent in discharging his/her responsibilities;
- To assess annually the contribution of CEO & CFO;
- To consider, in making its recommendation, candidates for CEO and CFO;
- To ensure that all Board appointees undergo the necessary training programmes prescribed by the applicable statutory and regulatory bodies;
- To ensure adequate training and orientation is given to new Directors with respect to the business, structure and management of the Group as well as the expectations of the Board with regards to their contribution to the Board and Group;
- To establish and implement processes for assessing the effectiveness of the Board as a whole, the Committees of the Board and assessing the contribution of each Director;
- To consider other matters as referred to the NC by the Board; and
- To identify suitable orientation, educational and training programmes for continuous developments of Directors.

#### **2.2 Senior Independent Non-Executive Directors**

The Board has identified the Independent Non-Executive Directors, Mr Tan Chuan Yong and Mr Chan Thian Kiat, as the Senior Independent Non-Executive Directors to whom concerns of shareholders and other stakeholders may be conveyed. The NC was chaired by Mr Tan Chuan Yong.

They can be contacted at [tcy@kllaw.com.my](mailto:tcy@kllaw.com.my) and [steventkchan@yahoo.com](mailto:steventkchan@yahoo.com).

#### **2.3 Develop, maintain and review criteria for recruitment and annual assessment of Directors**

##### **a. *Board appointment process***

The appointment of new Directors to the Board is set out in a formal and transparent procedure as stipulated in the Board Manual, the primary responsibility of which has been delegated to the NC.

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

Management shall then engage broadly to develop a pool of interested potential candidates meeting the skills, expertise, personal qualities and diversity requirements for both the Board and the Committee appointments.

The NC evaluates and matches the criteria of the candidate, and will consider diversity, including gender, where appropriate, and recommends to the Board for appointment.

Consideration will be given to those individuals possessing the identified skill, talent and experience.

The NC will contact those persons identified to determine interest in serving the Company. This communication will ensure that prospective Board members have clarity regarding the nomination process as well as Director/Board profiles, roles and responsibilities, expectations of time commitments and other information as required.

According to the Articles of Association of the Company, all Directors are require to submit themselves for re-election at intervals of not more than three (3) years. The Articles of Association also state that one-third (1/3) of the Board members shall retire from office at the AGM and shall be eligible for re-election at the same AGM.

## CORPORATE GOVERNANCE STATEMENT

cont'd

### 2.0 STRENGTHEN COMPOSITION cont'd

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

##### a. *Board appointment process* cont'd

The new Director(s) duly appointed by the Board shall then recommend for re-election at the AGM.

The Company shall then provide orientation and on-going education to the Board.

In making the selection, the Board is assisted by the NC to consider the following aspects:

- (i) Probity, personal integrity and reputation – the person must have the personal qualities such as honesty, integrity, diligence and independence of mind and fairness.
- (ii) Competence and capability – the person must have the necessary skills, ability and commitment to carry out the role.

##### b. *Annual Assessment*

The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis. The Board evaluation comprises a Board Assessment, an Individual (Self & Peer) Assessment and an Assessment of Independence of Independent Directors.

The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities.

For Individual (Self & Peer) Assessment, the assessment criteria include contribution to interaction, quality of inputs, understanding of roles and the Chairman's roles.

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

In addition, the NC has reviewed and evaluated the performance of CFO during the financial year.

##### c. *Diversity in Gender, Ethnicity and Age*

The Board acknowledges the importance of boardroom diversity and the recommendation of the Code pertaining to the establishment of a gender diversity policy.

The Company will endeavor to have at least one (1) female director by 2018 subject to the review of the Board from time to time. Nonetheless, the Company will endeavor to achieve a higher target through progressive refreshing of the Board as it implements the nine year policy for independent non-executive director.

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

#### 2.4 Remuneration Policies and Procedures

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

## CORPORATE GOVERNANCE STATEMENT *cont'd*

### **2.0 STRENGTHEN COMPOSITION *cont'd***

#### **2.4 Remuneration Policies and Procedures *cont'd***

The RC reviews annually the performance of the Executive Directors and submits recommendations to the Board on specific adjustments in remuneration and/or reward payments that reflect their respective contributions for the year, and which are depend on the performance of the Group, achievement of the goals and/or quantified organisational targets as well as strategic initiatives set at the beginning of each year.

The Board as a whole determines the remuneration of Non-Executive Directors and recommends the same for shareholders' approval.

The Non-Executive Directors are paid annual fees, and an attendance allowance for each Board Meeting that they attended.

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

Details of the Directors' remuneration (including benefits-in-kind) of each Director during the FY 2014 are as follows:

	Salary (RM)	Fees (RM)	Bonus (RM)	Benefits in-kind (RM)
<b>Executive Directors</b>				
Ir. Gan Hung Keng	339,000	-	282,277	15,000
Ong Weng Leong	339,000	-	282,277	15,000
<b>Non-Executive Directors</b>				
Chan Thian Kiat	-	36,000	-	-
Tan Chuan Yong	-	36,000	-	-
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	-	32,400	-	-
Soo Yuit Weng	-	36,000	-	-
<b>Total</b>	<b>678,000</b>	<b>140,400</b>	<b>564,554</b>	<b>30,000</b>

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

Range of Remuneration (RM)	Executive Directors	Non-Executive Directors
50,000 and below	-	4
50,001 to 150,000	-	-
150,001 to 300,000	-	-
300,001 to 400,000	-	-
400,001 to 500,000	-	-
500,001 to 600,000	2	-

## **CORPORATE GOVERNANCE STATEMENT**

*cont'd*

### **3.0 REINFORCE INDEPENDENCE**

#### **3.1 Annual Assessment of Independence**

The Board, through the NC, assesses the independence of Independent Directors annually. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Company and his involvement in any significant transaction with the Company.

Based on the above assessment in 2015, the Board is generally satisfied with the level of independence demonstrated by all the Independent Directors, and their ability to bring independent and objective judgement to the board deliberations.

With respect to the Independent Non-Executive Director who is seeking re-election at the forthcoming Fifteenth AGM, the NC is satisfied that Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman has demonstrated that he is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement. The Board therefore recommends and supports his proposed re-election.

#### **3.2 Tenure of Independent Directors**

The Board has adopted a nine-year policy for Independent Non-Executive Directors. An Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. Otherwise, the Board shall justify and seek shareholders' approval at the AGM in the event it retains the Director as an Independent Director.

None of the Independent Non-Executive Directors served more than nine (9) years in the Company.

#### **3.3 Shareholders' approval for the Continuance Office as Independent Directors**

The Board would seek shareholders' approval at the AGM if the Independent Director who has served in that capacity for more than nine (9) years shall remain as an Independent Director.

The NC will assess the independence of the Independent Director based on the assessment criteria developed by the NC, and recommended to the Board for recommendation to shareholders for approval. Justification for the Board's recommendation would be provided to shareholders.

#### **3.4 Separation of the Positions of the Chairman and the CEO**

One of the recommendations of the MCCG 2012 states that the position of the Chairman and the CEO should be held by different individuals, and the Chairman must be a non-executive member of the Board. However, the roles of the Chairman and the CEO have not been separated and both functions continue to be held by Ir. Gan Hung Keng.

As at todate, KGB has yet to identify an Independent Chairman who is sufficiently suitable for the role with the right experience, strength and understanding of the Group's business operations as KGB involves in the high-technologies industry which provides end-to-end engineering solutions for Ultra High Purify gas and chemical delivery systems. To go beyond box ticking and fulfil the aspiration and objective of the MCCG 2012, KGB is working on a five-years succession plan to identify and develop potential personnel to increase KGB's standards of corporate governance in line with the MCCG 2012.

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

## CORPORATE GOVERNANCE STATEMENT *cont'd*

### **3.0 REINFORCE INDEPENDENCE *cont'd***

#### **3.5 Composition of the Board**

The Board currently consists of six (6) members, comprising one (1) Executive Chairman, one (1) Executive Director and four (4) Independent Non-Executive Directors. The size of the Board is appropriate given the complexity and geographical spread of KGB's business.

The present composition of the Board is in compliance with Paragraph 15.02 of the Main Market Listing Requirements ("MMLR") as more than half of its members are Independent Directors.

The six (6) members of the Board are persons of high calibre and integrity, and they possess the appropriate skills and provide a wealth of knowledge, experience and skills in the key areas of accountancy, law, business operations and development, finance and risk management, amongst others.

Jointly with the Executive Director cum COO, the Executive Chairman cum CEO is accountable to the Board over the daily management and development of the Company.

The profile of each of the Member of the Board is presented on the pages 11 to 13 of this Annual Report.

### **4.0 FOSTER COMMITMENT**

#### **4.1 Time Commitment**

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of KGB. This is evidenced by the attendance record of the Directors at Board Meetings, as set out in the table below.

Name of Director	Attendance (As at 31/12/2014)
Ir. Gan Hung Keng ( <i>Chairman</i> )	5/5
Ong Weng Leong	4/5
Chan Thian Kiat	5/5
Tan Chuan Yong	5/5
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	3/5
Soo Yuit Weng	5/5

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

To facilitate the Directors' time planning, an annual meeting schedule is prepared and circulated at the beginning of every year, as well as the tentative closed periods for dealings in securities by Directors based on the targeted date of announcement of the Group's quarterly results.

## CORPORATE GOVERNANCE STATEMENT

*cont'd*

### 4.0 FOSTER COMMITMENT *cont'd*

#### 4.2 Training

All Directors have completed the Mandatory Accreditation Programme ("MAP") as prescribed by Bursa Securities. The Company will continue to identify suitable training for the Directors to equip and update themselves with the necessary knowledge in discharging their duties and responsibilities as Directors.

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

During the FYE 31 December 2014, the Directors have attended the following training, seminars, conferences and exhibitions which they considered vital in keeping abreast with changes in laws and regulation, business environment, and corporate government development:-

No.	Name of Director	Course Attended	Date
1.	Ir. Gan Hung Keng	Understand and Implementation GST Malaysia	16 May 2014
2.	Ong Weng Leong	Understand and Implementation GST Malaysia	16 May 2014
3.	Chan Thian Kiat	Understand and Implementation GST Malaysia	16 May 2014
4.	Tan Chuan Yong	The Construction Industry Payment and Adjudication Act 2012 (CIPAA) Conference	5 June 2014
5.	Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	7th AgustaWestland Oil & Gas Seminar	9-10 September 2014
6.	Soo Yuit Weng	Goods and Services Tax (GST) Training Course	2-4 June 2014 and 9-11 June 2014

### 5.0 UPHOLD INTEGRITY IN FINANCIAL REPORTING

#### 5.1 Compliance with applicable financial reporting standards

The Board is committed to provide a balanced, clear and meaningful assessment of the financial performance and prospects of the Company via all disclosures and announcements made.

The Board is assisted by the AC to oversee and scrutinise the process and quality of the financial reporting, includes reviewing and monitoring the integrity of the financial statements and the appropriateness of the Company's accounting policies to ensure accuracy, adequacy and completeness of the report, as well as in compliance with the relevant accounting standards.

#### 5.2 Assessment of suitability and independence of External Auditors

The AC is responsible for reviewing audit, recurring audit-related and non-audit services provided by the External Auditors. These recurring audit-related and non-audit services comprise regulatory reviews and reporting, interim reviews, tax advisory and compliance services.

The terms of engagement for services provided by the External Auditors are reviewed by the AC prior to submission to the Board for approval.

The AC has reviewed the provision of non-audit services by the External Auditors during the year and concluded that the provision of these services did not compromise the External Auditors' independence and objectivity as the amount of the fees paid for these services was not significant when compared to the total fees paid to the External Auditors.

Having satisfied itself with Messrs Crowe Horwath's performance, the AC will recommend their re-appointment to the Board, upon which the shareholders' approval will be sought at the forthcoming AGM.

## CORPORATE GOVERNANCE STATEMENT *cont'd*

### **6.0 RECOGNISE AND MANAGE RISKS**

#### **6.1 Sound framework to manage risks**

The Board oversees, reviews and monitors the operation, adequacy and effectiveness of the Group's system of internal controls.

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

The AC oversees the risk management framework of the Group and advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The AC also reviews the action plan implemented and makes relevant recommendations to the Board to manage residual risks.

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

#### **6.2 Internal Audit ("IA") Function**

Since 2009, the Company has outsourced its IA function to a professional services firm named Audex Governance Sdn. Bhd. to assist the AC in discharging its duties and responsibilities in respect of reviewing the adequacy and effectiveness of the Group's risk management and internal control systems.

The Statement on Risk Management and Internal Control as included on pages 30 to 32 of this Annual Report provides the overview of the internal control framework adopted by the Company during the FYE 31 December 2014.

### **7.0 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE**

#### **7.1 Corporate Disclosure Policy and Procedures**

The Company has put in place a Corporate Disclosure Policy with the objective to ensure communications to the public are timely, factual, accurate, complete, broadly disseminated and where necessary, filed with regulators in accordance with applicable laws.

A Disclosure Committee comprises of Executive Directors and CFO was established in year 2013 and responsible for:-

- a. determining materiality of information;
- b. ensuring timely, complete and accurate disclosure of material information to the investing public in accordance with securities laws and stock exchange rules and regulations, monitoring compliance with this policy and overseeing the disclosure controls and procedures;
- c. providing sufficient information to the Company Secretary for drafting of necessary announcement;
- d. conducting proper verification and due diligence on the disclosure of material information.

Clear roles and responsibilities of Directors, Management, and employees are provided in the policy to ensure that the confidential information is handled properly to avoid leakage and improper use of such information.

The Board is mindful that information which is expected to be material must be announced immediately.

## CORPORATE GOVERNANCE STATEMENT

*cont'd*

### 7.0 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE *cont'd*

#### 7.2 Leverage on information technology for effective dissemination of information

KGB's website provides all relevant corporate information and it is accessible by the public. The Company's website enhances the IR function by including share price information, all announcements made by KGB, Annual Reports, financial results, corporate calendar as well as the corporate governance statement of KGB.

Through the Company's website, the stakeholders are able to direct queries to the Company.

### 8.0 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

#### 8.1 Encourage shareholder participation at general meetings

In an effort to encourage greater shareholders' participation at AGMs, the Board takes cognisance in serving longer than the required minimum notice period for AGMs, when possible. The Chairman together with the Senior Independent Non-Executive Directors ensure that an open channel of communication is cultivated.

KGB encloses the Annual Report together with the Circulars to Shareholders and notice of AGM with regard to, amongst others, details of the AGM, their entitlement to attend the AGM, the right to appoint proxy and also qualification of proxy.

The Company allows a shareholder to appoint a proxy who may not be a member of the Company. If the proxy is not a member of the Company, he/she need not be an advocate, an approved company auditors or a person approved by the Registrar of Companies.

To further promote participation of members through proxies, which in line with the MMLR, the Company had amended its Articles of Association to include explicitly the right of proxies to speak at general meetings.

#### 8.2 Encourage poll voting

At the Fourteenth AGM of the Company held on 25 June 2014, all resolutions put forth for shareholders' approval at the meeting were voted on by show of hands.

The Chairman would ensure that shareholders were informed of their rights to demand a poll vote at the commencement of the AGM.

#### 8.3 Effective communication and proactive engagement

At the Fourteenth AGM, all Directors were present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company. The Directors, Management and External Auditors were in attendance to respond to the shareholders' queries.

From the Company's perspective, the AGM also serves as a forum for Directors and Management to engage with the shareholders personally to understand their needs and seek their feedback. The Board welcomes questions and feedback from shareholders during and at the end of shareholders' meeting and ensures their queries are responded in a proper and systematic manner.

## CORPORATE GOVERNANCE STATEMENT

*cont'd*

### COMPLIANCE STATEMENT

The Board is satisfied that the Company has in 2014 complied with the principles and recommendations of the MCCG 2012 save for one (1) of the recommendations that the position of the Chairman and the CEO should be held by different individuals, and the Chairman must be a non-executive member of the Board.

This statement is made in accordance with the resolution of the Board dated 28 April 2015.

### STATEMENT OF DIRECTORS' RESPONSIBILITY

Directors are legally required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results of the Group and of the Company for the financial year then ended.

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

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

The Directors are responsible for ensuring that proper accounting and other records are kept which enable the preparation of the financial statement with reasonable accuracy on the disclosure of the financial position of the Group and of the Company, and to enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965 and the applicable accounting standards approved by the Malaysian Accounting Standards Board in Malaysia for Entities other than Private Entities. The Directors are also responsible for taking reasonable steps to ensure that appropriate systems are in place to safeguard the assets of the Group and of the Company and hence, to prevent and detect fraud and other irregularities.

## **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL**

### **INTRODUCTION**

The Board of KGB is pleased to present its Statement on Risk Management and Internal Control for the FYE 31 December 2014, which has been prepared pursuant to paragraph 15.26 (b) of Bursa Securities' MMLR and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"), in this Annual Report. This statement outlines the nature and state of the risk management and internal control of the Group during the FY.

### **BOARD RESPONSIBILITY**

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

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

### **RISK MANAGEMENT FRAMEWORK**

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

The Board has an on-going process for identifying, evaluating and managing the significant risks it faces. The risk management process is an ongoing process commencing from the beginning of any major new project, venture or change in operational environment for the year under review and up to the date of approval of this statement by the Board. The process includes the systematic application of management policies, procedures and practices to the activities of risk identification, assessment, treatment, monitoring and reporting.

### **IA MECHANISM**

The AC examines the adequacy and effectiveness of the Group's system of internal control and make recommendations to Management on actions to be taken, if any, via the review of reports of the independent Internal Auditors. Although a number of internal control weaknesses were identified, none of the weaknesses have resulted in any material losses that would require a separate disclosure in this Annual Report.

Presently, the Group's IA function is outsourced to a professional services firm to review the adequacy and effectiveness of the Group's internal control system. The IA function reports directly to the AC.

A risk based IA plan is tabled to the AC for review and approval. The IA function executes the audits based on the plan for FYE 31 December 2014 and the results of the audit reviews are periodically reported to the AC. Based on results of the review, discussions with the Management were held to deliberate on the actions that are required to be taken to address internal control matters identified by the outsourced IA function.

The total cost incurred by the IA function is at RM67,560.45 for the FYE 31 December 2014.

## **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL**

*cont'd*

### **OTHER KEY ELEMENTS OF INTERNAL CONTROL**

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

**a) Management Structure**

The Group maintains a formal organisation structure with clear lines of accountability and responsibility. The daily running of the businesses is entrusted to the Executive Directors and their Management teams. The heads of each operating subsidiary and department of the Group are empowered with the responsibility of managing their respective operations.

**b) Strategic Business Plan and Annual Budget**

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

The Group's annual strategic business plan and budget is reviewed, deliberated and approved by the Board. The expectations of the Board are clearly discussed with, and understood by, Management. The Board is also responsible for monitoring the implementation of the strategic business plan and for assessing the actual performance of the Group against the annual strategic business plan and budget as well as to provide guidance to the Management.

**c) Reporting and Review**

Periodic operational and financial reports are prepared and presented to the Board for discussion and review based on the established reporting hierarchy within the Group. Ad-hoc and scheduled meetings are held at operational and management levels to identify operational issues, discuss and review the business plans, budgets, financial and operational performances of the Group, and etc.

**d) ISO Quality**

Both KGB and Kelington Technologies Sdn. Bhd. ("KTSB") have been certified with ISO 9001:2008 Quality Management System since March 2010. Yearly surveillance audits and periodic re-assessments are carried out to ensure its adherence and application of the ISO quality policies and procedures.

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

Both KGB and KTSB achieved the OHSAS 18001:2007 and MS 17021:2011 certification by Intertek since July 2014.

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

**f) Internal Policies and Procedures**

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

## **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL**

*cont'd*

### **OTHER KEY ELEMENTS OF INTERNAL CONTROL** *cont'd*

#### **g) External Audit**

In accordance with Paragraph 15.23 of Bursa Securities' MMLR, the External Auditors have performed a review on the statement on internal control and risk management for its inclusion into the Annual Report of the Company for FYE 31 December 2014, and reported to the Board that nothing has come to their attention that cause them to believe that the statement is inconsistent with their understanding of the state of internal control of the Group.

#### **h) Related Party Transactions**

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

### **ASSURANCE PROVIDED BY THE GROUP CEO AND CFO**

In line with the Guidelines, the Group CEO and CFO have provided assurance to the Board that the Group's risk management and internal control system have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

### **CONCLUSION**

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

The Board recognises the necessity to continuously improve the Group's system of internal control and risk management practices to safeguard shareholders' investments and the Group's assets. Therefore, the Board will continuously evolve the Group's system of internal control to meet the changing and challenging business environment and put in place appropriate action plans to further enhance the system of internal control if necessary. The Group's risk management process, IA review and internal control system do not apply to associate where the Group does not have full management control.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors dated on 28 April 2015.

## AUDIT COMMITTEE REPORT

The Board presents the AC Report to provide insights on the discharge of the AC's functions for the Group in the year 2014.

### COMPOSITION AND ATTENDANCE

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

The AC members and details of attendance of each member at the AC meetings held during the FYE 31 December 2014 are as follows:

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

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

The Board assesses the performance of the AC and its members through an annual Board Committee effectiveness evaluation and is satisfied that they are able to discharge their functions, duties and responsibilities in accordance with the TOR of the AC which are available on KGB's website, thereby supporting the Board in ensuring appropriate Corporate Governance standards within the Group.

### MEETINGS

The AC held five (5) meetings in the year 2014 and the Executive Directors were invited to all AC meetings to facilitate direct communication and to provide clarification on audit issues and the operations of the Group. The Internal Auditors were present three (3) out of five (5) AC meetings to table the respective IA reports. Relevant Management were invited to brief the AC on specific issues arising from relevant audit reports.

The AC met with the External Auditors two (2) times in the year 2014 without the presence of the Executive Directors, Management or Internal Auditors. At this meeting, the AC enquired about Management's cooperation with the External Auditors, sharing of information and proficiency and adequacy of resources in financial reporting functions. During the AC meetings, the External Auditors were invited to raise any matter they considered important for the AC's attention.

The AC Chairman obtained confirmation from the External Auditors that Management had given its full support and unrestricted access to information as required by the External Auditors to perform their duties.

Deliberations during the AC meetings, including the issues tabled and rationale adopted for decisions, were recorded. Minutes of the AC meetings were tabled for confirmation at the following AC meeting. In the year 2014, the AC Chairman presented the recommendations of the Committee to the Board for approval of the annual and quarterly financial statements as well as the circular to shareholders. The AC Chairman also conveyed to the Board matters of significant concern as and when raised by the External Auditors or Internal Auditors.

## AUDIT COMMITTEE REPORT

*cont'd*

### SUMMARY OF ACTIVITIES

In the year 2014, the AC carried out its duties in accordance with the TOR of the AC. The activities of the AC for FY 2014 are summarised as follows:-

- i) Reviewed the annual audited financial statements for the FYE 31 December 2013 and other significant accounting issues arising during the FYE 31 December 2014;
- ii) Reviewed the quarterly financial statements of the Company and the Group which focusing particularly on significant changes to accounting policies and practices, adjustments arising from the audits, compliance with accounting standards and other legal requirements;
- iii) Reviewed the External Auditors' audit review memorandum for the FYE 31 December 2013 covered the significant audit findings, report on deficiencies in internal control, status of audit, independence of auditors, communication with AC, summary of audit adjustments and unadjusted differences;
- iv) Reviewed the audit planning memorandum for the FYE 31 December 2014 which covered the engagement and reporting requirements, audit approach, areas of audit emphasis, communication with Management, engagement team, reporting and deliverables and proposed fee;
- v) Reviewed the IA reports on the following companies prepared by Audex Governance Sdn. Bhd.:-
  - Kelington Engineering (S) Pte Ltd;
  - Kelington Engineering (Shanghai) Co., Ltd;
  - Kelington Trading (Shanghai) Co., Ltd; and
  - KGB (Taiwan Branch).
- vi) Reviewed the AC Report, Statement of Corporate Governance and Statement of Risk Management and Internal Control before recommending to the Board of Directors for their approval, for inclusion in the Annual Report;
- vii) Reviewed the performance of the External Auditors and made recommendation to the Board of Directors on appointment and remuneration of the External Auditors; and
- viii) Conducted two (2) meetings with the External Auditors without the presence of the Executive Directors and Management of the Company.

### IA FUNCTION

The Company does not have an IA department. Since year 2009, the Company has outsourced its IA function to a professional services firm named Audex Governance Sdn. Bhd. to assist the AC in discharging its duties and responsibilities in respect of reviewing the adequacy and effectiveness of the Group's risk management and internal control system.

The role of the IA function is totally independent and not related to the Group's External Auditors. The IA will include evaluation of the processes by which significant risks are identified, assessed and managed and ensuring that instituted controls are appropriate and effectively applied and the risk exposures are consistent with the Company's risk management policy.

During the FYE 31 December 2014, the areas audited included audits of the various departments covering all the factories and subsidiaries within the Group. IA reports were issued to the AC regularly and tabled in the AC meetings. The reports were also issued to the respective operations management, incorporating audit recommendations and Management's responses with regards to any audit findings on the weaknesses in the systems and controls of the operations. The IA also follows up with Management on the implementation of the agreed audit recommendations. The total costs incurred for IA function of the Group for the FYE 31 December 2014 was amounted to RM67,560.45.

## AUDIT COMMITTEE REPORT *cont'd*

### **SUMMARY OF ACTIVITIES *cont'd***

#### **Statement of Allocation of Employees' Share Option Scheme ("ESOS")**

There was 143,000 options allocated during the FYE 31 December 2014.

The AC has verified the allocation of options that offered to the eligible persons under ESOS and satisfied that the allocation was in compliance with the ESOS By-law and criteria set out by the Option Committee.

### **SUMMARY OF TOR**

#### **1. Composition**

The AC shall be appointed amongst the Board members and shall comprise no fewer than three (3) members; a majority of whom, including the Chairman, shall be Independent Directors and all members should be Non-Executive Directors. At least one (1) member must be a member of the Malaysian Institute of Accountants or possess such other qualifications and/or experience as approved and prescribed by Bursa Securities. No Alternate Director shall be appointed as a member of the AC.

In the event of any vacancy with the result that the number of members is reduced to below three (3), the vacancy shall be filled within three (3) months. Therefore, a member of the AC who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he leaves.

The terms of office and performance of the AC and each of its members shall be reviewed by the Board at least once every three (3) years to determine whether the AC and its members have carried out their duties in accordance with their TOR.

#### **2. Quorum and Frequency of Meetings**

The AC shall meet at least four (4) times in each FY and may regulate its own procedure in lieu of convening a formal meeting by means of video or teleconference. The quorum for a meeting shall be the majority of members present, who shall be Independent Directors.

The AC may call for a meeting as and when required with reasonable notice as the Committee Members deem fit.

All decisions at such meeting shall be decided by a majority of votes.

#### **3. Rights**

The AC is accorded with the following rights in the performance of its duties and responsibilities:-

- (a) has the authority to investigate any matter within its TOR;
- (b) has the resources which are required to perform its duties and has full and unrestricted access to any information pertaining to the Group;
- (c) has direct communication channels with the External Auditors and person(s) carrying out the IA function or activity;
- (d) has the right to obtain independent professional or other advice at the Company's expense and the right to convene meetings with the External Auditors, excluding the presence of the executive board members, at least twice a year and whenever deemed necessary;
- (e) promptly report to Bursa Securities, or such other name(s) as may be adopted by Bursa Securities, matters which have not been satisfactorily resolved by the Board of Directors resulting in a breach of the MMLR;

## AUDIT COMMITTEE REPORT

cont'd

### SUMMARY OF TOR cont'd

#### 3. Rights cont'd

- (f) has the right to pass resolutions by a simple majority vote from the Committee and that the Chairman shall have the casting vote should a tie arise; and
- (g) the Chairman shall call for a meeting upon the request of the External Auditors, and the AC can meet as and when required on a reasonable notice.

#### 4. Duties and Responsibilities

The AC, as required by applicable laws, rules, or regulations and otherwise to the extent it deems necessary or appropriate, shall carry out the following key matters:-

##### ***External Audit***

- (a) To consider the appointment and/or re-appointment of auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as auditors to the Board and to have policies and procedures to assess the suitability and independence of External Auditors.
- (b) To review with the External Auditors on the nature and scope of the audit plan, evaluation of accounting policies and system of internal accounting controls within the Group, audit reports and the assistance given by the officers of the Company to the External Auditors.
- (c) To review with Management the audit report and management letter issued by the External Auditors and implementation of audit recommendations, interim financial information report and the assistance given by the officers of the Company to the External Auditors.

##### ***IA***

- (d) To discuss problems and reservations arising from interim and final audits, and any matter the auditor may wish to discuss (in the absence of Management where necessary).
- (e) To review the adequacy of the scope, functions, competency and resources of the IA function, and the IA programme and results of the IA processes or investigation undertaken to ensure that appropriate actions are taken on the recommendations of the IA functions.

##### ***Risk Management and Internal Control***

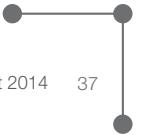
- (f) To recommend such measures as to be taken by the Board on the effectiveness of the system of internal control and risk management practices of the Group and recommend to the Board the Directors' Statement on Internal Control and any changes to the said Statement.
- (g) To evaluate the quality and effectiveness of Company's internal control system and management information systems.

##### ***Whistleblowing and fraud***

- (h) To review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action and review the Company's procedures for detecting fraud.

##### ***Overseeing Financial Reporting***

- (i) To monitor the integrity of the financial statements of the Company, including the quarterly reports on consolidated results and annual financial statements before recommendation to the Board of Director for approval for releasing to Bursa Securities.



## AUDIT COMMITTEE REPORT cont'd

### SUMMARY OF TOR cont'd

#### 4. Duties and Responsibilities cont'd

##### ***Reviewing conflict of interest situations and related party transactions***

- (j) To monitor related party transactions entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Directors report such transactions annually to the shareholders via the Annual Report, and to review conflicts of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of Management integrity.

##### ***Other Matters***

- (k) To verify the allocation of options pursuant to a share issuance scheme for employees as being in compliance with the criteria for allocation of options under the share scheme, at the end of each FY.

#### 5. TOR

The TOR should be assessed, reviewed and updated at least once every three (3) years by the AC or as and when there are changes to the MCCG 2012 and the MMLR.

The AC should recommend any change to the TOR to the Board for approval.

The assessment of the AC's TOR should be a vigorous process taking into consideration the Company's circumstances and any new regulations that may have an effect on the AC's responsibilities.

The AC Report is made in accordance with the resolution of the Board of Directors' Meeting held on 28 April 2015.

## **ADDITIONAL COMPLIANCE INFORMATION**

### **1. UTILISATION OF PROCEEDS**

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

### **2. SHARE BUY-BACK**

During the FYE 31 December 2014, the Company has purchased 202,000 KGB Shares for a total consideration of RM124,274.53 and all Purchased Shares have been retained as treasury shares. None of the shares purchased has been resold or cancelled during the FY.

Details of the shares purchased during the year are as follows:-

Date of Purchase	No. of shares purchased	Lowest Purchase Price (RM)	Highest Purchase Price (RM)	Purchase Consideration (RM)
24.03.2014	100,000	0.615	0.615	61,949.45
25.03.2014	100,000	0.615	0.615	61,197.76
02.06.2014	1,000	0.620	0.620	661.19
01.12.2014	1,000	0.425	0.425	466.13

### **3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**

During the FY, the Company has issued:-

- a) 2,348,400 Ordinary Shares of RM0.10 each arising from the exercised of options under the ESOS of the Company; and
- b) 53,937,631 Warrants 2014/2019 on the basis of one (1) warrant for every three (3) existing KGB Shares in the Company to its shareholders.
- c) 3,218,133 Options under the ESOS being adjustment made pursuant to By-Laws.

### **4. DEPOSITORY RECEIPT PROGRAMME**

During the FY, the Company did not sponsor any depository receipt programme.

### **5. IMPOSITION OF SANCTIONS AND/OR PENALTIES**

There were no material sanctions and/or penalties imposed on the Company and its subsidiary companies, Directors or Management by the relevant regulatory bodies.

### **6. NON-AUDIT FEES**

There was RM4,000 non-audit fees being payment for reviewing of Statement of Risk Management and Internal Control paid to the External Auditors for FYE 31 December 2014.

### **7. VARIATION IN RESULTS**

There was no variation of 10% or more between the audited results and unaudited results of the Group for the FYE 31 December 2014.

## ADDITIONAL COMPLIANCE INFORMATION *cont'd*

### **8. 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 is less than 5.0% of the Group's total assets.

### **9. MATERIAL CONTRACTS**

Except for what is disclosed in the Related Party Transaction as stated below, there were no other material contracts entered into by the Group involving Directors' and Major Shareholders' interests either still subsisting as at 31 December 2014 or entered into since the end of the previous FY.

### **10. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF REVENUE OR TRADING NATURE**

At the last AGM held on 25 June 2014, the Company had obtained a general mandate from its shareholders to enter into RRPT with a person who considered being a Related Party as defined in Chapter 10 of MMLR. Details of the RRPT during the FYE 31 December 2014 pursuant to Shareholders' Mandate are as follows:-

Transacting parties	Interested directors or major shareholders	Nature of transactions	Actual Value transacted (RM)
<b>Provider:</b> Kelington Group <b>Recipient:</b> BOCLH Group	1) Sun Lead <sup>(1)</sup> 2) Fortune Dragon <sup>(2)</sup> 3) LHIC <sup>(2)</sup>	Kelington Group is supplying services in relation to UHP delivery systems solution to BOCLH Group	RM263,353
<b>Provider:</b> BOCLH Group <b>Recipient:</b> Kelington Group	1) Sun Lead <sup>(1)</sup> 2) Fortune Dragon <sup>(2)</sup> 3) LHIC <sup>(2)</sup>	Kelington Group is purchasing equipment and consumables (welding and testing gases) for UHP delivery system from BOCLH Group	Nil

Notes:-

- (i) BOCLH Group refers to BOC Lien Hwa Industrial Gases Co., Ltd and its subsidiary(ies).
- (ii) Kelington Group refers to KGB and its subsidiary(ies).
- (iii) Sun Lead refers to Sun Lead International Limited.
- (iv) Fortune Dragon refers to Fortune Dragon Holding Inc.
- (v) LHIC refers to Lien Hwa Industrial Corp.

*Nature of Interest:-*

- 1) Sun Lead is a Major Shareholder of the Company.
- 2) Fortune Dragon and LHIC are Major Shareholders of the Company through Sun Lead. LHIC is also a Major Shareholder of BOCLH.

### **11. PROFIT ESTIMATE, FORECAST OR PROJECTION**

The Group did not issue any profit forecast or profit estimate previously for FYE 31 December 2014 in any public document hence this information is not applicable.

### **12. PROFIT GUARANTEES**

There were no profit guarantees received by the Company for the FYE 31 December 2014.

## **ADDITIONAL COMPLIANCE INFORMATION**

*cont'd*

### **13. CORPORATE SOCIAL RESPONSIBILITIES ("CSR")**

The Company recognises its role as a responsible corporate citizen and has therefore intensified its CSR initiatives throughout FY 2014 as follows:-

#### **a) The Workplace**

The Company continues to recognise the importance of its human capital and the role of their staff played in the overall success of the Company and encourages a dynamic and diverse composition of workforce in terms of gender, ethnicity and age by nurturing and suitable staff equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company.

The Group organises and sponsors various welfare activities to promote camaraderie and teamwork amongst employees. These include Departmental and Company outings.

The Company places strong emphasis on personal development and had been sending relevant staff to various training courses to equip them with the necessary knowledge and skills.

#### **b) The Community**

The Company aims to contribute and provide real benefit to the community as a whole which can make them a better place to live.

#### **c) The Environment**

KGB recognises that effective environmental management is one of the most important corporate priorities. The Company is committed in protecting and respecting the environment through efficiency in the conduct of its operations. As part of the on-going efforts to attain this objective, the Company has focused on the following initiatives:

- Adopting green practices and using natural resources responsibly.
- Encourage recycling for materials including steel scrap and paper.
- Use raw materials such as steel efficiently and reduce different types of waste.
- Provide renewable energy solutions.

#### **(d) The Marketplace**

KGB Group recognises the importance of building and maintaining positive relationships with its stakeholders.

KGB Group believes its business is holding high standard of behaviour and integrity. Management and staff will continuously uphold high standards of conduct in the performance of their duties and practise good business ethics.

### **14. ESOS**

The ESOS was approved by the shareholders at an Extraordinary General Meeting held on 26 October 2010 and governed by the By-Laws. The ESOS is to be in force for a period of five (5) years, subject however, to an extension at the discretion of the Board of Directors upon the recommendation of the Option Committee for a period up to five (5) years commencing from the date of expiration of the original five (5) years period.

## ADDITIONAL COMPLIANCE INFORMATION *cont'd*

### 14. ESOS *cont'd*

There is one (1) ESOS in existence during the FYE 31 December 2014 with information as follows:-

Total number of options/ shares outstanding as at 1 January 2014	Total number of options exercised during the FYE 31 December 2014	Total number of options/ shares granted during the FYE 31 December 2014	Total options/shares outstanding as at 31 December 2014
12,002,800	(2,348,400)	*3,218,133	12,872,533

#### Options granted to Directors and Chief Executive

Total number of options/ shares outstanding as at 1 January 2014	Aggregate options exercised or vested during the FYE 31 December 2014	Aggregate options/ shares granted during the FYE 31 December 2014	Aggregate options/ shares outstanding as at 31 December 2014
3,016,000	(808,000)	*736,000	2,944,000

*\*Adjustment of options arising from Bonus Issue.*

#### Options granted to Directors and Senior Management

	During the FYE 31 December 2014	Since commencement of the ESOS on 26 October 2010
Aggregate maximum allocation in percentage	50%	50%
Actual percentage granted	26%	26%

Breakdown of the options offered to and exercised by non-executive Directors pursuant to ESOS in respect of the FY are as follows:

Name of Directors	Amount of Options Granted	Amount of Options Exercised	Bonus Options
Chan Thian Kiat	-	40,000	40,000
Tan Chuan Yong	-	40,000	40,000
Soo Yuit Weng	-	72,000	36,000
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	-	72,000	36,000





# FINANCIAL STATEMENTS

- 44** Directors' Report
- 51** Statement by Directors
- 51** Statutory Declaration
- 52** Independent Auditors' Report
- 54** Statements of Financial Position
- 56** Statements of Profit or Loss  
and Other Comprehensive Income
- 58** Statements of Changes in Equity
- 62** Statements of Cash Flows
- 64** Notes to the 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 2014.

### PRINCIPAL ACTIVITIES

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

### RESULTS

	The Group RM'000	The Company RM'000
Profit after taxation for the financial year	5,149	1,518
Attributable to:-		
Owners of the Company	5,200	1,518
Non-controlling interests	(51)	-
	<hr/> 5,149	<hr/> 1,518

### DIVIDENDS

A final tax-exempt dividend of 0.5 sen per ordinary share amounting to approximately RM1,079,000 for the financial year ended 31 December 2013 was approved by the shareholders at the Annual General Meeting held on 25 June 2014 and was paid on 8 August 2014.

The directors recommend the payment of a final tax-exempt dividend of 1 sen per ordinary share amounting to approximately RM2,158,000 in respect of the current financial year. The proposed dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

### RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

### ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) the Company increased its authorised share capital from RM25,000,000 to RM50,000,000 by the creation of 250,000,000 new ordinary shares of RM0.10 each;

## DIRECTORS' REPORT

*cont'd*

### **ISSUES OF SHARES AND DEBENTURES *cont'd***

- (b) the Company increased its issued and paid-up share capital from RM16,068,020 to RM21,696,623 by:-
  - (i) the issuance of 2,348,400 new ordinary shares of RM0.10 each for cash pursuant to the exercise of share options under the Employees' Share Option Scheme ("ESOS"); and
  - (ii) the issuance of 53,937,631 new ordinary shares of RM0.10 each as bonus issues on the basis of one bonus share for every three existing shares held by the Company by the capitalisation of RM1,319,720 and RM4,074,043 from the share premium and retained profits accounts respectively.

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

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

### **WARRANTS**

The Company had on 13 June 2014, issued 53,937,631 warrants to all entitled shareholders of the Company on the basis of one free warrant for every three existing ordinary shares of RM0.10 each held in the Company. The warrants were listed on Main Market of Bursa Malaysia Securities Berhad. The warrants are constituted under a Deed Poll executed on 30 May 2014 and each warrants entitles the registered holder the right at any time during the exercise period from 13 June 2014 to 12 June 2019 to subscribe in cash for one new ordinary share of RM0.10 each of the Company at an exercise price of RM0.50 each.

At the end of the reporting period, 53,937,631 warrants remained unexercised.

The holders of the warrants are not entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to shareholders, of which the entitlement date is prior to the date of allotment of the new shares arising from the exercise of the warrants. The holders of warrants are not entitled to any voting rights or participation in any form of distribution and/or offer of securities in the Company until and unless such holder of warrants becomes a shareholder of the Company by exercising the warrants into new shares.

The ordinary shares issued from the exercise of warrants shall rank pari passu in all respects with the existing issued ordinary shares of the Company.

The terms of the warrants are detailed in Note 17(g) to the financial statements.

### **TREASURY SHARES**

The shares purchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965 in Malaysia.

During the financial year, the Company purchased 202,000 of its issued ordinary shares from the open market at a weighted average price of approximately RM0.61 per share. The total consideration paid for the purchase including transactions costs amounted to approximately RM124,000.

As at 31 December 2014, the Company held a total of 1,215,900 treasury shares out of the total 216,966,231 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of approximately RM606,000.

Relevant details on the treasury shares are disclosed in Note 17(e) to the financial statements.

## DIRECTORS' REPORT

*cont'd*

### 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.

### EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The ESOS is governed by the ESOS By-Laws and was approved by shareholders at an Extraordinary General Meeting held on 26 October 2010. The ESOS is to be in force for a period of 5 years.

The Company granted 7,232,000 share options under the ESOS on 29 March 2011. These options expire on 30 May 2016 and are exercisable if the employee has been confirmed in service for regular full time employment of any company within the Group.

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

<b>Date of Offer</b>	<b>Exercise Price*</b>	<b>Number Of Share Options Over Ordinary Shares Of RM0.10 Each</b>			
		<b>At 1.1.2014</b>	<b>Exercised</b>	<b>Bonus Options</b>	<b>At 31.12.2014</b>
29 March 2011	RM0.26	12,002,800	(2,348,400)	3,218,133	12,872,533

The main features of the ESOS are disclosed in Note 17(d) to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of holders to whom options have been granted to subscribe for less than 538,667 ordinary shares of RM0.10 each. The names of option holders granted options to subscribe for 538,667 or more ordinary shares of RM0.10 each during the financial year, other than directors whose details are disclosed in the section on Directors' Interests in this report, are as follows:-

<b>Name</b>	<b>Grant Date</b>	<b>Expiry Date</b>	<b>Exercise Price*</b>	<b>Number Of Share Options Over Ordinary Shares Of RM0.10 Each</b>				<b>Bonus Options</b>	<b>At 31.12.2014</b>
				<b>Granted</b>	<b>Exercised</b>	<b>Allotted</b>			
Lim Seng Chuan	29.3.2011	30.5.2016	RM0.26	585,000	(58,500)	-	877,500	1,404,000	
Wan Siew Chuan	29.3.2011	30.5.2016	RM0.26	561,000	(392,700)	-	729,300	897,600	
Jong Yu Huat	29.3.2011	30.5.2016	RM0.26	468,000	(327,600)	-	608,400	748,800	
Soo Wei Keong	29.3.2011	30.5.2016	RM0.26	468,000	(324,000)	-	609,600	753,600	
Ong Seng Heng	29.3.2011	30.5.2016	RM0.26	396,000	(317,200)	100,000	534,800	713,600	
Tea Chee Hen	29.3.2011	30.5.2016	RM0.26	360,000	(252,000)	-	468,000	576,000	

*Note*

\* The exercise price per share option was revised from RM0.68 to RM0.34 due to the issuance of bonus shares in the financial year ended 2012 and subsequently revised from RM0.34 to RM0.26 due to the issuance of bonus shares in the financial year ended 2014.

## DIRECTORS' REPORT *cont'd*

### **BAD AND DOUBTFUL DEBTS**

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

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

### **CURRENT ASSETS**

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, 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**

The contingent liabilities are disclosed in Note 37 to the financial statements. At the date of this report, there does not exist:-

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

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

### **CHANGE OF CIRCUMSTANCES**

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

## DIRECTORS' REPORT

*cont'd*

### 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.

### DIRECTORS

The directors who served since the date of the last report are as follows:-

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

### DIRECTORS' INTERESTS

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

	At 1.1.2014	Number Of Ordinary Shares Of RM0.10 Each			At 31.12.2014
		Exercise of Share Options	Bonus Issues	Bought	
<b>Direct Interests</b>					
Gan Hung Keng	292,000	292,000	194,666	-	778,666
Ong Weng Leong	292,000	292,000	194,666	-	778,666
Chan Thian Kiat	40,000	40,000	26,666	-	106,666
Tan Chuan Yong	40,000	40,000	26,666	-	106,666
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	-	72,000	24,000	-	96,000
Soo Yuit Weng	239,000	72,000	103,666	-	414,666
<b>Indirect Interests</b>					
Gan Hung Keng *	75,157,718	-	25,052,572	89,000	100,299,290
Ong Weng Leong *	75,157,718	-	25,052,572	89,000	100,299,290

\* - Deemed interested under Section 6A of the Companies Act 1965 by virtue of their shareholdings in Palace Star Sdn. Bhd.

## DIRECTORS' REPORT

*cont'd*

### DIRECTORS' INTERESTS *cont'd*

Number Of Share Options Over Ordinary Shares Of RM0.10 Each				
	At 1.1.2014	Exercised	Bonus Options	At 31.12.2014
<b>Share Options Of The Company</b>				
<b>Direct Interests</b>				
Gan Hung Keng	1,168,000	(292,000)	292,000	1,168,000
Ong Weng Leong	1,168,000	(292,000)	292,000	1,168,000
Chan Thian Kiat	160,000	(40,000)	40,000	160,000
Tan Chuan Yong	160,000	(40,000)	40,000	160,000
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	180,000	(72,000)	36,000	144,000
Soo Yuit Weng	180,000	(72,000)	36,000	144,000
Number Of Warrants Over Ordinary Shares Of RM0.10 Each				
	At 1.1.2014	Issued	Sold	At 31.12.2014
<b>Warrants Of The Company</b>				
<b>Direct interests</b>				
Gan Hung Keng	-	194,666	(44,200)	150,466
Ong Weng Leong	-	194,666	(194,666)	-
Chan Thian Kiat	-	26,666	(26,666)	-
Tan Chuan Yong	-	26,666	(26,666)	-
Laksamana Madya Datuk Haji Jamil Bin Haji Osman	-	24,000	-	24,000
Soo Yuit Weng	-	103,666	(103,666)	-
<b>Indirect interests</b>				
Gan Hung Keng *	-	25,052,572	-	25,052,572
Ong Weng Leong *	-	25,052,572	-	25,052,572

\* - Deemed interested under Section 6A of the Companies Act 1965 by virtue of their shareholdings in Palace Star Sdn. Bhd.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Group or the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 34 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the share options granted (pursuant to the ESOS of the Company) and warrants issued to the directors.

## **DIRECTORS' REPORT**

*cont'd*

### **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

The significant events during the financial year are disclosed in Note 39 to the financial statements.

### **AUDITORS**

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

**Signed in accordance with a resolution of the directors dated 28 April 2015.**

**Gan Hung Keng**

**Ong Weng Leong**

## STATEMENT BY DIRECTORS

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 54 to 124 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2014 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 41, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

**Signed in accordance with a resolution of the directors dated 28 April 2015.**

**Gan Hung Keng**

**Ong Weng Leong**

## STATUTORY DECLARATION

I, Gan Hung Keng, I/C No. 640223-06-5385, being the director primarily responsible for the financial management of Kelington Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 54 to 124 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by  
 Gan Hung Keng, I/C No. 640223-06-5385,  
 at Kuala Lumpur in the Federal Territory  
 on this 28 April 2015.

**Gan Hung Keng**

Before me

**Datin Hajah Raihela Wanchik** (No. W-275)  
 Commissioner for Oaths

## INDEPENDENT AUDITORS' REPORT

To the Members of Kelington Group Berhad

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Kelington Group Berhad, which comprise the statements of financial position as at 31 December 2014 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 a summary of significant accounting policies and other explanatory information, as set out on pages 54 to 124.

#### Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**INDEPENDENT AUDITORS' REPORT**  
To the Members of Kelington Group Berhad  
*cont'd*

**OTHER REPORTING RESPONSIBILITIES**

The supplementary information set out in Note 41 on page 125 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**OTHER MATTERS**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**Crowe Horwath**  
Firm No: AF 1018  
Chartered Accountants

**Ngiam Mia Teck**  
Approval No: 3000/07/16(J)  
Chartered Accountant

28 April 2015

Kuala Lumpur

## STATEMENTS OF FINANCIAL POSITION

At 31 December 2014

	Note	The Group		The Company		
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	
<b>ASSETS</b>						
<b>NON-CURRENT ASSETS</b>						
Investments in subsidiaries	5	-	-	1,767	1,826	
Investment in an associate	6	81	-	120	-	
Property, plant and equipment	7	6,357	6,704	2,602	2,668	
Development costs		53	95	-	46	
Goodwill	8	5,535	5,419	-	-	
Other receivables	9	1,726	1,937	-	-	
		13,752	14,155	4,489	4,540	
<b>CURRENT ASSETS</b>						
Amount owing by contract customers	10	35,814	35,625	1,498	3,939	
Inventories	11	775	1,830	-	-	
Trade receivables	12	66,249	43,914	749	6,318	
Other receivables, deposits and prepayments	9	12,625	2,183	821	231	
Amount owing by subsidiaries	13	-	-	18,454	18,801	
Deferred tax assets	15	97	-	97	-	
Tax refundable		15	94	-	29	
Fixed deposits with licensed banks	14	6,058	6,728	4,958	3,665	
Cash and bank balances		28,333	12,054	4,968	1,637	
		149,966	102,428	31,545	34,620	
<b>TOTAL ASSETS</b>		<b>163,718</b>	<b>116,583</b>	<b>36,034</b>	<b>39,160</b>	

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

**STATEMENTS OF FINANCIAL POSITION**  
**At 31 December 2014**  
*cont'd*

	Note	The Group		The Company		
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	
<b>EQUITY AND LIABILITIES</b>						
<b>EQUITY</b>						
Share capital	16	21,697	16,068	21,697	16,068	
Reserves	17	37,711	37,990	2,126	6,541	
Equity attributable to the owners of the parents		59,408	54,058	23,823	22,609	
Non-controlling interests		(74)	(23)	-	-	
<b>TOTAL EQUITY</b>		<b>59,334</b>	<b>54,035</b>	<b>23,823</b>	<b>22,609</b>	
<b>NON-CURRENT LIABILITIES</b>						
Deferred tax liabilities	15	92	303	-	211	
Long-term borrowings	18	1,117	585	383	472	
		<b>1,209</b>	<b>888</b>	<b>383</b>	<b>683</b>	
<b>CURRENT LIABILITIES</b>						
Amount owing to contract customers	10	15,771	7,104	23	-	
Trade payables	21	29,644	30,297	759	4,776	
Other payables and accruals	22	11,186	4,783	1,059	1,054	
Short-term borrowings	23	45,557	15,726	9,089	7,857	
Bank overdraft	24	872	3,472	872	2,181	
Provision for taxation		145	278	26	-	
		<b>103,175</b>	<b>61,660</b>	<b>11,828</b>	<b>15,868</b>	
<b>TOTAL LIABILITIES</b>		<b>104,384</b>	<b>62,548</b>	<b>12,211</b>	<b>16,551</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>163,718</b>	<b>116,583</b>	<b>36,034</b>	<b>39,160</b>	

*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 2014

	Note	The Group		The Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>REVENUE</b>	25	189,102	117,416	1,870	6,436
<b>COST OF SALES</b>		(170,081)	(101,318)	(3,569)	(6,163)
<b>GROSS PROFIT/(LOSS)</b>		19,021	16,098	(1,699)	273
<b>OTHER INCOME</b>	26	2,241	929	7,733	8,423
		21,262	17,027	6,034	8,696
<b>SELLING AND DISTRIBUTION EXPENSES</b>		(1,161)	(1,269)	(349)	(374)
<b>ADMINISTRATIVE EXPENSES</b>		(13,583)	(12,169)	(3,628)	(3,644)
<b>OTHER EXPENSES</b>		(668)	(1,178)	(696)	(186)
<b>FINANCE COSTS</b>		(631)	(762)	(142)	(108)
		5,219	1,649	1,219	4,384
<b>SHARE OF RESULT IN AN ASSOCIATE, NET OF TAX</b>		(39)	-	-	-
<b>PROFIT BEFORE TAXATION</b>	27	5,180	1,649	1,219	4,384
<b>INCOME TAX EXPENSE</b>	28	(31)	(38)	299	247
<b>PROFIT AFTER TAXATION</b>		5,149	1,611	1,518	4,631
<b>OTHER COMPREHENSIVE INCOME/ (EXPENSES)</b>					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation		368	1,593	(86)	152
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		5,517	3,204	1,432	4,783
<b>PROFIT AFTER TAXATION ATTRIBUTABLE TO:-</b>					
Owners of the Company		5,200	1,663	1,518	4,631
Non-controlling interests		(51)	(52)	-	-
		5,149	1,611	1,518	4,631

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
 For the financial year ended 31 December 2014  
*cont'd*

Note	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-</b>				
Owners of the Company				
	5,568	3,257	1,432	4,783
Non-controlling interests	(51)	(53)	-	-
	<b>5,517</b>	<b>3,204</b>	<b>1,432</b>	<b>4,783</b>
<b>EARNINGS PER SHARE (SEN)</b>				
- Basic	30	2.4	0.8	
- Diluted	30	2.4	0.8	

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

## STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

Note	Non-Distributable						Distributable			Total Equity RM'000	
	Employees' Share Option Reserve			Treasury Shares	Exchange Fluctuation Reserve	Retained Profits RM'000	To Owners of the Company RM'000	Non- Controlling Interests RM'000			
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	RM'000	RM'000						
<b>The Group</b>											
Balance at 1.1.2013	15,959	214	6,714	556	(31)	324	30,088	53,824	-	53,824	
Profit after taxation for the financial year	-	-	-	-	-	-	1,663	1,663	(52)	1,611	
Other comprehensive income for the financial year:											
- Foreign currency translation differences	-	-	-	-	-	1,594	-	1,594	(1)	1,593	
Total comprehensive income for the financial year	-	-	-	-	-	1,594	1,663	3,257	(53)	3,204	
Contributions by and distribution to owners of the Company:											
- Dividend paid	31	-	-	-	-	-	(3,212)	(3,212)	-	(3,212)	
- Bonus issue of a subsidiary		-	-	981	-	-	(981)	-	-	-	
- Employees' share option reserve		-	-	-	271	-	-	271	-	271	
- Incorporation of a subsidiary		-	-	-	-	-	-	-	30	30	
- Reclassification to capital reserve		-	-	156	-	-	(156)	-	-	-	
- Employees' share options exercised		109	332	-	(72)	-	-	369	-	369	
- Purchase of treasury shares		-	-	-	-	(451)	-	(451)	-	(451)	
Total transactions with owners		109	332	1,137	199	(451)	-	(4,349)	(3,023)	30 (2,993)	
Balance 31.12.2013		16,068	546	7,851	755	(482)	1,918	27,402	54,058	(23) 54,035	

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

**STATEMENTS OF CHANGES IN EQUITY**  
For the financial year ended 31 December 2014  
*cont'd*

Note	Non-Distributable						Distributable			Total Equity RM'000
	Employees' Share Option Reserve			Treasury Shares	Exchange Fluctuation Reserve	Retained Profits RM'000	To Owners of the Company RM'000	Non- Controlling Interests RM'000		
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	RM'000	RM'000		RM'000	RM'000		
<b>The Group</b>										
Balance at 31.12.2013/1.1.2014	16,068	546	7,851	755	(482)	1,918	27,402	54,058	(23)	54,035
Profit after taxation for the financial year	-	-	-	-	-	-	5,200	5,200	(51)	5,149
Other comprehensive income for the financial year:										
- Foreign currency translation differences	-	-	-	-	-	368	-	368	*	368
	-	-	-	-	-	368	5,200	5,568	(51)	5,517
Contributions by and distribution to owners of the Company:										
- Dividend paid	31	-	-	-	-	-	(1,079)	(1,079)	-	(1,079)
- Bonus issue:										
- by Company		5,394	(1,320)	-	-	-	(4,074)	-	-	-
- by a subsidiary		-	-	1,115	-	-	(1,115)	-	-	-
- Employees' share option reserve		-	-	-	186	-	-	186	-	186
- Reclassification to capital reserve		-	-	18	-	-	(18)	-	-	-
- Employees' share options exercised		235	774	-	(210)	-	-	799	-	799
- Purchase of treasury shares		-	-	-	-	(124)	-	(124)	-	(124)
Total transactions with owners		5,629	(546)	1,133	(24)	(124)	-	(6,286)	(218)	- (218)
Balance 31.12.2014		21,697	-	8,984	731	(606)	2,286	26,316	59,408	(74) 59,334

Note:-

\* - Less than RM1,000

**STATEMENTS OF CHANGES IN EQUITY**  
For the financial year ended 31 December 2014  
*cont'd*

Note	Non-Distributable						Distributable	
	Employees'						Retained Profits	Total Equity
	Share Capital	Share Premium	Capital Reserve	Share Option Reserve	Treasury Shares	Exchange Fluctuation Reserve		
<b>The Company</b>								
Balance at 1.1.2013	15,959	214	1,044	556	(31)	(22)	3,129	20,849
Profit after taxation for the financial year	-	-	-	-	-	-	4,631	4,631
Other comprehensive income for the financial year:								
- Foreign currency translation differences	-	-	-	-	-	152	-	152
Total comprehensive income for the financial year	-	-	-	-	-	152	4,631	4,783
Contributions by and distribution to owners of the Company:								
- Dividend paid	31	-	-	-	-	-	(3,212)	(3,212)
- Employees' share option reserve		-	-	271	-	-	-	271
- Employees' share options exercised		109	332	-	(72)	-	-	369
- Purchase of treasury shares		-	-	-	(451)	-	-	(451)
	109	332	-	199	(451)	-	(3,212)	(3,023)
Balance at 31.12.2013	16,068	546	1,044	755	(482)	130	4,548	22,609

**STATEMENTS OF CHANGES IN EQUITY**  
For the financial year ended 31 December 2014  
*cont'd*

Note	Non-Distributable						Distributable		Total Equity RM'000	
	Employees'						Retained Profits RM'000	Total Equity RM'000		
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Share Option Reserve RM'000	Treasury Shares RM'000	Exchange Fluctuation Reserve RM'000				
<b>The Company</b>										
Balance at 31.12.2013/1.1.2014	16,068	546	1,044	755	(482)	130	4,548	22,609		
Profit after taxation for the financial year	-	-	-	-	-	-	1,518	1,518		
Other comprehensive income for the financial year:										
- Foreign currency translation differences	-	-	-	-	-	(86)	-	(86)		
Total comprehensive income for the financial year	-	-	-	-	-	(86)	1,518	1,432		
Contributions by and distribution to owners of the Company:										
- Dividend paid	31	-	-	-	-	-	(1,079)	(1,079)		
- Bonus issue		5,394	(1,320)	-	-	-	(4,074)	-		
- Employees' share option reserve		-	-	-	186	-	-	186		
- Employees' share options exercised		235	774	-	(210)	-	-	799		
- Purchase of treasury shares		-	-	-	(124)	-	-	(124)		
		5,629	(546)	-	(24)	(124)	-	(5,153)	(218)	
Balance at 31.12.2014		21,697	-	1,044	731	(606)	44	913	23,823	

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

## STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2014

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES</b>				
Profit before taxation	5,180	1,649	1,219	4,384
Adjustments for:-				
Amortisation of development costs	47	111	46	111
Depreciation of property, plant and equipment	863	986	69	80
Equipment written off	39	8	-	6
Imputed interest on advances to employees at amortised cost	-	195	-	-
Impairment loss on amount owing by a subsidiary	-	-	465	-
Impairment loss on trade receivables	-	27	-	27
Interest expense	631	762	142	108
Loss on disposal of equipment	40	-	-	-
Provision for warranty costs	154	209	18	87
Share-based payments	186	271	98	143
Share of net loss in an associate	39	-	-	-
Unwind of discount on advances to employees	(413)	(36)	-	-
Unrealised gain on foreign exchange	(571)	(496)	(260)	(743)
Dividend income	-	-	(5,127)	(6,000)
Interest income	(395)	(140)	(197)	(45)
Writeback of impairment loss on trade receivables	(36)	-	(36)	-
Writeback of provision for warranty costs	(213)	(173)	(89)	(8)
Operating profit/(loss) before working capital changes	5,551	3,373	(3,652)	(1,850)
Decrease/(Increase) in inventories	1,055	(134)	-	-
Decrease/(Increase) in amounts owing by/to contract customers	8,478	(9,545)	2,464	3,720
(Increase)/Decrease in trade and other receivables	(31,730)	8,233	5,034	(3,547)
Increase/(Decrease) in trade and other payables	5,991	1,320	(3,941)	(2,595)
<b>CASH (FOR)/FROM OPERATIONS</b>				
Income tax (paid)/refunded	(402)	(421)	46	287
Interest paid	(631)	(762)	(142)	(108)
Interest received	395	140	197	45
<b>NET CASH (FOR)/FROM OPERATING ACTIVITIES</b>	<b>(11,293)</b>	<b>2,204</b>	<b>6</b>	<b>(4,048)</b>

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

**STATEMENTS OF CASH FLOWS**  
For the financial year ended 31 December 2014  
*cont'd*

Note	The Group		The Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES</b>				
Increase in investments in subsidiaries	-	-	-	(103)
Decrease/(Increase) in amount owing by subsidiaries	-	-	123	(4,547)
Investments in an associate	(120)	-	(120)	-
Placement of cash pledged with licensed banks	(8,022)	-	-	-
Proceeds from disposal of equipment	82	-	-	-
Proceeds from non-controlling interests	-	30	-	-
Purchase of property, plant and equipment	32	(479)	(355)	(3)
Repayment from a subsidiary for employees' share options	-	-	147	-
Development costs paid	(5)	(12)	-	-
Dividend received	-	-	5,127	6,000
Withdrawal/(Placement) of fixed deposits pledged with licensed banks	670	(4,123)	(1,293)	(2,095)
<b>NET CASH (FOR)/FROM INVESTING ACTIVITIES</b>		(7,874)	(4,460)	3,981
				(765)
<b>CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES</b>				
(Repayment)/Drawdown of factoring	(8,590)	736	(1,087)	736
Net repayment of hire purchase obligations	(264)	(244)	(15)	(23)
Net drawdown of revolving credits	11,331	2,087	3,000	2,000
Net drawdown/(repayment) of term loans	28,505	(876)	(755)	592
Net (repayment)/drawdown of trust receipts	(800)	316	-	-
Proceeds from exercise of employees' share options	799	369	799	369
Purchase of treasury shares	(124)	(451)	(124)	(451)
Dividend paid	31	(1,079)	(3,212)	(1,079)
<b>NET CASH FROM/(FOR) FINANCING ACTIVITIES</b>		29,778	(1,275)	739
				11
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		10,611	(3,531)	4,726
				(4,802)
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		246	1,365	(86)
				142
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		8,582	10,748	(544)
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	33	19,439	8,582	4,096
				(544)

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

Registered office : 10th Floor, Menara Hap Seng,  
No. 1 & 3, Jalan P. Ramlee,  
50250 Kuala Lumpur.

Principal place of business : 3, Jalan Astaka U8/83, Seksyen 8,  
Bukit Jelutong Industrial Park,  
40150 Shah Alam, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 28 April 2015.

### 2. PRINCIPAL ACTIVITIES

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

### 3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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

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

Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets

Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

IC Interpretation 21 Levies

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 3. BASIS OF PREPARATION *cont'd*

- 3.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

<b>MFRSs and/or IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2017
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions	1 July 2014
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2010 – 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle	1 July 2014
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

The adoption of the above accounting standards and interpretations (including the consequential amendments) is expected to have no material impact on the financial statements of the Group upon their initial application.

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

##### (a) *Depreciation of Property, Plant and Equipment*

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

## **NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2014

*cont'd*

### **4. SIGNIFICANT ACCOUNTING POLICIES *cont'd***

#### **4.1 Critical Accounting Estimates and Judgements *cont'd***

##### **(b) Income Taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

##### **(c) Impairment of Non-financial Assets**

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

##### **(d) Amortisation of Development Costs**

Changes in the expected level of usage and technological development could impact the economic useful lives and therefore, future amortisation charges could be revised.

##### **(e) 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.

##### **(f) Impairment of Trade and Other Receivables**

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

##### **(g) Impairment of Goodwill**

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

##### **(h) Fair Value Estimates for Certain Financial Assets and Liabilities**

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### **4. SIGNIFICANT ACCOUNTING POLICIES *cont'd***

#### **4.1 Critical Accounting Estimates and Judgements *cont'd***

##### **(i) Construction Contracts**

The Group recognises contract revenue and expenses in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that the contract costs incurred for work performed to date bear to the estimated total contract cost.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the projects. In making the judgement, the Group evaluates based on past experience.

##### **(j) Provisions**

The Group recognises a provision for liabilities associated with completed contract based on past experience of the level of repairs and return. The Group's provision for warranty is affected by claims due to actual repairs and return, which may result in the actual costs differing from the Group's estimates.

##### **(k) Share-based Payments**

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

#### **4.2 Basis of Consolidation**

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

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

##### **(a) Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

#### 4.2 Basis of Consolidation *cont'd*

##### (a) **Business Combinations** *cont'd*

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

##### (b) **Non-controlling Interests**

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

##### (c) **Changes In Ownership Interests In Subsidiaries Without Change of Control**

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

##### (d) **Loss of Control**

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

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### 4.3 Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

#### 4.3 Goodwill *cont'd*

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

#### 4.4 Functional and Foreign Currencies

##### (a) *Functional and Presentation Currency*

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

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

##### (b) *Transactions and Balances*

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

##### (c) *Foreign Operations*

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under the translation reserve. On the disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

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

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

## **NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2014

*cont'd*

### **4. SIGNIFICANT ACCOUNTING POLICIES *cont'd***

#### **4.5 Financial Instruments**

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

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

##### **(a) Financial Assets**

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

###### *(i) Financial Assets at Fair Value through Profit or Loss*

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

###### *(ii) Held-to-maturity Investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

#### 4.5 Financial Instruments *cont'd*

##### (a) *Financial Assets* *cont'd*

###### (iii) *Loans and Receivables Financial Assets*

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

###### (iv) *Available-for-sale Financial Assets*

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

##### (b) *Financial Liabilities*

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

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

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

#### 4.5 Financial Instruments *cont'd*

##### (c) *Equity Instruments*

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

###### (i) *Ordinary Shares*

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.

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

###### (ii) *Treasury Shares*

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. Where such shares are subsequently sold or reissued, any consideration received, net of any direct costs, is included in equity.

Where such shares are subsequently sold or reissued, any consideration received, net of any direct costs, is included in equity.

##### (d) *Derecognition*

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

#### 4.6 Investments In Subsidiaries

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

#### **4. SIGNIFICANT ACCOUNTING POLICIES *cont'd***

##### **4.7 Investments In Associate**

An associate is an entity in which the Group and the Company have a long-term equity interest and where they exercise significant influence over the financial and operating policies.

Investments in associates are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investment includes transaction costs.

The investment in an associate is accounted for in the consolidated statement of financial positions using the equity method, based on the financial statements of the associate made up to 31 December 2014. The Group's share of the post acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued. However, the Group will continue to use the equity method if the dilution does not result in a loss of significant influence or when an investment in a joint venture becomes an investment in an associate. Under such changes in ownership interest, the retained investment is not remeasured to fair value but a proportionate share of the amounts previously recognised in other comprehensive income of the associate will be reclassified to profit or loss where appropriate. All dilution gains or losses arising in investments in associates are recognised in profit or loss.

##### **4.8 Property, Plant and Equipment**

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at cost less impairment losses, if any, and is not depreciated.

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

Buildings	2%
Motor vehicles	10%
Office and computer equipment	10% - 20%
Tools and equipment	10%
Furniture, fittings and renovation	10%

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

#### 4.8 Property, Plant and Equipment *cont'd*

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

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

#### 4.9 Development Costs and Research Expenditure

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

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

- (i) its ability to measure reliably the expenditure attributable to the asset under development;
- (ii) the product or process is technically and commercially feasible;
- (iii) its future economic benefits are probable;
- (iv) its intention to complete and the ability to use or sell the developed asset; and
- (v) the availability of adequate technical, financial and other resources to complete the asset under development.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

#### **4. SIGNIFICANT ACCOUNTING POLICIES *cont'd***

##### **4.10 Impairment**

###### **(a) *Impairment of Financial Assets***

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

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

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

###### **(b) *Impairment of Non-Financial Assets***

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately.

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

##### **4.11 Assets Under Hire Purchase**

Assets acquired under hire purchase are capitalised in the financial statements at the lower of the fair value of the leased assets and the present value of the minimum lease payments and, are depreciated in accordance with the policy set out in Note 4.8 above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

##### **4.12 Amounts Owing By/To Contract Customers**

The amounts owing by/to contract customers are stated at cost plus profits attributable to contracts in progress less progress billings and allowance for foreseeable losses, if any. Cost includes direct materials, labour and applicable overheads.

## **NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2014

*cont'd*

### **4. SIGNIFICANT ACCOUNTING POLICIES cont'd**

#### **4.13 Inventories**

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

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

#### **4.14 Borrowing Costs**

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

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

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

#### **4.15 Incomes Taxes**

Income taxes for the year comprise current and deferred taxes.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

#### **4. SIGNIFICANT ACCOUNTING POLICIES *cont'd***

##### **4.16 Cash And Cash Equivalents**

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

During the current financial year, the Group excluded fixed deposits pledged to financial institutions from cash and cash equivalents for the purpose of the statements of cash flows. This change has been applied retrospectively with an adjustment made against the opening balance of the cash and cash equivalents as at 1 January 2013.

##### **4.17 Provisions**

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

##### **4.18 Employee Benefits**

###### **(a) Short-term Benefits**

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

###### **(b) Defined Contribution Plans**

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

###### **(c) Share-based Payment Transactions**

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

At grant date, the fair value of the share options is recognised as an expense over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to employees' share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

In the Company's separate financial statements, the grant of the share options to the subsidiaries' employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertaking with a corresponding credit to the employees' share option reserve.

Upon expiry of the share option, the employees' share option reserve is transferred to retained profits.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

#### 4.18 Employee Benefits *cont'd*

##### (c) *Share-based Payment Transactions* *cont'd*

When the share options are exercised, the employees' share option reserve is transferred to share premium if new ordinary shares are issued.

Any recharge for the share options granted to a subsidiary's employees is to be offset against the expense recognised in the consolidated financial statements and the investments in subsidiaries in the Company's separate financial statements.

#### 4.19 Related Parties

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

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:-

- (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) the entity is controlled or jointly controlled by a person identified in (a) above.
- (vii) a person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

#### 4.20 Contingent Liabilities

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

#### **4. SIGNIFICANT ACCOUNTING POLICIES *cont'd***

##### **4.21 Fair Value Measurement**

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

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

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

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

##### **4.22 Revenue And Other Income**

###### **(a) Contracts**

Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonable ascertained that the contract will result in a loss.

The stage of completion is determined based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

###### **(b) Services**

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

###### **(c) Sale of Goods**

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

###### **(d) Interest Income**

Interest income is recognised on an accrual basis.

###### **(e) Dividend Income**

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

#### 4.23 Operating Segments

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

### 5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2014	2013
	RM'000	RM'000
Unquoted shares, at cost		
- in Malaysia	284	387
- outside Malaysia	1,483	1,439
	<hr/>	<hr/>
	1,767	1,826

Included in the investments in subsidiaries is an amount of approximately RM282,000 (2013 - RM341,000) relating to the share options granted by the Company to the employees of the subsidiaries.

The details of the subsidiaries are as follows:-

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2014	2013	
		%	%	
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 Trading (Shanghai) Co. Ltd. *#	PRC	100	100	Trading of machinery equipment and related parts and components.
Kelington Energy Sdn. Bhd. ("KESB")	Malaysia	100	100	Provision of engineering services and general trading.
Kelington Engineering (S) Pte. Ltd. ("KESG") *	Singapore	100	100	Provision of engineering services.
Puritec Technologies (S) Pte. Ltd. ("PTS") ^*	Singapore	100	100	Provision of engineering services in clean energy system.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the financial year ended 31 December 2014  
*cont'd*

**5. INVESTMENTS IN SUBSIDIARIES** *cont'd*

<b>Name Of Company</b>	<b>Country Of Incorporation</b>	<b>Effective Equity Interest</b>		<b>Principal Activities</b>
		<b>2014</b>	<b>2013</b>	
		<b>%</b>	<b>%</b>	
Puritec Technologies (M) Sdn. Bhd. ("PTM") +	Malaysia	100	100	Provision of engineering services.
Kelington Healthcare Technologies (S) Pte. Ltd. ^*	Singapore	100	100	Dormant.
Kelington Nawik Sdn. Bhd. ("KNSB")	Malaysia	85	85	Provision of engineering and consultancy services.
Kelington Nawik (PNG) Limited ("KNPNG") *~	Papua New Guinea	85	85	Dormant.

*Notes:-*

# Interest held by KESH.

^ Interest held by KESG.

+ Interest held by PTS.

~ Interest held by KNSB.

\* These subsidiaries were audited by other firms of chartered accountants.

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

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
KNSB	(74)	(23)

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

**6. INVESTMENT IN AN ASSOCIATE**

	<b>The Group</b>		<b>The Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares in Malaysia, at cost	120	-	120	-
Share of post-acquisition loss	(39)	-	-	-
	81	-	120	-

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 6. INVESTMENT IN AN ASSOCIATE *cont'd*

The details of the associate are as follows:-

Name Of Associate	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2014	2013	
		%	%	
Kelington Analytical Services Sdn. Bhd. ("KASSB")	Malaysia	40	-	Provision of scientific and technical researches, laboratory testing services and experiments.

- (a) The statutory financial year end was 31 December. The share of results in the associate is based on the unaudited financial statements for the 5-month period ended 31 December 2014 as the associate was incorporated on 25 July 2014.
- (b) The summarised financial information for KASSB is not presented as the interest in the associate is not material to the Group.

### 7. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.1.2014	Additions RM'000	Disposals RM'000	Written Off RM'000	Exchange Fluctuation Differences RM'000	Depreciation Charge RM'000	At 31.12.2014
	RM'000						RM'000
<b>Net Book Value</b>							
Freehold land	1,300	-	-	-	-	-	1,300
Buildings	1,092	-	-	-	-	(28)	1,064
Motor vehicles	915	181	(97)	-	2	(172)	829
Office and computer equipment	504	132	(10)	(3)	5	(143)	485
Tools and equipment	2,616	331	(15)	(36)	8	(445)	2,459
Furniture, fittings and renovation	277	16	-	-	2	(75)	220
	6,704	660	(122)	(39)	17	(863)	6,357

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2014

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

The Group	At 1.1.2013	Additions	Written Off	Exchange Fluctuation Differences	Depreciation Charge	At 31.12.2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Net Book Value</b>						
Freehold land	1,300	-	-	-	-	1,300
Buildings	1,120	-	-	-	(28)	1,092
Motor vehicles	1,069	-	-	13	(167)	915
Office and computer equipment	389	254	(1)	12	(150)	504
Tools and equipment	3,078	75	(7)	30	(560)	2,616
Furniture, fittings and renovation	326	26	-	6	(81)	277
	7,282	355	(8)	61	(986)	6,704
The Group			Accumulated Depreciation		Net Book Value	
	At Cost	RM'000	At Cost	RM'000	At Cost	RM'000
<b>2014</b>						
Freehold land		1,300		-		1,300
Buildings		1,400		(336)		1,064
Motor vehicles		1,541		(712)		829
Office and computer equipment		1,284		(799)		485
Tools and equipment		5,317		(2,858)		2,459
Furniture, fittings and renovation		1,071		(851)		220
		11,913		(5,556)		6,357
<b>2013</b>						
Freehold land		1,300		-		1,300
Buildings		1,400		(308)		1,092
Motor vehicles		1,497		(582)		915
Office and computer equipment		1,187		(683)		504
Tools and equipment		5,726		(3,110)		2,616
Furniture, fittings and renovation		1,045		(768)		277
		12,155		(5,451)		6,704

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

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

The Company	At 1.1.2014	Addition RM'000	Exchange Fluctuation Differences RM'000	Depreciation Charge RM'000	At 31.12.2014
	RM'000				RM'000
<b>Net Book Value</b>					
Freehold land	1,300	-	-	-	1,300
Buildings	1,092	-	-	(28)	1,064
Motor vehicles	55	-	-	(15)	40
Office and computer equipment	51	3	(1)	(12)	41
Tools and equipment	126	-	1	(8)	119
Furniture, fittings and renovation	44	-	-	(6)	38
	2,668	3	-	(69)	2,602

The Company	At 1.1.2013	Additions RM'000	Written Off RM'000	Exchange Fluctuation Differences RM'000	Depreciation Charge RM'000	At 31.12.2013
	RM'000					RM'000
<b>Net Book Value</b>						
Freehold land	1,300	-	-	-	-	1,300
Buildings	1,120	-	-	-	(28)	1,092
Motor vehicles	68	-	-	2	(15)	55
Office and computer equipment	54	10	-	2	(15)	51
Tools and equipment	139	-	(6)	5	(12)	126
Furniture, fittings and renovation	43	10	-	1	(10)	44
	2,724	20	(6)	10	(80)	2,668

**NOTES TO THE FINANCIAL STATEMENTS**  
For the financial year ended 31 December 2014  
*cont'd*

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

<b>The Company</b>	<b>At Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2014</b>			
Freehold land	1,300	-	1,300
Buildings	1,400	(336)	1,064
Motor vehicles	95	(55)	40
Office and computer equipment	266	(225)	41
Tools and equipment	534	(415)	119
Furniture, fittings and renovation	494	(456)	38
	<b>4,089</b>	<b>(1,487)</b>	<b>2,602</b>
<b>2013</b>			
Freehold land	1,300	-	1,300
Buildings	1,400	(308)	1,092
Motor vehicles	94	(39)	55
Office and computer equipment	263	(212)	51
Tools and equipment	531	(405)	126
Furniture, fittings and renovation	494	(450)	44
	<b>4,082</b>	<b>(1,414)</b>	<b>2,668</b>

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

Certain motor vehicles of the Group with a net book value of approximately RM456,000 (2013 - RM793,000) were acquired under hire purchase terms.

**8. GOODWILL**

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	5,419	5,056
Foreign exchange differences	116	363
At 31 December	<b>5,535</b>	<b>5,419</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 8. GOODWILL *cont'd*

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

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
PTS		
- provision of engineering services in clean energy system	5,336	5,220
Others	199	199
	<b>5,535</b>	<b>5,419</b>

- (b) The Group has assessed the recoverable amounts of goodwill allocated and determined that no impairment is required. The recoverable amounts of the cash-generating units 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:-

	<b>Gross Margin</b>		<b>Growth Rates</b>		<b>Discount Rate</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	16.0%	17.0%	5.0%	5.0%	12.4%	13.2%

- (i) Budgeted gross profit margin Based on the gross profit margin achieved in the current financial year.
- (ii) Growth rates Based on the expected projection of the engineering services industry.
- (iii) Discount rate (pre-tax) The weighted average cost of capital of the Company obtained from Bloomberg as at 31 December 2014.

The management believes that no reasonable change in the above key assumptions would cause the carrying amount of the goodwill to exceed its recoverable amounts.

**NOTES TO THE FINANCIAL STATEMENTS**  
 For the financial year ended 31 December 2014  
*cont'd*

**9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	Note	The Group		The Company		
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	
<b>Non-current portion:-</b>						
<b>Other receivables:-</b>						
Advances to employees	(a)	1,726	1,937	-	-	
<b>Current portion:-</b>						
<b>Other receivables:-</b>						
Third parties		2,143	1,079	640	68	
Advances to employees	(a)	655	587	-	-	
		2,798	1,666	640	68	
Deposits		938	416	144	137	
Prepayments		183	101	37	26	
Accrued income	(b)	8,706	-	-	-	
		12,625	2,183	821	231	
 <b>The Group</b>						
		2014 RM'000	2013 RM'000			
Advances to employees		2,776	3,324			
(Imputed interest)/unwind of discount, at amortised cost						
At 1 January		(800)	(611)			
Imputed interest during the financial year, under other expenses		-	(195)			
Unwind of discount, under other income		413	36			
Effect of foreign exchange translation		(8)	(30)			
At 31 December		(395)	(800)			
		2,381	2,524			

- (a) The advances to employees are unsecured, interest-free and are repayable between 12 and 48 months (2013 - 12 and 60 months).
- (b) Accrued income of the Group represents the charter hire of vessels income receivable from the charterers computed at the contracted daily rate.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 10. AMOUNTS OWING BY/(TO) CONTRACT CUSTOMERS

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Contract costs incurred	259,746	142,289	5,896	12,880
Attributable profits	40,688	29,173	432	1,308
	300,434	171,462	6,328	14,188
Progress billings	(280,391)	(142,941)	(4,853)	(10,249)
	20,043	28,521	1,475	3,939
Represented by:-				
Amount owing by contract customers	35,814	35,625	1,498	3,939
Amount owing to contract customers	(15,771)	(7,104)	(23)	-
	20,043	28,521	1,475	3,939

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

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Contract costs	162,555	91,503	3,569	6,163

### 11. INVENTORIES

	The Group	
	2014 RM'000	2013 RM'000
At cost:-		
Materials for contracts	775	1,830
<u>Recognised in profit or loss</u>		
Inventories recognised as cost of sales	7,526	9,815

None of the inventories is carried at net realisable value as at the end of the reporting period.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the financial year ended 31 December 2014  
*cont'd*

**12. TRADE RECEIVABLES**

	<b>The Group</b>		<b>The Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Trade receivables	66,258	43,960	758	6,364
Allowance for impairment loss:-				
At 1 January	(46)	(17)	(46)	(17)
Addition during the financial year	-	(27)	-	(27)
Writeback during the financial year	36	-	36	-
Effect of foreign exchange translation	1	(2)	1	(2)
At 31 December	(9)	(46)	(9)	(46)
	<b>66,249</b>	<b>43,914</b>	<b>749</b>	<b>6,318</b>

The Group's normal trade credit terms range from 30 to 120 days (2013 - 30 to 120 days). Other credit terms are assessed and approved on a case-by-case basis.

Included in the trade receivables of the Group at the end of the reporting period is an amount of approximately RM2,541,000 (2013 - RM2,266,000) being project retention sum receivable from customers between 12 and 24 months (2013 - between 12 and 24 months).

**13. AMOUNT OWING BY SUBSIDIARIES**

	<b>The Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Non-trade balance	18,919	18,801
Allowance for impairment loss	(465)	-
	<b>18,454</b>	<b>18,801</b>

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

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

**14. FIXED DEPOSITS WITH LICENSED BANKS**

	<b>The Group</b>		<b>The Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Weighted average effective interest rate (%)	3.13	3.00	3.14	3.10
Average maturity (days)	30 to 365	30 to 365	30 to 365	30 to 365

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 14. FIXED DEPOSITS WITH LICENSED BANKS *cont'd*

Included in fixed deposits with licensed banks of the Group and the Company at the end of the reporting period are amounts of approximately RM6,058,000 (2013 - RM4,728,000) and RM4,958,000 (2013 - RM3,665,000) respectively which have been pledged with licensed banks as security for banking facilities granted to the Group and the Company.

### 15. DEFERRED TAX (ASSETS)/LIABILITIES

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	303	601	211	509
Recognised in profit or loss (Note 28)	(299)	(310)	(299)	(310)
Effect of foreign exchange	(9)	12	(9)	12
At 31 December	(5)	303	(97)	211
Represented by:-				
Deferred tax assets	(97)	-	(97)	-
Deferred tax liabilities	92	303	-	211
	(5)	303	(97)	211

The components of the deferred tax assets and liabilities as at the end of the reporting period prior to offsetting are as follows:-

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deferred tax liabilities:-				
Accelerated capital allowances	92	92	-	-
Amount owing by contract customers	74	210	74	210
Unrealised gain on foreign exchange	-	1	-	1
	166	303	74	211
Deferred tax assets:-				
Others	(23)	-	(23)	-
Unutilised tax losses	(148)	-	(148)	-
	(171)	-	(171)	-
	(5)	303	(97)	211

**NOTES TO THE FINANCIAL STATEMENTS**  
 For the financial year ended 31 December 2014  
*cont'd*

**16. SHARE CAPITAL**

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

	2014	2013	2014	2013
	Number Of Shares	RM'000	RM'000	RM'000
<b>Authorised</b>				
Ordinary shares of RM0.10 each:-				
At 1 January	250,000,000	250,000,000	25,000	25,000
Created during the financial year	250,000,000	-	25,000	-
At 31 December	500,000,000	250,000,000	50,000	25,000
<b>Issued And Fully Paid-up</b>				
Ordinary shares of RM0.10 each:-				
At 1 January	160,680,200	159,594,800	16,068	15,959
Employees' share options exercised	2,348,400	1,085,400	235	109
Bonus issues	53,937,631	-	5,394	-
At 31 December	216,966,231	160,680,200	21,697	16,068

During the financial year,

- (i) the Company increased its authorised share capital from RM25,000,000 to RM50,000,000 by the creation of 250,000,000 new ordinary shares of RM0.10 each;
- (ii) the Company increased its issued and paid-up share capital from RM16,068,020 to RM21,696,623 by:
  - (a) the issuance of 2,348,400 new ordinary shares of RM0.10 each for cash pursuant to the exercise of share options under the Employees' Share Option Scheme ("ESOS"); and
  - (b) the issuance of 53,937,631 new ordinary shares of RM0.10 each as bonus issues on the basis of one bonus share for every three existing shares held by the Company by the capitalisation of RM1,319,720 and RM4,074,043 from the share premium and retained profits accounts respectively.

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

- (iii) The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per share at meetings of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 17. RESERVES

	Note	The Group		The Company	
		2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
Non-distributable reserves:-					
Share premium	(a)	-	546	-	546
Capital reserve	(b)	8,984	7,851	1,044	1,044
Exchange fluctuation reserve	(c)	2,286	1,918	44	130
Employees' share option reserve	(d)	731	755	731	755
Treasury shares	(e)	(606)	(482)	(606)	(482)
		11,395	10,588	1,213	1,993
Distributable reserve:-					
Retained profits	(f)	26,316	27,402	913	4,548
		37,711	37,990	2,126	6,541

#### (a) Share Premium

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

#### (b) Capital Reserve

		The Group		The Company	
		2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
Capital reserve is represented by:-					
Transfer of non-distributable reserve funds by a subsidiary		738	720	-	-
Bonus shares issued by:					
- branch		1,044	1,044	1,044	1,044
- subsidiaries		7,202	6,087	-	-
		8,984	7,851	1,044	1,044

According to the prevailing PRC laws and regulations applicable to the foreign subsidiary in the PRC, discretionary dedicated capital, which includes a general reserve fund and an enterprise expansion fund, should be maintained by the subsidiary. The Board of Directors of the subsidiary determines the amount of the annual appropriations to the dedicated capital. Such appropriations are reflected in the subsidiary's statement of financial position under equity. The appropriations will not be available for distribution to shareholders once appropriated, but may be used to set off losses or be converted into paid-up capital.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### **17. RESERVES *cont'd***

#### **(c) Exchange Fluctuation Reserve**

The exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries and a foreign branch and is not distributable by way of dividends.

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

The Company granted 7,232,000 share options under the ESOS on 29 March 2011. These options expire on 30 May 2016 and are exercisable in 5 window option periods. The fair value of the share options measured at grant date and the respective exercise window periods are as below:-

	Exercise Window Period	Fair Value per Option (RM)
Lot 1	30 March - 30 May 2012	0.1725
Lot 2	30 March - 30 May 2013	0.1778
Lot 3	30 March - 30 May 2014	0.1793
Lot 4	30 March - 30 May 2015	0.1784
Lot 5	30 March - 30 May 2016	0.1732

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

	The Group/ The Company
Weighted average share price (RM)	0.26*
Exercise price (RM)	0.26*
Expected volatility (%)	41.37
Expected life (years)	5
Risk free rate (%)	3.656
Expected dividend yield (%)	4.406

The salient terms and conditions of the ESOS are as follows:-

1. The ESOS shall be in force for a duration of five (5) years from the implementation date;
2. The aggregate number of options exercised and offered and to be offered under the ESOS shall not exceed 10% of the issued and paid-up ordinary share capital of the Company at any one time during the duration of the ESOS, and further the following shall be complied with:-
  - a) the aggregate allocation to the directors of the Group and senior management of the Company must not exceed 50% of the total number of the Company shares to be issued under the ESOS;
  - b) the allocation to a director of the Company or eligible employee of the Group who, either singly or collectively through persons connected with the said director or eligible employee holds 20% or more of the issued and paid-up capital of the Company, must not exceed 10% of the total number of the Company shares to be issued under the ESOS;
3. Any employee of the Group or director of the Company who is at least 18 years of age and has been confirmed in service for regular full time employment of any company within the Group shall be eligible to participate in the ESOS;

## **NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2014

*cont'd*

### **17. RESERVES cont'd**

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

4. The price at which the option holder is entitled to subscribe for each new ordinary share of the Company may be at a discount of not more than 10% from the 5 days weighted average market price of ordinary shares as at the offer date provided that the subscription price shall in no event be less than the par value of the ordinary shares;
5. The ESOS shall be administered by the Option Committee appointed by the board of directors to administer the ESOS; and
6. All the new ordinary shares issued arising from the ESOS shall rank pari passu in all respects with the existing ordinary shares of the Company.

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

	The Group		The Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Expenses arising from equity-settled share-based payment transaction	186	271	98	143

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

<b>Date Of Offer</b>	<b>Exercise Price*</b>	<b>Number Of Share Options Over Ordinary Shares Of RM0.10 Each</b>			
		<b>1.1.2014</b>	<b>Exercised</b>	<b>Bonus Options</b>	<b>At 31.12.2014</b>
29 March 2011	RM0.26	12,002,800	(2,348,400)	3,218,133	12,872,533

*Note:-*

\* The exercise price per share option was revised from RM0.68 to RM0.34 due to the issuance of bonus shares in the financial year ended 2012 and subsequently revised from RM0.34 to RM0.26 due to the issuance of bonus shares in the financial year ended 2014.

#### **(e) Treasury Shares**

The shares purchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965 in Malaysia.

During the financial year, the Company purchased 202,000 of its issued ordinary shares from the open market at a weighted average price of approximately RM0.61 per share. The total consideration paid for the purchase including transactions costs amounted to approximately RM124,000.

As at 31 December 2014, the Company held a total of 1,215,900 treasury shares out of the total 216,966,231 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of approximately RM606,000.

#### **(f) Retained Profits**

Under the single tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

**NOTES TO THE FINANCIAL STATEMENTS**  
 For the financial year ended 31 December 2014  
*cont'd*

**17. RESERVES** *cont'd*

**(g) Warrants**

The Company had on 13 June 2014, issued 53,937,631 warrants to all entitled shareholders of the Company on the basis of one free warrants for every three existing ordinary shares of RM0.10 each held in the Company. The warrants were listed on Main Market of Bursa Malaysia Securities Berhad. The warrants are constituted under a Deed Poll executed on 30 May 2014 and each warrants entitles the registered holder the right at any time during the exercise period from 13 June 2014 to 12 June 2019 to subscribe for in cash for one new ordinary share of RM0.10 each of the Company at an exercise price of RM0.50 each.

At the end of the reporting period, 53,937,631 warrants remained unexercised.

The holders of the warrants are not entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to shareholders, of which the entitlement date is prior to the date of allotment of the new shares arising from the exercise of the warrants. The holders of warrants are not entitled to any voting rights or participation in any form of distribution and/or offer of securities in the Company until and unless such holder of warrants becomes a shareholder of the Company by exercising the warrants into new shares.

The ordinary shares issued from the exercise of warrants shall rank pari passu in all respects with the existing issued ordinary shares of the Company.

The movements of the warrants during the financial year are as follows:-

	<b>Number of Warrants</b>	
	<b>2014</b>	<b>2013</b>
At 1 January	-	-
Issued during the financial year	53,937,631	-
At 31 December	53,937,631	-

The main features of the warrants are as follows:-

1. Each warrant will entitle the registered holder to subscribe for one (1) new ordinary share of par value of RM0.10 each in the Company at an exercise price of RM0.50 each subject to adjustment in accordance with the conditions stipulated in the Deed Poll;
2. The warrants may be exercised at any time on or before the maturity date falling five years (2014/2019) from the date of issue of the warrants on 13 June 2014. Warrants not exercised after the exercise period will thereafter lapse and cease to be valid;
3. The new shares to be issued pursuant to the exercise of the warrants shall, upon allotment issue, rank pari passu in all respects with the existing ordinary shares of the Company in issue except that they will not be entitled to any dividend, rights, allotments and/or any other forms of distributions that may be declared, made or paid to shareholders, the entitlement date of which is before the allotment and issuance of the new shares; and
4. The persons to whom the warrants have been granted have no rights to participate in any distribution and/or offer of further securities in the Company until/and unless warrants holders exercise their warrant for new shares.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 18. LONG-TERM BORROWINGS

	The Group		The Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Hire purchase payables (Note 19)	97	113	-	-
Term loans (Note 20)	1,020	472	383	472
	1,117	585	383	472

### 19. HIRE PURCHASE PAYABLES

	The Group		The Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Minimum hire purchase payments:				
- not later than one year	139	207	-	16
- later than one year and not later than two years	106	135	-	-
	245	342	-	16
Less: Future finance charges	(27)	(41)	-	(1)
Present value of hire purchase payables	218	301	-	15
Current (Note 23):				
- not later than one year	121	188	-	15
Non-current (Note 18):				
- later than one year and not later than two years	97	113	-	-
	218	301	-	15

**NOTES TO THE FINANCIAL STATEMENTS**  
 For the financial year ended 31 December 2014  
*cont'd*

**20. TERM LOANS**

	The Group		The Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>Current (Note 23):</b>				
- not later than one year	33,502	5,545	89	755
<b>Non-current (Note 18):</b>				
- later than one year and not later than two years	734	91	96	91
- later than two years and not later than five years	103	312	103	312
- later than five years	183	69	184	69
	1,020	472	383	472
	<b>34,522</b>	<b>6,017</b>	<b>472</b>	<b>1,227</b>

The repayment terms of the term loans are as follows:-

Term Loan	Number of Monthly Instalments	Monthly Instalment Amount RM	Commencement Date of Repayment	Amount Outstanding			
				The Group		The Company	
				2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
1	122	10,081	September 2011	472	556	472	556
2	#	#	February 2014	-	4,790	-	-
3	#	#	February 2014	-	671	-	671
4	24	35,570	November 2014	728	-	-	-
5	36	24,541	February 2014	570	-	-	-
6	*	*	January 2015	16,376	-	-	-
	6	2,729,395	February 2015	16,376	-	-	-
				<b>34,522</b>	<b>6,017</b>	<b>472</b>	<b>1,227</b>

*Notes:-*

# The term loans 2 and 3 were repaid in one bullet payment.

\* The first portion of the term loan 6 is repayable in one bullet payment.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 20. TERM LOANS *cont'd*

The term loans are secured by:-

- (i) legal charges over the freehold land and building of the Company;
- (ii) a lien over certain fixed deposits of the Company;
- (iii) a corporate guarantee of the Company and a customer of a subsidiary;
- (iv) an assignment of contract proceeds;
- (v) a letter of undertaking from a customer;
- (vi) an assignment and charge over cash at bank; and
- (vii) cash collateral agreement pertaining to cash at bank.

### 21. TRADE PAYABLES

The normal trade credit terms granted to the Group and the Company range from 30 to 60 days (2013 - 30 to 60 days).

### 22. OTHER PAYABLES AND ACCRUALS

	Note	The Group		The Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Other payables		584	980	376	501
Accruals		3,771	2,296	664	464
Advance payments		938	1,294	-	-
Accrued costs	(a)	5,733	-	-	-
Provision for warranty costs:-	(b)				
At 1 January		213	173	89	8
Addition during the financial year		154	209	18	87
Writeback during the financial year		(213)	(173)	(89)	(8)
Effect of foreign exchange translation		6	4	1	2
		160	213	19	89
		11,186	4,783	1,059	1,054

- (a) The accrued costs of the Group represent the charter hire costs of vessels payable to the subcontractor computed at the contracted daily rate.
- (b) Provision for warranty costs is recognised for expected claims on the contract revenue during the year that is based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year. The assumptions used to calculate the provision for warranty are based on current revenue and current information available about returns based on one to two year warranty periods.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the financial year ended 31 December 2014  
*cont'd*

**23. SHORT-TERM BORROWINGS**

	The Group		The Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Factoring	(a)	-	1,087	-
Hire purchase payables (Note 19)		121	188	-
Term loans (Note 20)		33,502	5,545	89
Trust receipts	(b)	287	316	-
Revolving credits	(c)	11,647	8,590	9,000
		<b>45,557</b>	<b>15,726</b>	<b>9,089</b>
			<b>7,857</b>	

- (a) The factoring was secured by guarantee from a director of the Company and a third party.
- (b) The trust receipts are secured by a corporate guarantee of the Company.
- (c) The revolving credits are secured by:-
  - (i) a corporate guarantee of the Company; and
  - (ii) a standby letter of credit issued by a bank.

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

**24. BANK OVERDRAFT**

The bank overdraft is secured by:-

- (i) a lien over certain fixed deposits of the Company; and
- (ii) a corporate guarantee of the Company.

**25. REVENUE**

	The Group		The Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Contract revenue	185,751	109,181	1,870	6,436
Sale of goods	3,351	8,235	-	-
	<b>189,102</b>	<b>117,416</b>	<b>1,870</b>	<b>6,436</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2014

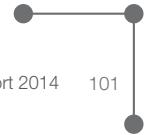
*cont'd*

### **26. OTHER INCOME**

Included in the other income of the Group is the amount of approximately RM742,500 (2013 - nil) which relates to the income from the charter hire of vessels. Such income is recognised when the services are rendered and are computed at the contracted daily rate. In the event that invoices are yet to be issued at the financial year end, the revenue is accrued to the extent of the services rendered as at the end of the reporting period.

### **27. PROFIT BEFORE TAXATION**

	<b>The Group</b>		<b>The Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation is arrived after charging/ crediting):-				
Amortisation of development costs	47	111	46	111
Auditors' remuneration:				
- statutory audit for the financial year	246	244	94	87
- other services	5	4	5	4
Depreciation of property, plant and equipment	863	986	69	80
Directors' remuneration (Note 29):				
- fee	140	140	140	140
- salaries, wages, bonus, allowances and others	1,244	1,190	1,244	1,190
- defined contribution plan	81	143	81	143
- share-based payments	47	69	47	69
Equipment written off	39	8	-	6
Imputed interest on advances to employees at amortised cost	-	195	-	-
Impairment loss:				
- amount owing by a subsidiary	-	-	465	-
- trade receivables	-	27	-	27
Interest expense:				
- bank overdraft	57	70	1	-
- factoring	-	29	-	29
- hire purchase	29	35	-	2
- revolving credits	203	385	101	36
- term loans	296	243	36	41
- trust receipts	5	-	-	-
- others	41	-	4	-
Loss on disposal of equipment	40	-	-	-
Provision for warranty costs	154	209	18	87



**NOTES TO THE FINANCIAL STATEMENTS**  
For the financial year ended 31 December 2014  
*cont'd*

**27. PROFIT BEFORE TAXATION** *cont'd*

	<b>The Group</b>		<b>The Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation is arrived after charging/ (crediting) <i>cont'd</i> :-				
Rental expenses:				
- offices	704	738	-	86
- equipment	4,974	418	-	-
Staff costs:				
- salaries, wages, bonus, allowances and others	20,361	16,938	1,893	2,229
- defined contribution plans	1,924	1,789	104	280
- share-based payments	139	202	51	74
Interest income	(395)	(140)	(197)	(45)
Dividend income	-	-	(5,127)	(6,000)
Loss/(Gain) on foreign exchange:				
- realised	47	111	142	1
- unrealised	(571)	(496)	(260)	(743)
Unwind of discount on advances to employees	(413)	(36)	-	-
Writeback of impairment loss on trade receivables	(36)	-	(36)	-
Writeback of provision for warranty costs	(213)	(173)	(89)	(8)

**28. INCOME TAX EXPENSE**

	<b>The Group</b>		<b>The Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current tax expense:				
- Malaysian tax	227	65	-	-
- Foreign tax	160	554	-	62
	387	619	-	62
(Over)/Underprovision in the previous financial year:				
- Malaysian tax	(8)	(270)	-	-
- Foreign tax	(49)	(1)	-	1
	330	348	-	63
Deferred tax expense (Note 15):				
- relating to originating and recognition of temporary differences	(299)	(310)	(299)	(310)
	31	38	(299)	(247)

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 28. INCOME TAX EXPENSE *cont'd*

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

	The Group		The Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	5,180	1,649	1,219	4,384
Tax at Malaysian statutory tax rate of 25%	1,295	412	305	1,096
Tax effects of:-				
Differential in tax rates	170	77	269	131
Non-deductible expenses	659	542	550	290
Non-taxable gains	(100)	-	-	-
Tax-exempt income	(1,750)	(660)	(1,315)	(1,688)
(Over)/underprovision of current tax in the previous financial year	(57)	(271)	-	1
Utilisation of deferred tax assets not recognised in the previous financial year	(186)	(62)	(108)	(77)
Tax for the financial year	31	38	(299)	(247)

The statutory tax rate will be reduced to 24% from the current financial year's rate of 25%, effective year of assessment 2016.

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

	The Group		The Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets:				
- unabsorbed capital allowances	331	486	328	344
- unutilised tax losses	2,895	3,461	2,504	2,920
- tax adjustment on attributable profit from contracts	38	106	-	-
	3,264	4,053	2,832	3,264
Deferred tax liability:				
- accelerated capital allowances	(3)	-	-	-
	3,261	4,053	2,832	3,264

Certain subsidiaries of the Group were granted MSC Malaysia status, which qualifies the subsidiaries for the Pioneer Status incentive under the Promotion of Investments Act 1986, which provides for 70% and 100% exemption respectively from income tax on its statutory income from pioneer activities for a maximum period of 10 years.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
For the financial year ended 31 December 2014  
*cont'd*

**29. DIRECTORS' REMUNERATION**

- (a) The aggregate amounts of emoluments received and receivable by directors of the Group and the Company during the financial year are as follows:-

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Executive directors:</b>				
- salaries, wages, bonus, allowances and others	1,244	1,190	1,244	1,190
- defined contribution plan	81	143	81	143
- share-based payments	37	55	37	55
	1,362	1,388	1,362	1,388
<b>Non-executive directors:</b>				
- fee	140	140	140	140
- share-based payments	10	14	10	14
	1,512	1,542	1,512	1,542

- (b) Details of directors' emoluments of the Group and of the Company received/receivable for the financial year in bands of RM50,000 are as follows:-

	The Group		The Company	
	2014	2013	2014	2013
<b>Executive directors:</b>				
- RM550,001 - RM600,000	2	2	2	2
<b>Non-executive directors:</b>				
- < RM50,000	4	4	4	4

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 30. EARNINGS PER SHARE

	The Group	
	2014	2013
<b>Basic earnings per share</b>		
Profit attributable to owners of the Company (RM'000)	5,200	1,663
Number of shares in issue as of 1 January	160,680,200	159,594,800
Effects through:		
- treasury shares acquired	(150,745)	(270,972)
- share options exercised	1,592,081	668,325
- bonus issue	53,937,631	53,560,067
Weighted average number of ordinary shares for basic earnings per share computation	216,059,167	213,552,220
Effects of dilution - employees' share options	5,196,985	3,500,817
Weighted average number of ordinary shares for diluted earnings per share computation	221,256,152	217,053,037
Basic earnings per ordinary share attributable to owners of the Company (sen)	2.4	0.8
Diluted earnings per ordinary share attributable to owners of the Company (sen)	2.4	0.8

The weighted average number of ordinary shares in the previous financial year was derived after taking into account the effects of the bonus issue of 53,937,631 new ordinary shares of RM0.10 each which was completed on 13 June 2014.

The diluted earnings per share at the end of the reporting period was excluding the outstanding warrants as the average market value of the ordinary shares of the Company is lower than the exercise price for the outstanding warrants and any exercise of warrants would be anti dilutive.

### 31. DIVIDEND

	The Group/ The Company	
	2014	2013
	RM'000	RM'000
Paid:-		
Final tax-exempt dividend of 0.5 sen (2013 - 2 sen) per ordinary share in respect of the financial year ended 31 December 2014/2013	1,079	3,212

At the forthcoming Annual General Meeting, a final tax-exempt dividend of 1 sen per ordinary share amounting to approximately RM2,158,000 in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 31 December 2015.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2014

*cont'd***32. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT**

	The Group		The Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Cost of property, plant and equipment purchased	660	355	3	20
Amount financed through hire purchase	(181)	-	-	-
Cash disbursed for purchase of property, plant and equipment	479	355	3	20

**33. CASH AND CASH EQUIVALENTS**

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

	The Group		The Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks (Note 14)	6,058	6,728	4,958	3,665
Cash and bank balances	28,333	12,054	4,968	1,637
Bank overdraft (Note 24)	(872)	(3,472)	(872)	(2,181)
	33,519	15,310	9,054	3,121
Less: Fixed deposits pledged with licensed banks	(6,058)	(4,728)	(4,958)	(3,665)
Less: Cash at bank pledged with a licensed bank	(8,022)	-	-	-
Less: Fixed deposits with maturity period more than 3 months	-	(2,000)	-	-
	19,439	8,582	4,096	(544)

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 34. RELATED PARTY DISCLOSURES

#### (a) Identities of related parties

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

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

	The Group		The Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>Subsidiaries:</b>				
- dividend received	-	-	5,127	6,000
- management fees received	-	-	2,008	1,948
<b>Entities in which certain directors are key management personnel:</b>				
- progress billings	-	5,273	-	5,268
<b>A related party of the entities in which certain directors are key management personnel:</b>				
- progress billings	-	12,239	-	22
<b>Entities in which certain directors are shareholders:</b>				
- purchases	-	1,007	-	112
<b>Entities in which certain key management personnel are directors:</b>				
- purchases	248	-	-	-
<b>Entities in which having the same substantial shareholders:</b>				
- progress billings	3,005	-	1,077	-

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2014

*cont'd***34. RELATED PARTY DISCLOSURES** *cont'd*

## (c) Key management personnel compensation

	<b>The Group</b>		<b>The Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Short-term employee benefits:				
- salaries, wages, allowances and bonus	2,667	2,633	1,846	1,901
- defined contribution plans	161	236	125	201
- share-based payments	105	150	76	107

## (d) Outstanding balances

	<b>The Group</b>		<b>The Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Entities controlled by the key management personnel as included in:				
- trade receivables	-	1,869	-	1,864
A related party of the entities in which certain directors are key management personnel as included in:				
- trade receivables	-	1,578	-	-
Entities in which certain directors are shareholders as included in:				
- trade payables	-	318	-	9
Entities in which certain key management personnel are directors:				
- trade payables	64	-	-	-
Entities in which having the same substantial shareholders:				
- trade receivables	1,379	-	20	-

## **NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2014

*cont'd*

### **35. FOREIGN EXCHANGE RATES**

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of foreign currency balances at the end of the reporting period are as follows:-

	<b>The Group/The Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Chinese Renminbi	0.56	0.54
United States Dollar	3.50	3.28
New Taiwan Dollar	0.11	0.11
Singapore Dollar	2.65	2.59

### **36. OPERATING SEGMENT**

The operating segment reporting is not presented as the Group is principally involved in engineering services.

#### **Geographical Information**

In presenting the information on the basis of geographical segments, segment revenue is based on the geographical location of customers. The carrying values of segment assets are based on the geographical location of the assets.

	<b>Revenue</b>		<b>Non-current Assets</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysia	94,993	46,611	5,441	5,805
Singapore	46,328	28,516	6,200	5,918
Taiwan	1,791	6,377	212	245
PRC	45,990	34,938	170	250
Others	-	974	3	-
	<b>189,102</b>	<b>117,416</b>	<b>12,026</b>	<b>12,218</b>

#### **Major Customers**

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

	<b>Revenue</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Customer A	36,360	15,180
Customer B	37,726	-

**NOTES TO THE FINANCIAL STATEMENTS**  
 For the financial year ended 31 December 2014  
*cont'd*

**37. CONTINGENT LIABILITIES**

	The Company	
	2014	2013
	RM'000	RM'000
Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries	36,984	<u>8,987</u>

**38. FINANCIAL INSTRUMENTS**

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

**38.1 Financial Risk Management Policies**

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

**(a) Market Risk**

**(i) Foreign Currency Risk**

The Group is exposed to foreign currency risk on transactions and balances that are denominated in foreign currencies. The currencies giving rise to this risk are primarily Chinese Renminbi ("RMB"), United States Dollar ("USD"), New Taiwan Dollar ("NTD") and Singapore Dollar ("SGD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

Foreign currency exposure

The Group	RMB RM'000	USD RM'000	NTD RM'000	SGD RM'000	Others RM'000
<b>2014</b>					
<b>Financial assets</b>					
Trade receivables	8,467	27,169	749	5,558	-
Other receivables and deposits	547	-	463	2,466	-
Cash and bank balances	3,394	9,474	442	2,994	13
	<b>12,408</b>	<b>36,643</b>	<b>1,654</b>	<b>11,018</b>	<b>13</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 38. FINANCIAL INSTRUMENTS *cont'd*

#### 38.1 Financial Risk Management Policies *cont'd*

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

###### (i) Foreign Currency Risk *cont'd*

###### Foreign currency exposure *cont'd*

The Group	RMB RM'000	USD RM'000	NTD RM'000	SGD RM'000	Others RM'000
<b>2014</b>					
<b>Financial liabilities</b>					
Term loans	-	32,752	-	1,298	-
Revolving credits	-	-	-	2,647	-
Trust receipts	-	-	-	287	-
Trade payables	3,502	506	759	12,978	-
Other payables and accruals	525	-	148	1,691	-
	4,027	33,258	907	18,901	-
Net financial assets/(liabilities)	8,381	3,385	747	(7,883)	13
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(8,381)	-	(747)	7,883	(11)
<b>Net currency exposure</b>	-	3,385	-	-	2
<b>2013</b>					
<b>Financial assets</b>					
Trade receivables	11,221	898	6,318	7,441	-
Other receivables and deposits	929	-	145	2,698	10
Cash and bank balances	4,441	1,332	606	1,443	82
	16,591	2,230	7,069	11,582	92
<b>Financial liabilities</b>					
Hire purchase payables	-	-	15	-	-
Factoring	-	-	1,087	-	-
Term loans	-	-	671	4,790	-
Revolving credits	-	-	-	2,590	-
Trust receipts	-	-	-	316	-
Bank overdraft	-	-	-	1,291	-
Trade payables	6,054	2,701	4,035	5,303	10
Other payables and accruals	1,519	-	351	1,105	-
	7,573	2,701	6,159	15,395	10
Net financial assets/(liabilities)	9,018	(471)	910	(3,813)	82
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(9,018)	-	(910)	4,155	(92)
<b>Net currency exposure</b>	-	(471)	-	342	(10)

**NOTES TO THE FINANCIAL STATEMENTS**  
 For the financial year ended 31 December 2014  
*cont'd*

**38. FINANCIAL INSTRUMENTS** *cont'd*

**38.1 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
<b>2014</b>			
<b>Financial assets</b>			
Trade receivables	-	749	-
Other receivables and deposits	-	463	-
Amount owing by subsidiaries	-	-	12,936
Cash and bank balances	188	442	47
	<b>188</b>	<b>1,654</b>	<b>12,983</b>
<b>Financial liabilities</b>			
Trade payables	-	759	-
Other payables and accruals	-	148	-
	<b>-</b>	<b>907</b>	<b>-</b>
Net financial assets	188	747	12,983
Less: Net financial assets denominated in the entity's functional currency	-	(747)	-
<b>Net currency exposure</b>	<b>188</b>	<b>-</b>	<b>12,983</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 38. FINANCIAL INSTRUMENTS *cont'd*

#### 38.1 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	Others RM'000
<b>2013</b>				
<b>Financial assets</b>				
Trade receivables	-	6,318	-	-
Other receivables and deposits	-	145	-	-
Amount owing by subsidiaries	980	-	12,219	-
Cash and bank balances	534	606	46	-
	<b>1,514</b>	<b>7,069</b>	<b>12,265</b>	<b>-</b>
<b>Financial liabilities</b>				
Hire purchase payables	-	15	-	-
Factoring	-	1,088	-	-
Term loans	-	670	-	-
Trade payables	731	4,035	-	10
Other payables and accruals	-	351	-	-
	<b>731</b>	<b>6,159</b>	<b>-</b>	<b>10</b>
Net financial assets/(liabilities)	<b>783</b>	<b>910</b>	<b>12,265</b>	<b>(10)</b>
Less: Net financial assets denominated in the entity's functional currency	-	(910)	-	-
<b>Net currency exposure</b>	<b>783</b>	<b>-</b>	<b>12,265</b>	<b>(10)</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
 For the financial year ended 31 December 2014  
*cont'd*

**38. FINANCIAL INSTRUMENTS** *cont'd*

**38.1 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	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>Effects on profit after taxation</b>				
USD				
- strengthened by 10%	339	(47)	19	78
- weakened by 10%	(339)	47	(19)	(78)
SGD				
- strengthened by 10%	-	34	1,298	1,227
- weakened by 10%	-	(34)	(1,298)	(1,227)
Others				
- strengthened by 10%	*	(1)	-	(1)
- weakened by 10%	*	1	-	1

*Note:-*

\* Less than RM1,000

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 38. FINANCIAL INSTRUMENTS *cont'd*

#### 38.1 Financial Risk Management Policies *cont'd*

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

###### (ii) Interest Rate Risk

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

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 38.1(c) to the financial statements.

###### Interest rate risk sensitivity analysis

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

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Effects on profit after taxation/equity</b>				
Increase of 100 basis Points	(473)	(195)	(103)	(105)
Decrease of 100 basis Points	473	195	103	105

###### (iii) Equity Price Risk

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

##### (b) Credit Risk

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

**NOTES TO THE FINANCIAL STATEMENTS**  
 For the financial year ended 31 December 2014  
*cont'd*

**38. FINANCIAL INSTRUMENTS** *cont'd*

**38.1 Financial Risk Management Policies** *cont'd*

**(b) Credit Risk** *cont'd*

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

**(i) Credit risk concentration profile**

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

	2014	2013
Major concentration of credit risk	57%	10%
Number of customers	2	1

**(ii) Exposure to credit risk**

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

The exposure of credit risk for trade receivables by geographical region is as follows:-

	The Group		The Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Malaysia	21,913	18,036	-	-
Indonesia	-	9	-	-
PRC	35,462	12,018	-	-
Singapore	8,125	7,533	-	-
Taiwan	749	6,318	749	6,318
	<b>66,249</b>	<b>43,914</b>	<b>749</b>	<b>6,318</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 38. FINANCIAL INSTRUMENTS *cont'd*

#### 38.1 Financial Risk Management Policies *cont'd*

##### (b) Credit Risk *cont'd*

###### (iii) Ageing analysis

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

The Group	Gross Amount	Collective Impairment	Carrying Value
	RM'000	RM'000	RM'000
<b>2014</b>			
Not past due	16,218	-	16,218
Past due:			
- less than 3 months	13,979	-	13,979
- 3 to 6 months	2,778	-	2,778
- over 6 months	33,283*	(9)	33,274
	<b>66,258</b>	<b>(9)</b>	<b>66,249</b>

\* Included in the trade receivables that are past due over 6 months is an amount owing by a major customer amounting to approximately RM27 million which has subsequent collections of approximately RM17 million as at the date of this report.

The Group	Gross Amount	Collective Impairment	Carrying Value
	RM'000	RM'000	RM'000
<b>2013</b>			
Not past due	28,496	-	28,496
Past due:			
- less than 3 months	4,688	-	4,688
- 3 to 6 months	1,558	-	1,558
- over 6 months	9,218	(46)	9,172
	<b>43,960</b>	<b>(46)</b>	<b>43,914</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
 For the financial year ended 31 December 2014  
*cont'd*

**38. FINANCIAL INSTRUMENTS** *cont'd*

**38.1 Financial Risk Management Policies** *cont'd*

**(b) Credit Risk** *cont'd*

**(iii) Ageing analysis** *cont'd*

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

<b>The Company</b>	<b>Gross Amount</b>	<b>Collective Impairment</b>	<b>Carrying Value</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2014</b>			
Not past due	653	-	653
Past due:			
- less than 3 months	83	-	83
- over 6 months	22	(9)	13
	<b>758</b>	<b>(9)</b>	<b>749</b>
<b>2013</b>			
Not past due	4,908	-	4,908
Past due			
- less than 3 months	1,404	-	1,404
- over 6 months	52	(46)	6
	<b>6,364</b>	<b>(46)</b>	<b>6,318</b>

The collective impairment allowance is determined based on estimated irrecoverable amounts from the services rendered, determined by reference to past default experience.

*Trade receivables that are past due but not impaired*

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantial companies with collection track record and no recent history of default.

*Trade receivables that are neither past due nor impaired*

The trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due are deemed to have higher credit risk, are monitored individually.

**(c) Liquidity Risk**

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 38. FINANCIAL INSTRUMENTS *cont'd*

#### 38.1 Financial Risk Management Policies *cont'd*

##### (c) Liquidity Risk *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):-

The Group	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows		Within 1 Year RM'000	2 - 5 Years RM'000
			RM'000	RM'000		
<b>2014</b>						
Hire purchase	4.76	218	245	139	106	
Term loans	5.36	34,522	34,991	33,883	1,108	
Revolving credits	4.92	11,647	11,812	11,812	-	
Bank overdraft	7.85	872	940	940	-	
Trust receipts	3.02	287	296	296		
Trade payables	-	29,644	29,644	29,644	-	
Other payables and accruals	-	10,248	10,248	10,248	-	
		87,438	88,176	86,962	1,214	

The Group	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows		Within 1 Year RM'000	2 - 5 Years RM'000	Over 5 Years RM'000
			RM'000	RM'000			
<b>2013</b>							
Hire purchase payables	5.3	301	342	207	135	-	
Term loans	4.1	6,017	6,274	5,724	361	189	
Factoring	2.4	1,087	1,113	1,113	-	-	
Revolving credits	3.9	8,590	8,925	8,925	-	-	
Bank overdraft	6.8	3,472	3,708	3,708	-	-	
Trust receipts	3.0	316	325	325	-	-	
Trade payables	-	30,297	30,297	30,297	-	-	
Other payables and accruals	-	3,489	3,489	3,489	-	-	
		53,569	54,473	53,788	496	189	

**NOTES TO THE FINANCIAL STATEMENTS**  
 For the financial year ended 31 December 2014  
*cont'd*

**38. FINANCIAL INSTRUMENTS** *cont'd*

**38.1 Financial Risk Management Policies** *cont'd*

**(b) Liquidity Risk** *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*

<b>The Company</b>	<b>Weighted Average Effective Rate</b> %	<b>Carrying Amount</b> <b>RM'000</b>	<b>Contractual Undiscounted Cash Flows</b>		<b>Within 1 Year</b> <b>RM'000</b>	<b>2 - 5 Years</b> <b>RM'000</b>
			<b>RM'000</b>	<b>RM'000</b>		
<b>2014</b>						
Term loans	7.15	472	554	120	434	
Revolving credit	5.48	9,000	9,035	9,035	-	
Bank overdraft	7.85	872	941	941	-	
Trade payables	-	759	759	759	-	
Other payables and accruals	-	1,059	1,059	1,059	-	
		<b>12,162</b>	<b>12,348</b>	<b>11,914</b>	<b>434</b>	
<b>2013</b>						
<b>The Company</b>	<b>Weighted Average Effective Rate</b> %	<b>Carrying Amount</b> <b>RM'000</b>	<b>Contractual Undiscounted Cash Flows</b>		<b>Within 1 Year</b> <b>RM'000</b>	<b>Over 5 Years</b> <b>RM'000</b>
			<b>RM'000</b>	<b>RM'000</b>		
Hire purchase payables	6.5	15	16	16	-	-
Term loans	4.8	1,227	1,340	790	361	189
Factoring	2.4	1,087	1,113	1,113	-	-
Revolving credit	4.2	6,000	6,252	6,252	-	-
Bank overdraft	7.1	2,181	2,336	2,336	-	-
Trade payables	-	4,776	4,776	4,776	-	-
Other payables and accruals	-	1,054	1,054	1,054	-	-
		<b>16,340</b>	<b>16,887</b>	<b>16,337</b>	<b>361</b>	<b>189</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 38. FINANCIAL INSTRUMENTS *cont'd*

#### 38.2 Capital risk management

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

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity attributable to the owners of the parents. Net debt is calculated as borrowings less cash and cash equivalents.

The debt-to-equity ratio of the Group as at the end of the reporting period was as follows:-

	The Group	
	2014 RM'000	2013 RM'000
Hire purchase payables	218	301
Term loans	34,522	6,017
Factoring	-	1,087
Revolving credits	11,647	8,590
Trust receipts	287	316
Bank overdraft	872	3,472
	<hr/>	<hr/>
	47,546	19,783
Less: Fixed deposits with licensed banks	(6,058)	(6,728)
Less: Cash and bank balances	(28,333)	(12,054)
	<hr/>	<hr/>
Net debt	13,155	1,001
	<hr/>	<hr/>
Total equity attributable to the owners of the parents	59,408	54,058
	<hr/>	<hr/>
Debt-to-equity ratio	0.22	0.02

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the financial year ended 31 December 2014  
*cont'd*

**38. FINANCIAL INSTRUMENTS *cont'd***

**38.3 Classification Of Financial Instruments**

	The Group		The Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>Financial asset</b>				
<u>Loans and receivables financial assets</u>				
Trade receivables	66,249	43,914	749	6,318
Other receivables and deposits	14,168	4,019	784	205
Amount owing by subsidiaries	-	-	18,454	18,801
Fixed deposits with licensed banks	6,058	6,728	4,958	3,665
Cash and bank balances	28,333	12,054	4,968	1,637
	<b>114,808</b>	<b>66,715</b>	<b>29,913</b>	<b>30,626</b>
<b>Financial liability</b>				
<u>Other financial liabilities</u>				
Hire purchase payables	218	301	-	15
Term loans	34,522	6,017	472	1,227
Factoring	-	1,087	-	1,087
Revolving credits	11,647	8,590	9,000	6,000
Trust receipts	287	316	-	-
Bank overdraft	872	3,472	872	2,181
Trade payables	29,644	30,297	759	4,776
Other payables and accruals	10,248	3,489	1,059	1,054
	<b>87,438</b>	<b>53,569</b>	<b>12,162</b>	<b>16,340</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 38. FINANCIAL INSTRUMENTS *cont'd*

#### 38.4 Fair Value Information

Other than those disclosed below, the fair values of the financial assets and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial statements. These fair values are determined by discounting the relevant cash flows at rates equal to the current market interest rate plus appropriate credit rating, where necessary. These fair values are included in level 2 of the fair value hierarchy.

The Group	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total	
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Fair Value RM'000	Carrying Amount RM'000
<b>2014</b>								
<u>Financial Asset</u>								
Advances to employees	-	-	-	-	-	-	2,381	2,381
<u>Financial Liabilities</u>								
Hire purchase payables	-	-	-	-	229	-	229	218
Term loans	-	-	-	-	34,522	-	34,522	34,522
<b>2013</b>								
<u>Financial Asset</u>								
Advances to employees	-	-	-	-	-	-	2,524	2,524
<u>Financial Liabilities</u>								
Hire purchase payable	-	-	-	-	328	-	328	301
Term loans	-	-	-	-	6,019	-	6,019	6,017

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 38. FINANCIAL INSTRUMENTS *cont'd*

#### 38.4 Fair Value Information *cont'd*

The Company	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total	
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Fair Value	Carrying Amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2014</b>								
<u>Financial Liability</u>								
Term loans	-	-	-	-	-	472	-	472
<b>2013</b>								
<u>Financial Liabilities</u>								
Hire purchase payable	-	-	-	-	-	15	-	15
Term loans				-	1,229		-	1,229
								1,227

The fair values of the advances to employees determined by using the following basis:-

- (a) The fair value of the advances to employees is derived from the present value of the future cash flows computed based on the projections of financial budgets approved by management covering a period of 4 years. The key assumptions used in the determination of the recoverable amounts are as follows:-

	Gross Margin		Growth Rates		Discount Rate	
	2014	2013	2014	2013	2014	2013
	16%	17%	5.0%	5.0%	6.6%	6.6%

- (i) Budgeted gross profit margin The basis used to determine the value assigned to the budgeted gross profit margin is the gross profit margin achieved in the current financial year.
- (ii) Growth rates The growth rates used are based on the expected projection of the engineering services industry.
- (iii) Discount rate The personal borrowing rate in Singapore as at 31 December 2014

The management believes that no reasonable change in the above key assumptions would cause the carrying amount of the fair value of the advances to employees to exceed its recoverable amounts.

- (b) The fair values of hire purchase payables are determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	The Group		The Company	
	2014	2013	2014	2013
	%	%	%	%
Hire purchase payables	4.65	4.68	-	6.5
Term loans	5.36	4.10	7.15	4.8

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

*cont'd*

### 39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are as follows:-

- (a) the issuance of 53,937,631 new ordinary shares of RM0.10 each as bonus issues on the basis of one bonus share for every three existing shares held by the Company by the capitalisation of RM1,319,720 and RM4,074,043 from the share premium and retained profits accounts respectively;
- (b) the issuance of 53,937,631 warrants to all entitled shareholders of the Company on the basis of one free warrant for every three existing ordinary shares of RM0.10 each held in the Company. Each warrants entitles the registered holder the right at any time during the exercise period from 13 June 2014 to 12 June 2019 to subscribe in cash for one new ordinary share of RM0.10 each of the Company at an exercise price of RM0.50 each. At the end of the reporting period, 53,937,631 warrants remained unexercised; and
- (c) On 25 July 2014, the Company subscribed for forty (40) ordinary shares of RM1.00 each representing 40% equity interest in Kelington Analytical Services Sdn. Bhd., a company incorporated in Malaysia for a total cash consideration of RM120,000.

### 40. COMPARATIVE FIGURES

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

	The Group		The Company	
	As Restated	As Previously Reported	As Restated	As Previously Reported
	RM'000	RM'000	RM'000	RM'000
Consolidated Statement of Cash Flows (Extract):-				
<b>CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES</b>				
Increase in amount owing by subsidiaries	-	-	-	(4,547)
<b>NET CASH FROM/(FOR) OPERATING ACTIVITIES</b>	2,204	2,204	(4,048)	(8,595)
<b>CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES</b>				
Increase in amount owing by subsidiaries	-	-	(4,547)	-
Placement of fixed deposits with licensed banks	(4,123)	-	(2,095)	-
<b>NET CASH (FOR)/FROM INVESTING ACTIVITIES</b>	(4,460)	(337)	(765)	5,877
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>	10,748	13,353	4,116	5,686
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	8,582	15,310	(544)	3,121

**NOTES TO THE FINANCIAL STATEMENTS**  
For the financial year ended 31 December 2014  
*cont'd*

**41. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES**

The breakdown of the retained profits of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total retained profits, net of consolidation adjustments				
- realised	25,899	27,423	576	4,106
- unrealised	417	(21)	337	442
At 31 December	<u>26,316</u>	<u>27,402</u>	<u>913</u>	<u>4,548</u>

## ANALYSIS OF SHAREHOLDINGS

As at 30 April 2015

Authorised Share Capital	:	RM50,000,000 comprising of 500,000,000 ordinary shares of RM0.10 each
Issued and Paid-Up Share Capital	:	RM21,701,123.10 comprising of 217,011,231 ordinary shares of RM0.10 each
Class of Shares	:	(Including 1,215,900 treasury shares)
Voting Rights	:	One Vote per Ordinary Share
Number of Shareholders	:	1578

### DISTRIBUTION OF SHAREHOLDINGS

Holdings	No. of Holders	Percentage (%)	No. of Shares	Percentage (%)
Less than 100	69	4.37	3,182	0.00
100 - 1,000	68	4.31	30,884	0.01
1,001 - 10,000	589	37.33	3,780,553	1.75
10,001 - 100,000	734	46.51	24,210,174	11.22
100,001 - less than 5%	114	7.22	40,986,849	18.99
5% and above	4	0.25	146,783,689	68.02
<b>TOTAL</b>	<b>1,578</b>	<b>100.00</b>	<b>215,795,331*</b>	<b>100.00</b>

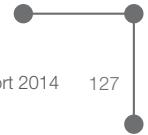
\* Excluding 1,215,900 treasury shares.

### LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 30 APRIL 2015

Names	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Palace Star Sdn. Bhd.	100,299,290	46.48	-	-
Lembaga Tabung Angkatan Tentera	26,666,666	12.36	-	-
Sun Lead International Limited	19,817,733	9.18	-	-
Gan Hung Keng	778,666	0.36	100,299,290 <sup>(1)</sup>	46.48 <sup>(1)</sup>
Ong Weng Leong	778,666	0.36	100,299,290 <sup>(1)</sup>	46.48 <sup>(1)</sup>
Cham Teck Kuang	-	-	100,299,290 <sup>(1)</sup>	46.48 <sup>(1)</sup>
Fortune Dragon Holding Inc.	-	-	19,817,733 <sup>(2)</sup>	9.18 <sup>(2)</sup>
Lien Hwa Industrial Corp.	-	-	19,817,733 <sup>(3)</sup>	9.18 <sup>(3)</sup>

Notes:-

- (1) Deemed interested under Section 6A of the Act by virtue of their direct interests in Palace Star Sdn. Bhd.
- (2) Deemed interested under Section 6A of the Act by virtue of its direct interests in Sun Lead International Limited.
- (3) Deemed interested under Section 6A of the Act by virtue of its direct interest in Fortune Dragon Holding Inc.



## ANALYSIS OF SHAREHOLDINGS

As at 30 April 2015

*cont'd*

### LIST OF DIRECTORS' SHAREHOLDING IN THE COMPANY AS AT 30 APRIL 2015

Names	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Gan Hung Keng <sup>(1)</sup>	778,666	0.36	100,299,290 <sup>(1)</sup>	46.48 <sup>(1)</sup>
Ong Weng Leong <sup>(1)</sup>	778,666	0.36	100,299,290 <sup>(1)</sup>	46.48 <sup>(1)</sup>
Chan Thian Kiat	106,666	0.05	-	-
Tan Chuan Yong	106,666	0.05	-	-
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	96,000	0.04	-	-
Soo Yuit Weng	414,666	0.19	-	-

Note:

(1) Deemed interested under Section 6A of the Act by virtue of their direct shareholding interests in Palace Star Sdn. Bhd.

### DIRECTORS' INTEREST IN OPTIONS OVER ORDINARY SHARES

(Based on Register of Options of ESOS maintained pursuant to the Companies Act, 1965)

Directors	No. of Shares
Gan Hung Keng	1,168,000
Ong Weng Leong	1,168,000
Chan Thian Kiat	160,000
Tan Chuan Yong	160,000
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	144,000
Soo Yuit Weng	144,000

## ANALYSIS OF SHAREHOLDINGS

As at 30 April 2015

*cont'd*

### THIRTY LARGEST SHAREHOLDERS

(Without aggregating securities from different securities accounts belonging to the same person)

No.	Name of Shareholders	No. of Shares	%
1	PALACE STAR SDN. BHD.	53,950,066	25.00
2	PALACE STAR SDN. BHD.	46,349,224	21.48
3	LEMBAGA TABUNG ANGKATAN TENTERA	26,666,666	12.36
4	SUN LEAD INTERNATIONAL LIMITED	19,817,733	9.18
5	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. [QUALIFIER: EMPLOYEES PROVIDENT FUND BOARD (PHEIM)]	5,671,100	2.63
6	HSBC NOMINEES (ASING) SDN. BHD. [QUALIFIER: EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)]	3,555,666	1.65
7	LEW YOU SEN	1,300,000	0.60
8	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. [QUALIFIER: PLEDGED SECURITIES ACCOUNT FOR TEE KIM HEW (E-KLG/BTG)]	1,217,033	0.56
9	WAN SIEW CHUAN	1,078,400	0.50
10	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. [QUALIFIER: PLEDGED SECURITIES ACCOUNT FOR CHAN CHEU LEONG]	1,015,100	0.47
11	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. [QUALIFIER: PLEDGED SECURITIES ACCOUNT FOR CHONG KHONG SHOONG]	1,000,000	0.46
12	LIEW WAI KIAT	800,000	0.37
13	ONG WENG LEONG	778,666	0.36
14	SIN HUAT HING FARM SDN. BHD.	666,666	0.31
15	ONG SENG HENG	609,533	0.28
16	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. [QUALIFIER: PLEDGED SECURITIES ACCOUNT FOR LEE HON KONG (E-KLC)]	600,000	0.28
17	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. [QUALIFIER: CIMB BANK FOR CHONG KHONG SHOONG (MY1707)]	550,000	0.25
18	GOH SEOW KHONG	535,400	0.25
19	CHUNG HIANG YONG @ CHAN HIANG YONG	500,000	0.23
20	TAN KOK PENG	500,000	0.23
21	WONG YIN KEE	476,000	0.22
22	LIM HAN YONG	450,000	0.21
23	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. [QUALIFIER: PLEDGED SECURITIES ACCOUNT FOR LEONG AH KOW @ LEANG LEAN YOW]	450,000	0.21
24	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. [QUALIFIER: PLEDGED SECURITIES ACCOUNT FOR CHONG KHONG SHOONG (E-IMO/JSI)]	430,000	0.20
25	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. [QUALIFIER: PLEDGED SECURITIES ACCOUNT FOR CHERYL LEONG PEI-LI]	415,600	0.19
26	SOO YUIT WENG	414,666	0.19
27	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. [QUALIFIER: CIMB BANK FOR HUGO CHONG JIN DER (MY1705)]	400,000	0.19
28	NG KOK BENG	400,000	0.19
29	POH SEOW LING	400,000	0.19
30	TAY HOCK TIAM	400,000	0.19

## ANALYSIS OF WARRANT HOLDINGS

As at 30 April 2015

Original Warrants issued	:	53,937,631 Warrant 2014/2019
Exercise price per Warrant	:	RM0.50
Exercise period	:	5 years (expiring on 30 May 2019)
Voting rights	:	None
Number of warrant holders	:	827

### DISTRIBUTION OF WARRANT HOLDINGS

Holdings	No. of Holders	Percentage (%)	No. of Warrant	Percentage (%)
Less than 100	117	14.15	5,766	0.01
100 - 1,000	113	13.66	71,447	0.13
1,001 - 10,000	248	29.99	1,174,898	2.18
10,001 - 100,000	294	35.55	10,917,850	20.24
100,001 - less than 5%	52	6.29	11,760,665	21.81
5% and above	3	0.36	30,007,005	55.63
<b>TOTAL</b>	<b>827</b>	<b>100.00</b>	<b>53,937,631</b>	<b>100.00</b>

### LIST OF DIRECTORS' WARRANT HOLDINGS IN THE COMPANY AS AT 30 APRIL 2015

Names	No. of Warrant	Direct Interest		Indirect Interest	
		%	No. of Warrant	%	No. of Warrant
Gan Hung Keng <sup>(1)</sup>	150,466	0.28	25,052,572 <sup>(1)</sup>	46.45 <sup>(1)</sup>	46.45 <sup>(1)</sup>
Ong Weng Leong <sup>(1)</sup>	-	-	25,052,572 <sup>(1)</sup>	46.45 <sup>(1)</sup>	46.45 <sup>(1)</sup>
Chan Thian Kiat	-	-	-	-	-
Tan Chuan Yong	-	-	-	-	-
Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman	24,000	0.04	-	-	-
Soo Yuit Weng	-	-	-	-	-

Note:

(1) Deemed interested under Section 6A of the Act by virtue of their direct shareholding interests in Palace Star Sdn. Bhd.

## ANALYSIS OF WARRANT HOLDINGS

As at 30 April 2015

*cont'd*

### LIST OF THIRTY LARGEST WARRANT HOLDERS

*(Without aggregating securities from different securities accounts belonging to the same person)*

No.	Name of Warrant Holders	No. of Warrant	%
1	PALACE STAR SDN. BHD.	13,487,516	25.01
2	PALACE STAR SDN. BHD.	11,565,056	21.44
3	SUN LEAD INTERNATIONAL LIMITED	4,954,433	9.19
4	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. [QUALIFIER: CIMB BANK FOR MAK NGIA NGIA @ MAK YOKE LUM (MM0749)]	729,900	1.35
5	LIM HAN YONG	667,600	1.24
6	SIOW YEE FONG	650,000	1.21
7	TAY HOCK TIAM	600,000	1.11
8	MAK NGIA NGIA @ MAK YOKE LUM	505,000	0.94
9	TA NOMINEES (TEMPATAN) SDN. BHD. [QUALIFIER: PLEDGED SECURITIES ACCOUNT FOR TAN ANN GEE]	351,700	0.65
10	POH SEOW LING	332,000	0.62
11	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. [QUALIFIER: PLEDGED SECURITIES ACCOUNT FOR LEE HON KONG (E-KLC)]	330,000	0.61
12	ZULKIFLI BIN ISMAIL	307,600	0.57
13	TEO TZE SENG	300,000	0.56
14	LEE KEE HUAT	295,000	0.55
15	KENANGA NOMINEES (TEMPATAN) SDN. BHD. [QUALIFIER: SOON EWE AIK (PCS)]	260,000	0.48
16	NG YOKE HIN	255,600	0.47
17	LEE EE PIAN	254,000	0.47
18	HLIB NOMINEES (TEMPATAN) SDN. BHD. [QUALIFIER: HONG LEONG BANK BHD FOR CHOW SAW BOON]	250,000	0.46
19	SII HAW NIAN	230,000	0.43
20	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. [QUALIFIER: PLEDGED SECURITIES ACCOUNT FOR LOOI LEONG CHAI (33D-MARGIN)]	210,000	0.39
21	YUEN BENG LON	210,000	0.39
22	CHOO YEONG LIN	200,000	0.37
23	LAU FUI SENG	200,000	0.37
24	LIEW WAI KIAT	200,000	0.37
25	TAN YIK SIN	200,000	0.37
26	NANCY SEAH	192,400	0.36
27	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. [QUALIFIER: PLEDGED SECURITIES ACCOUNT FOR NORDIN BIN LATIP]	190,000	0.35
28	KHOO KOOI CHIEW	180,000	0.33
29	SIM SIEW POH	175,000	0.32
30	CHEE SEE SOON	170,000	0.32

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Fifteenth Annual General Meeting (“AGM”) of **Kelington Group Berhad** (“KGB” or “Company”) will be held at Green 2 (Club House) Tropicana Golf & Country Resort, Jalan Kelab Tropicana, Persiaran Tropicana, Off Jalan Tropicana Utama, 47410 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 24 June 2015 at 10.00 a.m. for the purpose of considering the following businesses:-

### A G E N D A

#### Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors and the Auditors thereon. **(Refer to Explanatory Note (a))**
2. To re-elect the following Directors who are retiring in accordance with the Article 69 of the Company’s Articles of Association, and being eligible, have offered themselves for re-election:
  - (i) Mr Gan Hung Keng **(Ordinary Resolution 1)**
  - (ii) Vice Admiral (Retired) Datuk Haji Jamil Bin Haji Osman **(Ordinary Resolution 2)**
3. To approve the payment of Directors’ fees of RM140,400.00 for the financial year ended 31 December 2014. **(Ordinary Resolution 3)**
4. To approve the payment of a final tax-exempt dividend of 1 sen per ordinary share of RM0.10 each for the financial year ended 31 December 2014. **(Ordinary Resolution 4)**
5. To re-appoint Messrs. Crowe Horwath as Auditors of the Company until the conclusion of the next AGM and authorise the Directors to fix their remuneration. **(Ordinary Resolution 5)**

#### Special Business

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

6. **Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965 (“the Act”)**

“THAT subject to Section 132D of the Act, and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital (excluding treasury shares) of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

**(Ordinary Resolution 6)**

## **NOTICE OF ANNUAL GENERAL MEETING**

*cont'd*

### **7. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

"THAT subject to Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries ("the Group") to enter into recurrent related party transactions of a revenue or trading nature ("RRPT") with the related party(ies) as set out in Section 3.1 of the Circular to Shareholders of the Company dated 29 May 2015 ("the Circular") provided that such transactions are:-

- (a) Necessary for the day-to-day operations;
- (b) The transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public; and
- (c) Not prejudicial to the minority shareholders of the Company.

("Shareholders' Mandate")

THAT such approval shall continue to be in force and effect until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless the authority is renewed by a resolution passed at the said AGM, such authority is renewed;
- (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby empowered and authorised to complete and to do all such acts, deeds and things as they may consider expedient or necessary or in the best interest of the Company to give effect to the Shareholders' Mandate, with full power to assent to any condition, modification, revaluation, variation and/or amendment (if any) as may be imposed or permitted by the relevant authorities."

**(Ordinary Resolution 7)**

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

"THAT subject to the Companies Act, 1965 (the "Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares of RM0.10 each 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:-

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

## NOTICE OF ANNUAL GENERAL MEETING *cont'd*

- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall be backed by an equivalent amount of retained profits and share premium; and
- (iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends.

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

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

whichever occurs first.

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

**(Ordinary Resolution 8)**

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

### **Notice of Dividend Entitlement and Payment**

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at Fifteenth AGM, a final tax-exempt dividend of 1 sen per ordinary share of RM0.10 each for the financial year ended 31 December 2014, if approved, will be payable on 10 August 2015 to shareholders whose names appear in the Record of Depositors of the Company on 13 July 2015.

A depositor shall qualify for entitlement to the dividend only in respect of:-

- a) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 13 July 2015 in respect of transfers; and
- b) Securities bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of the Bursa Securities.

### **BY ORDER OF THE BOARD**

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

Kuala Lumpur  
Dated this 29th day of May, 2015

## NOTICE OF ANNUAL GENERAL MEETING

cont'd

### Notes:

1. A member may appoint up to two (2) proxies to attend and vote at the meeting. If a member appoints more than one (1) proxy, the appointments shall be invalid unless he / she specifies the proportions of his/her holding to be represented by each proxy. A proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. There shall be no restriction as to the qualification of the proxy.
2. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
6. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 50(f) of the Articles of Association of the Company, a Record of Depositors as at 16 June 2015 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 2014.

The Audited Financial Statements under this agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 ("the Act") does not require a formal approval of the shareholders and hence this item is not put forward for voting.

- b) Ordinary Resolution 6

Authority to Issue Shares pursuant to Section 132D of the Act

The proposed Ordinary Resolution 6 is for the purpose of granting a renewed general mandate ("General Mandate") and empowering the Directors of the Company, pursuant to Section 132D of the Act, to issue new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the issued and paid-up share capital of the Company for the time being. The General Mandate, unless revoked or varied by the Company in General Meeting, will expire at the conclusion of the next AGM of the Company.

The renewal of the General Mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval as to avoid incurring additional cost and time. The proceeds raised from the General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purposes of funding future investment project(s), working capital and/or acquisitions(s).

The previous mandate was not utilised and accordingly no proceeds were raised.

- c) Ordinary Resolution 7

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature

The proposed Ordinary Resolution 7, if passed, will allow the Group enter into RRPT made on an arm's length basis on normal commercial terms and which are not prejudicial to the interest of the minority shareholders. For more information, please refer to the Circular to Shareholders dated 29 May 2015.

- d) Ordinary Resolution 8

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

The proposed Ordinary Resolution 8, if approved, will empower the Company to purchase and/or hold up to 10% of the issued and paid-up share of the Company through Bursa Malaysia Securities Berhad. For more information, please refer to the Share Buy-Back Statement dated 29 May 2015.



# KELINGTON GROUP BERHAD

(501386-P)  
(Incorporated in Malaysia)

## PROXY FORM

CDS Account No.	Number of Shares Held

\*I/We \_\_\_\_\_ NRIC No./Passport No./Company

No. \_\_\_\_\_ of \_\_\_\_\_

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

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

or failing him/her, #THE CHAIRMAN OF THE MEETING as \*my/our proxy to vote for \*me/us on \*my/our behalf at the Fifteenth Annual General Meeting of the Company to be held at Green 2 (Club House) Tropicana Golf & Country Resort, Jalan Kelab Tropicana, Persiaran Tropicana, Off Jalan Tropicana Utama, 47410 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 24 June 2015 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:

Ordinary Resolutions	For	Against
1 To re-elect Mr Gan Hung Keng as Director		
2 To re-elect Vice Admiral (Retired) Datuk Haji Jamil bin Haji Osman as Director		
3 To approve the payment of Directors' fees for the financial year ended 31 December 2014		
4 To approve Final Tax-Exempt Dividend		
5 To re-appoint Messrs Crowe Horwath as Auditors of the Company		
Special Business	For	Against
6 Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965		
7 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party of a Revenue or Trading Nature		
8 Proposed Renewal of Authority for purchase of own shares by the Company		

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

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

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2015

\_\_\_\_\_  
Signature/Common Seal of Shareholder

**Notes:**

1. A member may appoint up to two (2) proxies to attend and vote at the meeting. If a member appoints more than one (1) proxy, the appointments shall be invalid unless he/she specifies the proportions of his/her holding to be represented by each proxy. A proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. There shall be no restriction as to the qualification of the proxy.
2. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
6. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 50(f) of the Articles of Association of the Company, a Record of Depositors as at 16 June 2015 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.

Fold This Flap For Sealing

---

Then Fold Here

---

AFFIX  
STAMP

The Company Secretary  
**KELINGTON GROUP BERHAD** (501386-P)  
10 Floor, Menara Hap Seng  
No. 1& 3, Jalan P. Ramlee  
50250 Kuala Lumpur

---

1<sup>st</sup> Fold Here