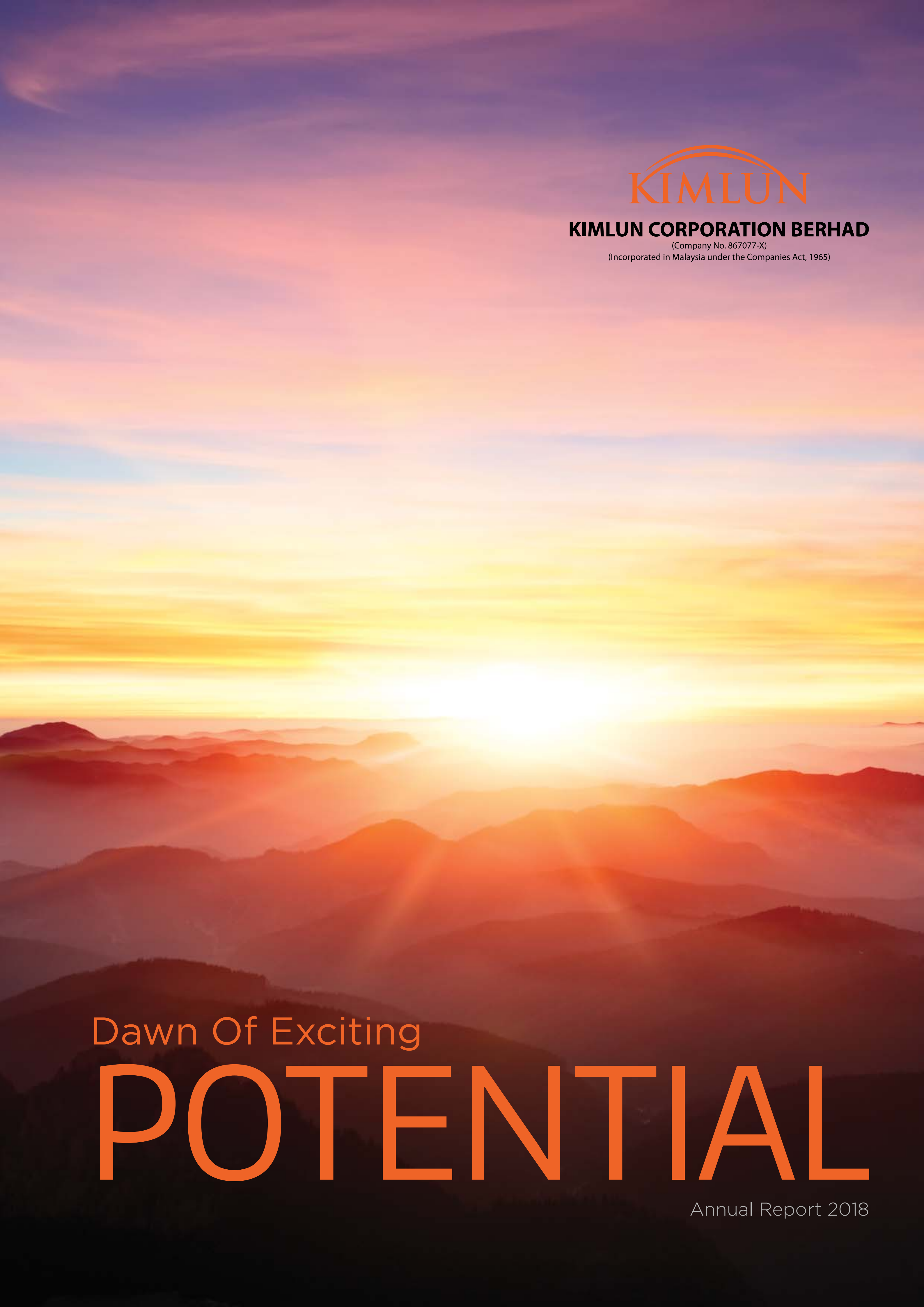

KIMLUN

KIMLUN CORPORATION BERHAD

(Company No. 867077-X)

(Incorporated in Malaysia under the Companies Act, 1965)

Dawn Of Exciting POTENTIAL

Annual Report 2018

Knowledge

Integrity

Moral

Leadership

Unity

Novelty

Kimlun Group is an engineering and construction services provider specialising in infrastructure and building construction, project management, industrial building systems (IBS) and manufacture of concrete products.

Ancillary to our core business, we also involve in property development and trading in construction and building materials. We have the ability to act as a one-stop engineering services provider, capable of providing a comprehensive and integrated range of concrete products and engineering and construction services to our customers.

CONTENTS

CORPORATE INFORMATION

Board of Directors

Pang Tin @ Pang Yon Tin
Executive Chairman

Sim Tian Liang
Chief Executive Officer and
Executive Director

Chin Lian Hing
Executive Director

Yam Tai Fong
Executive Director

Pang Khang Hau
Executive Director

**Dato' Paduka (Dr.) Ir. Hj.
Keizrul Bin Abdullah**
Independent Non-Executive Director

Kek Chin Wu
Independent Non-Executive Director

Chua Kee Yat @ Koo Kee Yat
Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
Kek Chin Wu
Independent Non-Executive Director

Members
Chua Kee Yat @ Koo Kee Yat
Independent Non-Executive Director

Dato' Paduka (Dr.) Ir. Hj. Keizrul
Bin Abdullah
Independent Non-Executive Director

REMUNERATION COMMITTEE

Chairman
Chua Kee Yat @ Koo Kee Yat
Independent Non-Executive Director

Members
Dato' Paduka (Dr.) Ir. Hj. Keizrul
Bin Abdullah
Independent Non-Executive Director

Kek Chin Wu
Independent Non-Executive Director

NOMINATION COMMITTEE

Chairman
Dato' Paduka (Dr.) Ir. Hj. Keizrul
Bin Abdullah
Independent Non-Executive Director

Members
Chua Kee Yat @ Koo Kee Yat
Independent Non-Executive Director

Kek Chin Wu
Independent Non-Executive Director

COMPANY SECRETARIES

Wong Peir Chyun (MAICSA 7018710)
Tay Lee Shya (MIA 16982)
Yeng Shi Mei (MAICSA 7059759)

HEAD OFFICE

Suite 19.06, Level 19,
Johor Bahru City Square
106-108, Jalan Wong Ah Fook
80000 Johor Bahru,
Johor Darul Takzim
Telephone No. : (+607) 222 8080
Facsimile No. : (+607) 223 8282
E-mail : info@kimlun.com
Web-site : www.kimlun.com

REGISTRAR

Tricor Investor & Issuing House
Services Sdn. Bhd.
Unit 32-01, Level 32,
Tower A, Vertical Business Suite,
Avenue 3, Bangsar South,
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Facsimile No. : (+603) 2783 9222

REGISTERED OFFICE

Unit 30-01, Level 30,
Tower A, Vertical Business Suite,
Avenue 3, Bangsar South,
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AUDITOR

Ernst & Young (AF:0039)
B-15, Medini 9,
Persiaran Medini Sentral 1,
Bandar Medini Iskandar,
79250 Iskandar Puteri,
Johor Darul Takzim
Telephone No. : (+607) 288 3111
Facsimile No. : (+607) 288 3112

CORPORATE STRUCTURE

KIMLUN CORPORATION BERHAD
(Company No. 867077-X)
(Incorporated in Malaysia under the Companies Act, 1965)

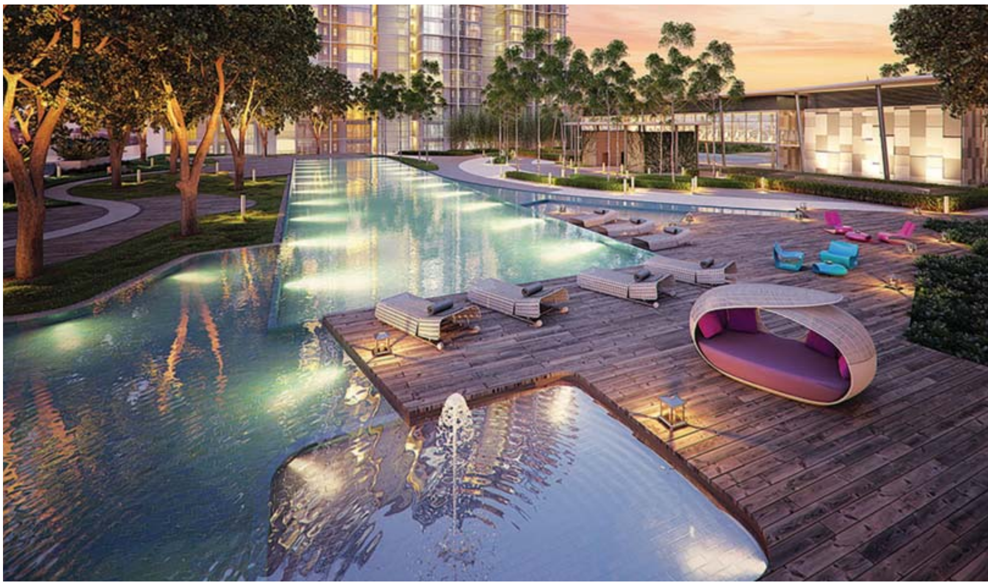
- **100%** Kimlun Sdn Bhd
  - **30%** Zecon Kimlun Consortium Sdn Bhd
  - **60%** Kimlun Superior Crest Sdn Bhd
  - **40%** JBB Kimlun Sdn Bhd
- **100%** SPC Industries Sdn Bhd
- **100%** I-Buildtech Solutions Pte Ltd
- **100%** Kimlun Land Sdn Bhd
  - **51%** Posh Atlantic Sdn Bhd
  - **100%** Kimlun Medini Sdn Bhd
  - **100%** Kitaran Lintas Sdn Bhd
  - **100%** Kiiville Sdn Bhd
  - **100%** Kii Ashbury Sdn Bhd
  - **100%** Kii Morris Sdn Bhd
- **100%** KL Building Materials Sdn Bhd
  - **51%** Rock Projects Sdn Bhd

CORPORATE MILESTONES

1977
- Our humble beginnings started when Kimlun Earthworks Sdn Bhd was incorporated.

1994
- Kimlun Earthworks Sdn Bhd changed its name to Kimlun Sdn Bhd ("KLSB").

1997-2002
- KLSB involved in building construction and infrastructure projects with contract value less than RM20.0 million each in Johor, Malaysia.



2002
- SPC Industries Sdn Bhd ("SPC") commenced its pre-cast concrete business.

2003
- KLSB secured its first contract with a value exceeding RM20.0 million for the construction of apartments and townhouses.
- SPC was accredited with ISO 9001:2000 Quality Management.

2004
- SPC supplied concrete sewerage tunnel segments to Pantai Trunk Sewerage Bored Tunnel project in Kuala Lumpur.

2005
- KLSB ventured into specialised infrastructure construction by constructing the Tanjung Puteri flyover in Johor Bahru.
- KLSB ventured into Klang Valley with the construction of 70 units of semi detached houses.
- SPC secured its first sales contract for the supply of concrete tunnel lining segments to Singapore MRT project.

2006
- KLSB secured specialised infrastructure construction project for the upgrading works of the Perling Interchange in Johor Bahru.

2007
- KLSB was accredited the "ISO 9001:2000, Quality Management System" certification.

2008
- KLSB secured the project for the construction of the elevated interchange along Johor Bahru Inner Ring Road – Package 3B Jalan Abu Bakar Interchange with a contract value exceeding RM100 million.
- KLSB formed IBS Department to promote IBS construction methods.
- I-Buildtech Solutions Pte Ltd ("IBT") was incorporated in Singapore.

CORPORATE MILESTONES
(cont'd)

2009
- KLSB secured its first Industrial Building System ("IBS") building project from Iskandar Regional Development Authority at a contract value of RM142.81 million.
- Kimlun Corporation Berhad was incorporated as an investment holding company.

2010
- Kimlun Corporation Berhad acquired KLSB, SPC and IBT in conjuction with its proposed initial public offering exercise.
- Kimlun Corporation Berhad was successfully listed on the Main Market of Bursa Malaysia Securities Berhad on 29 June 2010.
- Kimlun Corporation Berhad incorporated a new whollyowned subsidiary namely, Kimlun Land Sdn Bhd ("KLLSB").

2011
- Kimlun Group ventured into property development with its first development land in Cyberjaya, Selangor.

2012
- SPC was appointed by Mass Rapid Transit Corporation Sdn Bhd as the designated supplier for the supply of segmental box girders ("SBG") to certain packages of the Projek Mass Rapid Transit Lembah Kelang: Jajaran Sungai Buloh-Kajang for RM223.18 million.
- KLSB secured more than RM400 million worth of IBS projects during 2012.

2013
- Kimlun Group launched its first property development project, the Hyve SOHO and Offices in Cyberjaya, Selangor.
- KLSB secured its first contract with a value exceeding RM290 million for the construction of service apartments and ancillary buildings.
- SPC set up a new precast concrete products manufacturing plant on a piece of land measuring approximately 130 acres in Negeri Sembilan, and commenced production during the year.

2015
- Kimlun Corporation Berhad incorporated a whollyowned subsidiary, KL Building Materials Sdn Bhd ("KBMSB"). The principal activities of KBMSB are manufacturing and trading of building and construction materials, and provision of quarry services and machinery rental services.

2016
- Kimlun Group's 30% owned joint venture company, Zecon Kimlun Consortium Sdn Bhd, was awarded a work package contract for the Proposed Development and Upgrading of the Pan Borneo Highway in Sarawak for a contract sum of RM1.46 billion. This signifies the Group's geographical diversification to East Malaysia, and expansion of its construction services to highway project. The Project is the single largest contract which the Group won in its history.
- SPC won SBG and tunnel lining segments supply contracts in relation to Projek Mass Rapid Transit Lembah Kelang: Jajaran Sungai Buloh- Putrajaya Line, with aggregate contract value of RM252 million.

2017
- KLSB subscribed for 40% equity interest in JBB Kimlun Sdn Bhd ("JKSB"). The principal activity of JKSB is building and infrastructure contractor.
- KLLSB incorporated three wholly-owned subsidiaries, Kiiville Sdn Bhd ("KVSB"), Kii Ashbury Sdn Bhd ("KASB") and Kii Morris Sdn Bhd ("KMSB"). The principal activities of KVSB, KASB and KMSB are property investment and property development.
- Kimlun Group commenced premix production in Sarawak and Johor

PROFILE OF DIRECTORS AND KEY SENIOR MANAGEMENT

PANG TIN @ PANG YON TIN

EXECUTIVE CHAIRMAN

Gender
Male

Nationality
Malaysian

Age
71

Pang Tin @ Pang Yon Tin, a Malaysian aged 71, male, was appointed to the Board as Executive Chairman of Kimlun Corporation Berhad on 24 October 2009 and is responsible for overseeing the management of our Group.

He completed Senior Middle Three at Foon Yew High School in Johor Bahru, Johor, in 1966. He commenced his career in the construction industry in 1966 by assisting his late father in his construction business. He, together with Phang Piow @ Pang Choo Ing, incorporated Kimlun Sdn Bhd in 1977 to continue their venture in the construction industry. With the experience gained in the construction industry, he ventured into quarry business in 1970s and into property development in 1980s.

He has more than 40 years of experience in various sectors, encompassing property development, property investment, construction, quarrying, manufacturing and hotel management. He also sits on the Board of several private limited companies.

SIM TIAN LIANG

CHIEF EXECUTIVE OFFICER & EXECUTIVE DIRECTOR

Gender
Male

Nationality
Malaysian

Age
64

Sim Tian Liang, a Malaysian aged 64, male, was appointed to the Board as Chief Executive Officer of Kimlun Corporation Berhad on 24 October 2009 and is responsible for strategic planning and for the overall management of the Group.

He graduated from Universiti Teknologi Malaysia in 1978, obtaining a Bachelor Degree (Honours) in Engineering. Currently, he is the Past Chairman of the Institution of Engineers Malaysia Southern Branch and Past President of Johor Master Builders Association. He is also a member of the Chartered Institution of Highway and Transportations of the UK., a Honorary Member of Asean Federation of Engineering Organisation and a Fellow of Construction Industry Development Board Malaysia.

He is a professional engineer registered with the Board of Engineers, Malaysia, and has been in the construction industry since 1978 where he commenced work as a civil engineer with the Malaysian Government. He joined Pang Hock Constructions Sdn Bhd (now known as Tebrau Bay Constructions Sdn Bhd) towards the end of 1996 and was appointed as its Project Director in 1997 where his responsibilities included overseeing, monitoring and management of building and infrastructure construction projects. In 2003, he left Pang Hock Constructions Sdn Bhd and joined Kimlun Sdn Bhd as Chief Executive Officer. His primary role is to oversee to the execution of corporate objectives, as well as to provide the strategic direction of the company.

PROFILE OF DIRECTORS AND KEY SENIOR MANAGEMENT

(cont'd)

CHIN LIAN HING

EXECUTIVE DIRECTOR

Gender
Male

Nationality
Malaysian

Age
54

Chin Lian Hing, a Malaysian aged 54, male, was appointed to the Board as Executive Director of Kimlun Corporation Berhad on 24 October 2009 and is responsible for the operations and business development activities of our construction business.

He graduated from Tunku Abdul Rahman College, Malaysia, in 1988, obtaining a Diploma in Technology (Building). He holds a Bachelor Degree of Applied Science (Constructions Management and Economics) from Curtin University of Technology, Australia.

He has been in the construction industry since 1988 where he commenced work as an Assistant Quantity Surveyor in Rukumas Sdn Bhd, leaving in 1989 to join AJ Construction Sdn Bhd as a Quantity Surveyor. In 1990, he joined Hoon Lay Kien Construction also as a Quantity Surveyor. Thereafter, he joined Chin Kek Ling Transport in mid-1990 before leaving to join Pang Hock Constructions Sdn Bhd (now known as Tebrau Bay Constructions Sdn Bhd) in January 1992. During his time at Pang Hock Constructions Sdn Bhd, his last held position was General Manager (Operations and Contracts) and he was responsible for overseeing the tendering of building and infrastructure construction projects, and project implementation. He left Pang Hock Constructions Sdn Bhd in 2002 to join Kimlun Sdn Bhd, where he is responsible for the operations and business development activities of the company.

YAM TAI FONG

EXECUTIVE DIRECTOR

Gender
Female

Nationality
Malaysian

Age
51

Yam Tai Fong, a Malaysian aged 51, female, was appointed to the Board as Executive Director of Kimlun Corporation Berhad on 24 October 2009 and is responsible for all financial matters concerning our Group.

She graduated from Monash University, Australia, in 1990, obtaining a Bachelor Degree in Economics. Since 1994, she has been a member of the Malaysian Institute of Accountants.

She commenced her career at Ernst & Young, Malaysia, in 1991, with responsibilities for audit, taxation and corporate advisory matters, leaving in 1994 to join Pang Hock Constructions Sdn Bhd (now known as Tebrau Bay Constructions Sdn Bhd). Whilst at Pang Hock Constructions Sdn Bhd, she was responsible for the financial management and management reporting of its affairs. She left Pang Hock Constructions Sdn Bhd in 2003 to join Kimlun Sdn Bhd to assume similar responsibilities.

PROFILE OF DIRECTORS AND KEY SENIOR MANAGEMENT

(cont'd)

PANG KHANG HAU

EXECUTIVE DIRECTOR

Gender
Male

Nationality
Malaysian

Age
37

Pang Khang Hau, a Malaysian aged 37, male, was appointed to the Board as Executive Director of Kimlun Corporation Berhad on 24 October 2009 and is responsible for the corporate affairs of our Group, including business development activities, human resource, administration and management.

He graduated from the University of Western Australia in 2005, obtaining a Bachelor Degree in Civil Engineering. He completed a Master of Business Administration degree at the University of Liverpool, UK, in 2010. He commenced his career in the construction industry in 2006 with his appointment as a Director of Kimlun Sdn Bhd where he is responsible for business development activities, human resource, administration and management.

DATO' PADUKA (DR.) IR. HJ. KEIZRUL BIN ABDULLAH

INDEPENDENT NON-EXECUTIVE DIRECTOR

Gender
Male

Nationality
Malaysian

Age
67

Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah, a Malaysian aged 67, male, was appointed to the Board as Independent Non-Executive Director of Kimlun Corporation Berhad on 24 October 2009. He is the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee.

He holds a Bachelor Degree (Honours) in Civil Engineering from Universiti Malaya and a Masters degree in Water Resources Engineering from the University of Newcastle Upon Tyne, UK. Upon graduation in 1975, he joined the Department of Irrigation and Drainage (DID) Malaysia, and over an illustrious career, rose to become the Director General in 1997 until his retirement from public service eleven years later. He oversaw the development of a Flood Mitigation Master Plan for Kuala Lumpur and managed the SMART Tunnel Project (a unique and innovative flood mitigation project utilising a tunnel for both flood and traffic use) from conception to commissioning. In 2015, Dato' Paduka Keizrul was one of the recipients of the first ever CIDB Fellowship Awards conferred to individuals who have contributed greatly in building the nation.

On the corporate side, he is Chairman of Wetlands International Malaysia, a not-for-profit company limited by guarantee ; as well as an Independent Non-Executive Director with George Kent (Malaysia) Bhd., an engineering based company listed on the Main Board of Bursa Malaysia. He is an alumni of the Senior Executive Programme at the London Business School (1997), and the Advanced Management Programme at the Harvard Business School (2002).

PROFILE OF DIRECTORS AND KEY SENIOR MANAGEMENT

(cont'd)

KEK CHIN WU

INDEPENDENT NON-EXECUTIVE DIRECTOR

Gender
Male

Nationality
Malaysian

Age
47

Kek Chin Wu, a Malaysian aged 47, male, was appointed to the Board as Independent Non-Executive Director of Kimlun Corporation Berhad on 24 October 2009. He is the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee.

He graduated from the Association of Chartered Certified Accountants ("ACCA") UK, with a professional degree in accounting and he is currently a Fellow Member of ACCA UK and a member of the Malaysian Institute of Accountants.

He has over 25 years of experience in the fields of auditing, corporate finance and business advisory services. He commenced his career in the field of auditing in BDO Binder Malaysia in 1993 before moving on to join Price Waterhouse in 1995 where he gained experience in auditing various industries. He then joined Bumiputra Merchant Bankers Berhad in 1997 where he provided advisory services to various public listed companies. He later served as the Corporate Finance Manager of Paracorp Berhad, a company listed on the then Main Board of Bursa Securities, from 1998 to 1999 where he was involved in the planning and execution of corporate exercises. He then set up Paragon Advisory Sdn Bhd ("Paragon"), a consulting firm which provides business advisory services in 2002. He is currently the Managing Director of Paragon. He has also served as an Independent Non-Executive Director of LNG Resources Berhad, a company listed on the ACE Market of Bursa Securities from 2005 to 2013.

CHUA KEE YAT @ KOO KEE YAT

INDEPENDENT NON-EXECUTIVE DIRECTOR

Gender
Male

Nationality
Singaporean

Age
64

Chua Kee Yat @ Koo Kee Yat, a Singaporean aged 64, male, was appointed to the Board as Independent Non-Executive Director of Kimlun Corporation Berhad on 24 October 2009. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

He is a senior member of The Institution of Engineers, Singapore. He graduated from the University of Singapore (now the National University of Singapore) in 1977 with a Bachelor Degree in Engineering (Mechanical).

Upon graduation, he served his national service with Singapore Armed Forces from 1977 to 1979 and continued as Naval Engineering Officer and later as Defence Engineering Scientific Officer in Republic of Singapore Navy until 1989. He joined MTU Asia Pte Ltd in 1989 as Head of Application Engineering in Sales and Application Department overseeing the diesel engines sales and business development in marine sector within the company and providing the operations support to the Agents/Distributors in the Asia region. He was responsible for the operations of MTU Singapore Pte Ltd in 2002 to 2003 before posted to The People's Republic of China as Head of Greater China Operations in 2004 to 2006. During this period, a new factory was constructed while the operations were further developed with the establishment of in-country sales and service network. In 2006, he was engaged by Draka Cableteq Asia Pacific Holding Pte Ltd, as President for Greater China Operations, responsible for setting up a new production factory and growth of sales and operations of Draka China Operations in Suzhou. He joined Luerssen Marine Technology Ltd as Director from July 2014 to September 2015. He was engaged as consultant and later as a Director for the acquired KSL-Kuttler Automation Systems GmbH till end 2016.

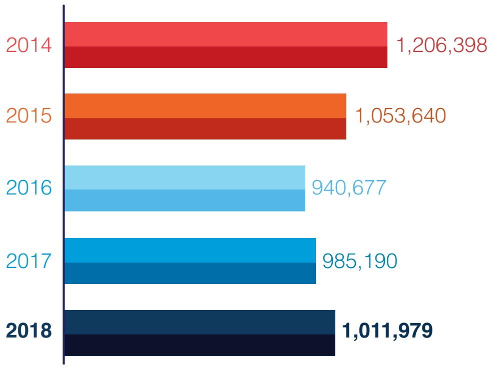
He is currently engaged as Technical Consultant by VPower Holding (Singapore) Pte Ltd.

Notes to Directors' Profile :

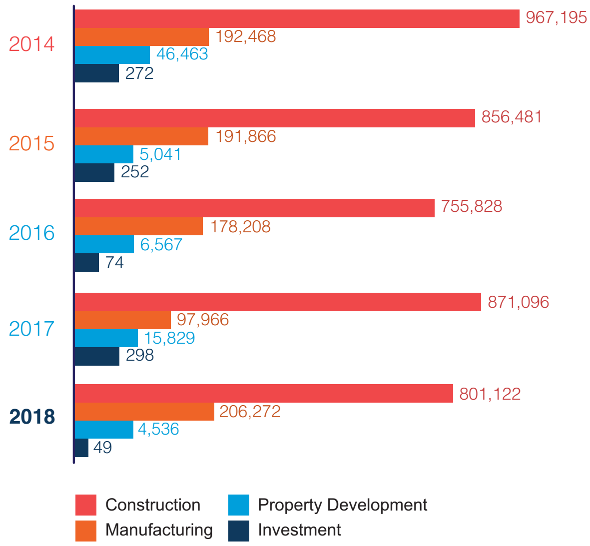
1. Pang Tin @ Pang Yon Tin is the father of Pang Khang Hau. Save as disclosed, none of the directors have any family relationship with any other director and/or major shareholder of the Company.
2. Save for Pang Tin @ Pang Yon Tin and Pang Khang Hau, who have interest in recurrent related party transactions as disclosed under Note 28 to the financial statements contained in this Annual Report, none of the directors have any conflict of interest with the Company.
3. None of the directors have been convicted of any offences within the past five (5) years and imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2018 other than traffic offences, if any.

GROUP FINANCIAL HIGHLIGHTS

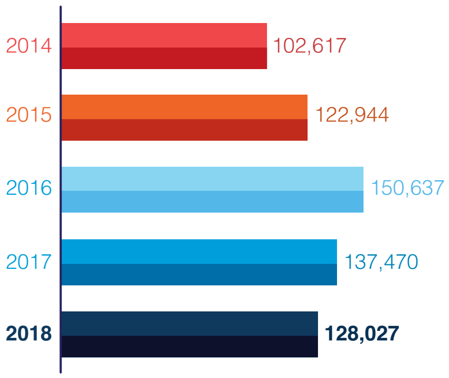
REVENUE (RM'000)



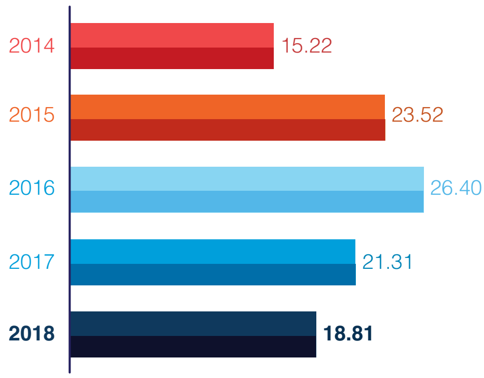
REVENUE BY SEGMENT (RM'000)



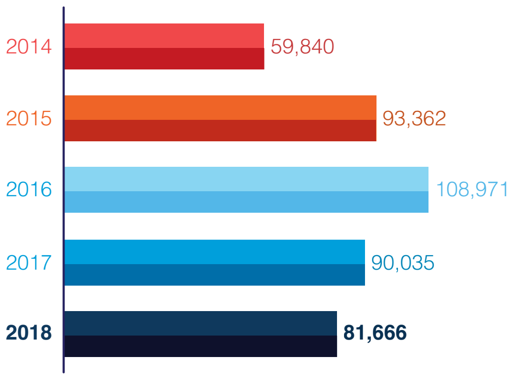
GROSS PROFIT (RM'000)



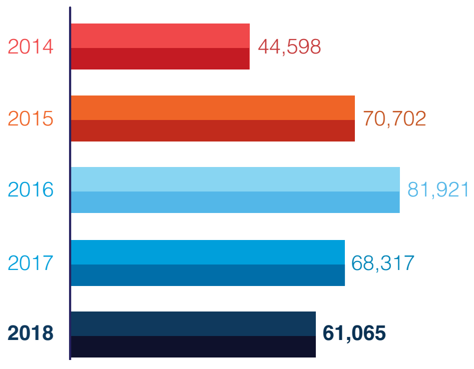
BASIC EARNINGS PER SHARE (Sen)



PROFIT BEFORE TAX (RM'000)



PROFIT AFTER TAX (RM'000)



DEAR SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS ("THE BOARD"), I AM PLEASED TO PRESENT THE ANNUAL REPORT OF KIMLUN CORPORATION BERHAD ("OUR COMPANY") FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 ("FY2018").

CHAIRMAN'S STATEMENT

Our Performance

For FY2018, we achieved revenue of RM1.01 billion, which was 2.7% higher compared to RM985.19 million registered in the financial year ended 31 December 2017 ("FY2017"). The higher revenue achieved in FY2018 was mainly attributable to higher revenue achieved by the manufacturing and trading ("M&T") division, partly offset by the decline in revenue in the construction division.

Despite of the higher revenue achieved, we recorded a lower profit attributable to owners of the Company of RM61.14 million, which was 10.7% lower compared to the results achieved in FY2017. This was mainly attributable to lower profit generated by the construction and M&T division consequential upon projects mix with higher composition of lower margin contracts.

Business Review

During FY2018, we secured, amongst others the following sizable projects and sales orders:

(i) main building works for 1 block of commercial building and 1 block of apartments at Medini Iskandar, Mukim Pulai, Daerah Johor Bahru, Johor ("the Project") for a contract sum of RM164.00 million.;

(ii) the construction of road and interchange in Gerbang Nusajaya, Johor Bahru, Johor for a contract sum of RM144.10 million; and

(iii) the supply of pre-cast concrete building components to M+W Singapore Pte Ltd for Singapore Dollar 27.00 million.

CHAIRMAN'S STATEMENT
(cont'd)

Looking Ahead

The Board is positive of the performance of the Group in 2019 as the Group's estimated construction and manufacturing balance order book of approximately RM1.9 billion and RM0.3 billion respectively as at 31 December 2018, is expected to support the Group's performance in 2019.

Recent Corporate Development

During FY2018, the Company implemented a dividend reinvestment plan ("DRP") that provides the shareholders with an option to elect to reinvest their dividends in new shares of the Company ("New Shares") from the entire FY2017 final dividend ("Third DRP").

76.5% of shareholders had elected to reinvest their dividend pursuant to the Third DRP. The electable portion of the FY2017 final dividend which was not reinvested in new shares in the Company was paid in cash on 9 August 2018.

Reward to Shareholders – Dividend

While we do not adopt a formal dividend policy, our Company has been declaring dividends every year since its listing on the Main Market of Bursa Malaysia Securities Berhad in 2010. In respect of FY2018, the Board recommends a final single tier dividend of 3.7 sen per share. The recommended final dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting ("AGM"), and it represents a pay-out ratio of approximately 20.1% of FY2018's profit attributable to owners of the Company.

The Board has determined that the DRP will apply to the proposed final dividend in respect of FY2018 and all shareholders of the Company be given an option to reinvest the entire final dividend in New Shares ("Reinvestment Option"), subject to approvals being obtained from the following:

(i) Bursa Securities for the listing of and quotation for the New Shares to be issued pursuant to the implementation of the DRP for the final dividend on the Main Market of Bursa Securities;

(ii) Shareholders in the forthcoming AGM for the declaration of the final dividend and the issuance of such number of New Shares as may be required pursuant to the exercise of the Reinvestment Option by the shareholders; and

(iii) Approval from other relevant authorities and/ or parties, if required.

Our Company is always mindful to reward our loyal shareholders who have supported our growth over the years while trying to strike a balance with the funding needs at our different development phases.

Acknowledgement

On behalf of the Board, I would like to extend my heartfelt gratitude to our shareholders, bankers, customers, business partners and regulatory authorities for their continued support, guidance and assistance. Your Board would like to express our appreciation to our management team and employees for their hard work and dedication.

Pang Tin @ Pang Yon Tin
Chairman

主席文告

敬爱的股东，
本人谨代表董事局提呈金轮企业有限公司（“本公司”）截至2018年12月31日财政年（“2018财政年”）的年度报告。

我們的表現

我们在2018财政年的营业额报十亿一千万令吉，较2017财政年的九亿八千五百一十九万令吉，增长了2.7%,归功于制造和贸易业务贡献较高的营业额。

虽然我们在2018财政年达到较高的集团营业额，但其中建筑业务以及制造和贸易业务的毛利率却下降,导致该年的集团盈利下滑了10.7%。

业务回顧

我們在2018财政年接獲多宗的工程与銷售订单,包括以下幾項大型的工程与订单:

1. **共管公寓**
   获颁总值一亿六千四百万令吉的合约，以在柔佛州Medini Iskandar建設一棟公寓以及一棟商业大楼。

2. **道路和立交桥**
   获颁总值一亿四千四百一十万令吉的合约，以在柔佛州建設道路和立交桥。

3. **预制混凝土构件**
   获颁总值二千七百万新币的供应合约，為新加坡M+W公司供应预制混凝土构件。

前景与展望

董事局对2019年的业务前景抱着谨慎乐观的态度。截至2018年12月31日，建筑与制造订单余额分别为十九亿令吉以及三亿令吉。这些订单预计将支持我們在2019年的业绩。

企业最新进展

我們為2017财政年的終期股息進行了股息再投資计划 (DRP)，在该计划下股东们可以选择把他们的股息再投資在公司所发出的新股。多达76.5%的股东选择了把股息再投資，其餘的股息則已在2018年8月9日以現金的方式付給股东。

股东回馈—股息

虽然本公司没有实行正规的股息政策，本公司自2010年在马来西亚证券交易所主要市场上市以来,每年都派发股息回馈股东。

随着我们在2018财政年的盈利表现，董事局建议派发每股3.7仙的终期单层股息，惟需在来临的股东常年大会上获得股东批准。该终期单层股息，代表着2018财政年派息率为集团净利的大约20.1%。

董事局决定让股东们可以在DRP下选择把他们的2018财政年的終期股息再投資在公司所发出的新股，惟需获得以下的批准:

1. 大馬交易所批准在DRP下所發出的新股在大馬交易所主板上市

2. 股东们批准2018财政年的終期股息以及在DRP下發出新股

3. 其他監管單位的批准

一直以来，我们都致力地在派发股息以及保留资金供作未来发展用途之间取得平衡。

致谢

我谨代表董事会，衷心感谢我们的股东、来往银行、客户、业务伙伴以及有关监管当局对我们的持续支持，指导以及协助。董事会谨借此机会感谢我们的管理层以及员工的辛勤工作以及奉献精神。

彭廷
主席

MANAGEMENT DISCUSSION AND ANALYSIS

MISSION

We aim to continuously improve, promote and provide construction activities and services to the society at which we operate. By providing one stop construction design and build services, we aim to add value to our clients that in turn will be beneficial to the society at large. We will treat all partners including suppliers, subcontractors and consultants with trust, honesty and fairness in all business dealings.

Towards our employees, we balance our focus on their personal skills development while taking care of their welfare.

While seeking for the maximisation of shareholders' wealth, we strive to maintain harmony with the interest of the society to enhance our corporation's sustainability.

VISION

We aspire to be a reliable, innovative and profitable provider of full range construction services and products in the South East Asia region.

CORPORATE VALUES

Knowledge

Integrity

Moral

Leadership

Unity

Novelty

Overview of our businesses and operations

Kimlun Group's Core Businesses

- Construction and Engineering
- Manufacturing and Trading
- Property Development

Construction and Engineering

- **Building Division**
  - Residential projects : high rise and landed properties
  - Non residential projects : retail malls, factories, hospitals, schools and colleges
- **Infrastructure Division**
  - Highways, interchanges, flyovers, roads and earthworks

Manufacturing & Trading

- **Precast Concrete Products**
  - Tailor made products for infrastructure related projects
  - Customised products for IBS building related projects
- **Quarry Products**
  - Aggregates and premix

Property Development

- **Completed Development**
  - HYVE at Cyberjaya, Selangor : SOHO and office
  - Taman Puteri @ Pekan Nenas, Johor : landed residential properties
- **Future Development**
  - SOHO, retail properties, township development in Johor and Selangor

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

Production Plant and Products

Ulu Choh, Johor

- Tunnel lining segment
- Rail sleeper
- Jacking Pipe
- Vertical cast pipe
- Box culverts and u drain
- Pre-cast concrete bathroom
- Hollow core slab
- Column and beam
- Premix

Senawang, Negeri Sembilan

- Tunnel lining segment
- Segmental box girder
- Parapet walls
- Column and beam

Samarahan, Sarawak

- Aggregates
- Premix

Construction Projects

Balance order book as at 31 Dec 2018 : RM1.9 billion

- All projects in Malaysia
- Public sector : 48%
- Private sector : 52%
- Building projects : 47%
- Infrastructure projects : 53%

Notable completed projects include :

- Main building works for Marlborough College East, Johor
- Mall of Medini, Johor
- Granada Hotel, Johor
- The Sky Loft Suites, Johor
- Gleneagle Medini Hospital, Johor

On-going projects include :

- Pan Borneo Highway Sarawak
- Office Complex for Majlis Bandaraya Johor Bahru, Johor
- Various apartment and landed properties projects in Selangor and Johor

Manufacturing Orders

Balance order book as at 31 Dec 2018 : RM0.30 billion

- Malaysia orders : 70%
- Singapore orders : 30%

Completed sales orders include :

- Segmental box girders ("SBG") and tunnel lining segment ("TLS") to Klang Valley MRT ("KVMRT") Line 1
- TLS to Singapore MRT Circle Line, Downtown Line and Thomson Line
- TLS to Singapore Power's underground power transmission network
- Precast Bathroom to Michael and Festive Hotel, Singapore

On-going sales orders include :

- SBG and TLS to KVMRT Line 2
- TLS to Singapore MRT Eastern Region Line

Property Development Projects

Location / Land Area	Gross Development Value (RM)	Type of Land Usage / Planned Development
Completed Project		
Hyve at Cyberjaya, Selangor / 4.95 acres	233 million	Freehold enterprise land / A combination of 804 units of SOHO and offices
Taman Puteri @ Pekan Nenas, Johor / 6 acres	48 million	Freehold residential land / 131 units of various types of landed properties
Land Bank		
Seksyen U10 Shah Alam / 20.11 acres	#	88 units of leasehold (expiring in 2103) vacant detached lots for bungalow development
Medini Iskandar Malaysia, Johor / 5.31 acres	#	2 leases on freehold commercial land expiring in 2113 and 2116 respectively/ A combination of SOHO and retail properties
Kota Tinggi, Johor / 140.84 acres	#	Freehold agriculture land/ township development

The gross development value cannot be ascertained as the development details have yet to be finalised

Diversified Clientele

We are not materially dependent on any single customer for business. We have been securing projects from different clients. Our diversified clientele include:

Private Sector

- IOI Properties Bhd
- Mah Sing Group Bhd
- IJM Land Bhd
- United Malayan Land Bhd
- MMC Gamuda KVMRT (UGW) Joint Venture
- Sunway Construction Sdn Bhd

Government and Government link companies

- Mass Rapid Transit Corporation Sdn. Bhd.
- UEM Sunrise Land Bhd
- SP Setia Bhd
- Sime Darby Bhd

International Contractors

- Shimizu Corporation
- Shanghai Tunnel Engineering Ltd
- SK Engineering & Construction
- Alstom Transport (S) Pte Ltd
- M+W Singapore Ptd Ltd

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

Group Financial Highlights

Year ended/As at 31 December		2014	2015	2016	2017	2018
FINANCIAL RESULTS (RM' mil)						
Revenue		1206.4	1053.6	940.68	985.19	1,011.98
Gross Profit		102.62	122.94	150.64	139.30	128.03
Profit Before Taxation		59.84	93.36	108.97	90.03	81.67
Profit After Taxation		44.60	70.70	81.92	68.34	61.07
Profit Attributable to Owners of the Company		44.60	70.70	81.92	68.48	61.14
FINANCIAL POSITION (RM' mil)						
Cash and Bank Balances		84.67	97.15	79.03	86.57	35.57
Total Assets		890.88	973.68	985.20	1,148.22	1,397.14
Total Borrowings		161.02	162.97	115.04	129.60	273.15
Shareholders' Equity		400.52	459.74	539.26	607.64	664.72
FINANCIAL RATIOS						
Gross Profit Margin	%	8.51	11.67	16.01	14.14	12.65
Basic Earnings per share ("EPS")	Sen	15.22	23.52	26.77	21.80	18.81
Dividend per Share	Sen	3.80	5.80	6.50	5.50	3.70
Dividend Yield	%	3.2	4.2	3.1	2.5	3.4
Net Assets per Share	RM	1.33	1.53	1.74	1.90	2.00
Net Gearing Ratio (note 1)	times	0.16	0.13	0.06	0.07	0.26
CASH FLOW (RM' mil)						
Net cash flows generated from / (used in) operating activities		74. 77	62.90	86.85	89.45	(137.52)
Net cash flows generated from / (used in) investing activities		(18.14)	(41.41)	(46.61)	(37.03)	(21.14)
Net cash flows generated from / (used in) financing activities		13.20	(16.91)	(69.41)	(45.23)	93.01
SHARES PERFORMANCE						
Share Price – Year Close	RM	1.19	1.38	2.08	2.22	1.08
Share Price – Year High	RM	1.95	1.48	2.26	2.43	2.35
Share Price – Year Low	RM	1.15	1.05	1.36	2.00	1.00
Trading volume (no of shares)	Mil	66	57	178	70	34
Market Capitalisation (note 2)	RM' mil	358	415	645	712	358
Price Earnings Ratio (note 3)	times	7.8	5.9	7.9	10.2	5.7

Note 1: Being net debt/total equity plus net debt
Note 2: Market capitalisation as at the financial year end
Note 3: Being year close share price/ EPS for the financial year

FINANCIAL REVIEW

Group Revenue and Profitability

Revenue recorded in FY2018 was RM1.01 billion which was RM26.79 million or 2.7% higher compared to the revenue achieved in FY2017. The higher revenue achieved in FY2018 was mainly attributable to higher revenue achieved by the manufacturing and trading ("M&T") division, partly offset by the decline in revenue from the construction division.

Our Group's gross profit ("GP") margin achieved in FY2018 of 12.7% was lower compared to 14.1% in FY2017 mainly due to lower GP margins achieved by both the construction and M&T divisions.

Despite of the higher revenue achieved in FY2018, our Group's GP decreased by RM11.27 million or 8.1% against FY2017 due to the lower GP margin achieved in FY2018.

The selling and administrative expenses in FY2018 decreased by RM7.83 million compared to FY2017, mainly due to the net decrease in provision for doubtful debts by RM8.99 million.

Finance costs were higher in FY2018 against FY2017 due to the drawdown of finance lease facilities during the period to finance capital expenditures, and higher utilization of working capital financing facilities to meet the requirement of higher scale of operation, as well as part payment toward purchase consideration of new land. The Group acquired property, plant and equipment ("PPE") amounting to RM63.93 million during FY2018, mainly comprised of heavy machineries such as motor graders, excavators and compactors, trucks, formworks and cranes to meet the requirements of construction projects, in particular the Pan Borneo Highway project in Sarawak ("PBH").

There was no significant variance in share of profit of joint ventures and other income in the period under review compared to FY2017.

Due to the variances in gross profit, share of profit of joint ventures, other income and expenses as explained above, profit before taxation ("PBT") and profit after taxation ("PAT") of FY2018 of RM81.67 million and RM61.07 million respectively were lower than FY2017. This was 9.3% and 10.6% lower compared to the PBT and PAT of RM90.03 million and RM68.34 million achieved in FY2017, respectively.

Our net profit attributable to owners of the Company for FY2018 was RM61.14 million.

Segmental Revenue and Gross Profit*

* : *The segmental revenue and gross profit stated in the commentary in relation to the respective segment was inclusive of inter-segment transactions.*

Construction Division

The construction division's revenue of RM801.12 million was RM71.31 million or 8.2% lower compared to RM872.43 million recorded in FY2017. The decline in construction revenue was mainly due to: -

(i) the substantial completion of a few projects towards end of FY2017; and

(ii) a large size project contributed lower revenue in FY2018 compared to FY2017 as the project was substantially completed in FY2018,

which collectively contributed about 27% of the revenue of FY2017.

The construction division's GP margin declined from 12.2% in FY2017 to 11.0% in FY2018. The decline in GP margin was mainly due to the Group's projects mix with higher composition of lower margin projects. Consequential upon lower revenue and lower GP margin, GP declined by 17.7% from RM106.86 million in FY2017 to RM87.92 million in FY2018.

M&T Division

The M&T division achieved a higher revenue of RM252.66 million in FY2018 compared to RM118.47 million recorded in FY2017. The improvement in M&T revenue by RM134.19 million or 113.3% was due to the following:

Operation	Revenue (RM' mil)		Main reasons for variance
	FY2018	FY2017	
Precast concrete products	203.89	92.94	Higher revenue from KVMRT line 2 project, and revenue contribution from a contract in relation to the supply of Industrialised Building System components to Singapore
Quarry products	48.77	25.53	Higher volume of quarry products supplied to the PBH project

The M&T division's GP margin declined from 22.7% in FY2017 to 15.2% in FY2018. The decline in GP margin was mainly due to: -

(i) larger proportion of the precast concrete products revenue was contributed by lower margin supply contracts; and

(ii) sales of lower margin quarry products

On the back of higher revenue, GP increased by RM11.55 million in FY2018 against FY2017.

MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

Property Development Division

The property development division recorded lower revenue of RM4.54 million in FY2018 against RM15.71 million in FY2017 as lesser completed houses were sold during the period. Consequently, lower GP of RM0.90 million was recorded in FY2018.

Financial Position

Shareholders' funds increased from RM607.64 million as at 31 December 2017 to RM664.72 million as at 31 December 2018, attributable to comprehensive income generated and issuance of shares pursuant to the dividend reinvestment plan and warrants conversion during FY2018.

Non-current assets increased from RM302.07 million as at 31 December 2017 to RM325.45 million as at 31 December 2018. This was largely due to the purchase of PPE amounting to RM63.93 million during FY2018, partly offset by depreciation charges of RM40.44 million.

Current assets increased from RM846.15 million as at 31 December 2017 to RM1.07 billion as at 31 December 2018 mainly due to the combined effect of the following:

(i) increase in development properties by RM73.41 million, mainly attributable to the purchase of several vacant detached lots and building lots located in Bukit Bayu@U10 Shah Alam, Seksyen U10, Shah Alam, Selangor (collectively "BB Property") for RM68.41 million;

(ii) increase in inventories by RM48.35 million, mainly attributable to the increase in SBG closing stocks by RM37.53 million on active production pursuant to the KVMRT Line 2 SBG sales order during FY2018;

(iii) increase in trade and other receivables by RM52.57 million mainly attributable to part payment of approximately RM50 million toward the purchase of few parcels of land as detailed in the ensuing section; and

(iv) increase in contract assets by RM102.57 million mainly due to delay in certification of work done for few projects by the certifying parties.

Current liabilities increased from RM456.42 million as at 31 December 2017 to RM648.55 million as at 31 December 2018 mainly due to the followings: -

(i) net increase in trade and other payables and contract liabilities by RM49.43 million, which in turn was attributable to higher deposits collected from customers and amount due to a joint venture company; and

(ii) increase in loans and borrowings by RM143.55 million. The increase in short term loans and borrowings under current liabilities as well as under non-current liabilities were mainly due to the drawdown of finance lease facilities during the period to finance capital expenditures, and higher utilization of working capital financing facilities to meet the requirement of higher scale of operations, as well as part payment of the purchase consideration of few parcels of land.

Net gearing ratio as at 31 December 2018 was 0.26 times.

Cash Flow

For FY2018, the Group registered net cash outflow from operating activities of RM137.52 million, mainly due to working capital committed in current assets. Net cash used in investing activities of RM21.44 million was mainly for the purchase of PPE. Net cash generated from financing activities of RM93.01 million was mainly attributable to the proceeds from loans and borrowings and issuance of shares, partly offset by the repayment of obligations under finance lease and dividend payment. Due to the net cash outflow of RM65.65 million during FY2018, the Group's cash and cash equivalents was a deficit of RM4.86 million as at 31 December 2018.

PROSPECTS AND OUTLOOK

The Board is positive of the performance of the Group in 2019 as the Group's estimated construction and manufacturing balance order book of approximately RM1.9 billion and RM0.3 billion respectively as at 31 December 2018, is expected to keep our Group busy for the next 2 years.

Our key challenges and risks include operational, credit, liquidity, human resources and market risks. Please refer to pages 48 to 49 of this Annual Report for nature of the key risks and the Group's control measures to mitigate the risks.

Focus and Strategies for 2019

Construction Division	Manufacturing Division	Property Development Division
• Focus in the execution of projects in hand • Leverage on the diversified construction services track record to actively bid for new public and private sector projects solely or jointly with parties whom have complementary strengths	• Focus in the production of pre-cast components for KVMRT Line 2 and Singapore MRT • Bid for orders from Singapore market including to those in relation to MRT line, North South Corridor Expressway and private sector projects	• Development planning of land bank in hand and in the pipeline • Engage experience real estate agents and participate in roadshow to market balance stocks • Explore potential land bank in strategic locations

Our on-going projects and sales orders comprises of contracts secured from, amongst other, Lebuhraya Borneo Utara Sdn Bhd, MMC Gamuda KVMRT (UGW) Joint Venture, UEM Sunrise Bhd Group, Sunway Iskandar Sdn Bhd, Hillcrest Gardens Sdn Bhd and China Railway First Group Co.Ltd. Our on-going projects and sales orders include the following:

(a) The supply contracts in relation to the supply of SBG and TLS to KVMRT Line 2, with aggregate contract value of approximately RM252 million. The supplies of products under these contracts are expected to be completed in 2019;

(b) PBH - Zecon Kimlun Consortium Sdn Bhd, the Company's 30% owned joint venture company was awarded with a work package under the PBH for a contract sum of RM1.46 billion. The estimated completion period of the project per the letter of award is end March 2020;

(c) Main building works for 1 block of commercial building and 1 block of apartments at Medini Iskandar, Mukim Pulai, Daerah Johor Bahru, Johor at a contract sum of RM164.00 million. The estimated completion period of the project per the letter of award is June 2021.

(d) the construction of road and interchange in Gerbang Nusajaya, Johor Bahru, Johor for a contract sum of RM144.10 million; and

(e) the supply of pre-cast concrete building components to M+W Singapore Pte Ltd for Singapore Dollar 27.00 million

The Group will continue to actively bid for new construction projects in Malaysia, in particular those in relation to affordable housing development which continue to receive strong demand from the low and middle income group.

MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

Singapore Construction Sector

The total construction demand in 2019 is projected to range between S$27 billion to S$32 billion in 2019, comparable to the S$30.5 billion (preliminary estimate) awarded in 2018.

The projected outlook is due to sustained public sector construction demand, which is expected to reach between S$16.5 billion and S$19.5 billion in 2019. Public construction demand is expected to be boosted by major infrastructure projects and a pipeline of major industrial building projects.

The private sector's construction demand is expected to remain steady at between S$10.5 billion and S$12.5 billion in 2019, supported by projects including the redevelopment of past en-bloc sales sites concluded prior to the second half of 2018 and new industrial developments.

The construction demand is expected to be improve over the medium term. Demand is projected to reach between S$27 billion and S$34 billion per year for 2020 and 2021 and could increase to between S$28 billion and S$35 billion per year for 2022 and 2023.

(Source: Building and Construction Authority of Singapore)

The Land Transport Authority of Singapore (LTA) has progressively awarded some civil contracts to construct the North-South Corridor Expressway ("NSC") since 2018. The NSC is expected to be completed around 2026. Our subsidiary, SPC Industries Sdn Bhd ("SPC") which has a strong track record in supplying precast concrete components to various projects in Singapore since 2006, including Singapore MRT projects, underground cable tunnel projects and sewerage system projects, is well positioned to compete for potential sales orders from NSC related projects

In addition, your Board expects the expansion of the rail network in Singapore will present business opportunities for us to bid for TLS, sleepers and other precast concrete components orders till 2030. According to the Singapore Land Transport Master Plan, the Singapore government targets to extend its rail network to 360 km by 2030. Pursuant to the Singapore 2013 Land Transport Master Plan, there will be two new MRT lines with a total route length of 70 km and extension of a total route length of 8 km to existing lines to be built by 2030.

Property Development Ventures

Our Property Development division will continue its effort to market the unsold stocks of the completed Hyve SOHO development and Taman Puteri residential development in Pekan Nenas, Johor.

There is no other on-going development carried out by the Group on its existing land bank totalling 175 acres and the Group does not expect any new launching until second half of 2019, subject to the sentiment of the property market.

We have entered into agreements to acquire the following properties ("New Land") to increase our land bank to ensure the availability of land for future development:

New Land Bank in the Pipe Line

Location	Purchase Price (RM)	Expected Completion of Acquisition	Land Area, Tenure and Land Use On Completion of the Acquisition
Within Iskandar Puteri, Iskandar Malaysia, Johor	82 million	2018	29.00 acres freehold agriculture land
Within Meridin East township which is 2.5km away from the Senai-Desaru Highway, and approximately 28 km from Johor Bahru city centre	22 million	2020	17.90 acres freehold commercial land
Within a matured township, Taman Sri Pulai Perdana, approximately 24km from Johor Bahru city centre	14 million	2020	5.15 acres freehold commercial land

The purchase consideration of the New Land is expected to be satisfied by internally generated funds and bank borrowings. For illustrative purpose, assuming 70% of the purchase consideration is financed through bank borrowings and fully drawn down as at 31 December 2018, the Group's gearing ratio is expected to increase from the audited ratio of 0.26 times as at 31 December 2018 to 0.33 times.

Upon the completion of all the acquisitions, the total land bank of the Group will increase to 227 acres.

DIVIDEND POLICY

While we do not adopt a formal dividend policy, our Company has been declaring dividends every year since its listing on the Main Market of Bursa Malaysia Securities Berhad in 2010. In respect of FY2018, the Board recommends a final single tier dividend of 3.7 sen per share. The recommended final dividend represents a pay-out ratio of approximately 20.1% of FY2018's profit attributable to owners of the Company.

Further, our Company has established a dividend reinvestment plan that provides our shareholders with an option to elect to reinvest their dividends in new shares in the Company.

Our Company is always mindful to reward our loyal shareholders who have supported our growth over the years while trying to strike a balance with the funding needs at our different development phases.

SUSTAINABILITY STATEMENT

Introduction

Businesses that embrace sustainability are able to thrive together with the society that they serve in the long-term. In line with this, sustainability is an essential part of the corporate culture at Kimlun Corporation Berhad ("Kimlun") and its subsidiary companies ("the Group") and guides every aspect of our daily activities and is the key to our continued success. Our business units embrace sustainable business practices in tandem with our pursuit of sustainable economic growth.

We recognise that our operations would have an impact on economic, environment and social conditions of the communities within which we operate. We integrate our business approaches with key Economic, Environmental and Social aspects towards achieving and delivering long-term sustainable values to our stakeholders.

Governance Structure

Sustainability is addressed at the highest levels at Kimlun. Our Board of Directors oversees the business affairs of the Group and is collectively responsible for our long-term success. The main duties of our Board include providing leadership on Kimlun's overall strategy, which takes into consideration sustainability issues, its framework and policies. Our Board also ensures the adequacy of the Group's framework for risk management and internal controls. The Group's sustainability framework can be illustrated as follows:

Board of Directors

Oversees the sustainability framework and policies

Audit Committee

Oversees audit or assurance activities with respect to sustainability management and reporting

Executive Committee

(comprises of all the executive directors of the Company and its wholly owned subsidiaries)

- identify the strategies for the management of sustainability issues
- Mandate the respective business units to carry out the sustainability efforts ("SE"), and ensure best practices of sustainability are embedded across the Group

Business Division Sustainability Steering Teams

(Comprises of senior management of respective business units)

- Drive and review the implementation of the SE and initiatives
- Recommend improvements to SE and action plans

Scope of Sustainability Reporting and Basis for the Scope

Our sustainability reporting covers our key business activities, namely construction and pre-cast concrete components manufacturing business carried out by our wholly owned subsidiary companies. Property Development division has been excluded as its revenue contribution was minimal and not expected to be significant in the near future, and almost all of its construction needs are performed by our construction division. It also excludes joint ventures for which Kimlun does not have management and/or operational control.

Material Sustainability Matters ("MSM")

In identifying our MSM which reflect our significant economic, environmental and social impacts, we have considered the following:

(i) the nature of our business and our corporate strategy;

(ii) risks assessment and risks scoring based on matrix developed pursuant to our enterprise risk framework;

(iii) our understanding of our stakeholders' needs. Our understanding of stakeholders' need is obtained through our engagement with them by way of:
- discussions
- survey;
- participation in activities conducted by external stakeholders such as public authorities, charitable organisations and investment banks; and
- dialogues with financial analysts from time to time as a means of effective communication that enables the Company to convey information relating to the Company's performance, corporate strategy and other matters which may be of interest to the investing community, at the same time obtain feedback from the financial analysts.

SUSTAINABILITY STATEMENT

(cont'd)

Based on our assessment, the most significant MSM identified and categorised into three board categories as follows:

Business / Economic Growth	Evironmental Management	Social Contribution
• Mechanized construction method • Shortage of skilled workers • Inconsistency of quality of products and services • Cost control • Business expansion	• Compliance with applicable laws and regulations • Waste management • Consumption of natural resources • Pollution	• Workplace practices • Occupational safety and health • Contribution to local community

Management of Sustainability Matters

The construction industry is generally regarded as labour intensive, dangerous and polluting. Construction projects involve long periods of work and delivery, complicated processes and rely heavily on in-situ construction methods involving the use of formworks and a huge amount of wet trades. The main challenges faced by the industry players include shortage of skilled labour, quality of works, cost control as well as compliances with the laws and regulations in relation to safety, health and environment. Occupational safety and health is always a challenge as the industry has a high level of work site accident injuries and fatalities. Construction activities are also inherently harmful to the environment, impacting the environment with noise, dust, muddy run-offs, and significant amounts of waste. In addition, the industry is very competitive and its vibrancy depends on property development projects and public sector projects planned and launched by the respective project owners.

The ability to deal with these challenges will have direct impact on the performance of the Group and its sustainability.

Generally, our key operation processes are governed by approved policies and procedures to ensure amongst others, that our operations are conducted in an orderly manner for delivery of quality products and services, and in compliance with applicable laws and regulations.

We have taken the following actions to deal with the challenges and MSM identified:

Category	MSM to address	Our actions
Business Growth	• Mechanised construction methods • Shortage of skilled workers • Inconsistency of quality of products and services • Cost control	• Adoption of industrialised building system ("IBS") construction method • Quality control teams ("QC Team") which check and review quality of our works and products, benchmarking against established standard such as the Quality Assessment System in Construction (QLASSIC) quality rating system, Construction Quality Assessment System (CONQUAS), and recommend ways to improve weaknesses identified • Active negotiation and co-operation with sub-contractors and suppliers, implementation of the approved policies and procedures governing the tendering process and project management process to achieve cost efficiency, service quality and reliability • Materials budgeting prior to the commencement of project and review the materials consumed against the budget • Engagement of sub-contractors based on clearly identified scope of works, performance and basis of price

Category	MSM to address	Our actions
	• Business Expansion	• Actively explore business opportunities outside our home base, namely Johor • Actively seek for new tenders via steps such as frequent checking to Singapore and Malaysia government's websites for information on projects under planning or in the pipe line, and tender invitation advertisements in newspapers, to identify business opportunities and ensure timely preparation for bidding • Bid for projects in affordable housing sub-sectors which continue to see strong demand, and infrastructure projects • Bid for projects jointly with parties which have complementary strength to the Group
Environmental	• Consumption of natural resources	• Adoption of IBS construction method as it leads to less wastage of materials; • Proper pre-production planning and strict production process control to minimise product rejection rate
	• Waste management	• Recyclable materials, if cannot be reused in our operations, will be channelled to recycling companies • Engage waste disposal companies that commit to dispose our construction waste in appropriate disposal sites i.e. not by way of illegal dumping • Large commercial grade waste bins at project sites to collect construction waste and non-construction waste to maintain cleanliness of project sites. The bins will be pulled out from the project sites at fixed intervals or as and when the bins are full, whichever is the earlier.
	• Pollution	• Construct temporary earth drain (where necessary) to prevent water ponding and flooding • Construct silt trap to collect and store sediment from sites cleared during construction • Construct wash through where every vehicles wash their muddy tyres before exiting the project site • Sheeting vehicles carrying dusty materials on leaving our factory to prevent materials being blown from the vehicles • Spraying of roads with water using high power water jet to maintain cleanliness of public road leading to the construction site • Our pre-cast concrete components manufacturing arm, SPC Industries Sdn Bhd ("SPC") has been accredited with Environment Management System Certification – ISO 14000:2000 Certification and follow the guidance under this standard to minimise the environmental impact of its operations
Social contribution	• Work place practices	Please refer to the ensuing section on corporate social responsibility ("CSR")
	• Occupational safety and health ("SH")	• Written policy and procedures on SH • Training and continuous updates on the requirement of the applicable legislation to the senior leadership at site • Please refer to the section on SH for further information
	• Contribution to local community	Please refer to the ensuing section on ("CSR")

SUSTAINABILITY STATEMENT

(cont'd)

IIndustrialised Building System ("IBS")

IBS is a technique of construction whereby components are manufactured in a controlled environment, either at-site or off-site, and transported, positioned and assembled into construction works.

We recommend our clients to adopt IBS in their project, and we have an IBS design team backed by pre-cast concrete manufacturing plants to assist our client as early as at the development planning stage. For those developments which the involvement of our construction arm, Kimlun Sdn Bhd ("KLSB"), begins only at construction stage, KLSB will advise its client to convert some elements to IBS component/pre-cast components. KLSB actively creates awareness and receptiveness of IBS construction method among its clients as this method renders:

(i) Higher quality products with lower wastage due to factory-controlled prefabrication environment. This reduces pollution which may be caused by construction waste and lesser wastage of natural resources such as iron and cement;
(ii) Shorten time of construction due to the introduction of prefabricated components replacing on-site construction. The reduction in construction period reduces the inconvenience caused to the public during construction period;
(iii) Lower reliance on foreign labour. This reduces the social impact arising from employing foreign labour for construction works.

Production Reject

We perform pre-production planning and production process assessment prior to the commencement of production of the products ordered by our customers, to minimize product rejection and machine and manpower idling time. By minimize product rejection, the return to shareholders will be enhanced, while lesser natural resources will be wasted.

We have set a benchmark rejection rate of not more than 1% as a guide. For the year under review, we successfully kept the rejection lower than the benchmark rate with the actual rejection rate of 0.5%.

Occupational Safety and Health

KLSB has a team of SH personnel who are stationed in various construction sites to check and enforce implementation of the Group's SH policies and procedures, and recommend appropriate compliance measures. This team is responsible to oversee the Safety and Health function matters of KSB at respective project sites

SPC is accredited with Occupational Health and Safety Management Certification (OHSAS) 18000, an international standard which provides a framework to identify, control and decrease the risks associated with SH within the workplace. It follows the guideline under the OHSAS 18000 as to its planning for hazard identification, risk assessment and SH management. The SH committee which comprises the senior management of SPC and representatives of production workers oversee SH matter of SPC.

The SH's activities include:

- identify and assess the potential hazards in the workplaces, and summarised risks identified into a risk assessment report;
- recommend SH practices and protection equipment to manage the risk;
- conduct induction training when contractors first enter into the new project site;
- perform periodic tool box briefing which emphasize on SH matters and enforce the requirement of personal protective equipment; and
- conduct workplace audit to identify SH compliance. Non-conformance will be recorded and any issue noted will be followed up for resolution.

We also require our sub-contractors to ensure their workers comply with SH practices recommended by us. KLSB implements a reward and punishment system which is applicable to both our and our sub-contractors' workers. Workers who have shown good SH attitude, proactive in SH matters and comply with our SH requirements, will be rewarded with monetary incentives to be decided by the SH Committee. Worker who does not comply with our SH requirement will be imposed with penalty.

We provide appropriate personal protective equipment to our employees in accordance with their job requirements; have in place in every construction sites safety devices such as safety net for arresting falling or flying objects for the safety of people beyond or below the net, and fire extinguishers for fire fighting purpose.

To relieve the financial burden of our employees in seeking medical treatment and ensuring medical treatment is sought timely, we purchase hospital and surgical insurance and personal accident insurance for our local employees, and workmen compensation insurance for our foreign labour.

Corporate Social Responsibility

Corporate social responsibility has formed part of the core values that Kimlun will always uphold while conducting itself as a responsible business entity. We are always mindful of contributing back to the local community where we derive our economic benefits. We recognise the essential needs to safeguard the welfare of our employees and to contribute to the community where our Group operates in. In line with these core fundamental values, we always strive to seek a balance between our social responsibilities and our obligations to maximise value for our shareholders.

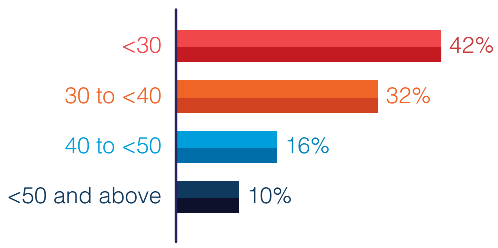
Welfare of Employees

Human capital is the key asset of Kimlun. Our employees' development is critical to the Company's growth. We provide a conducive environment where our employees can explore, express, exchange and execute ideas for individual as well as collective excellence.

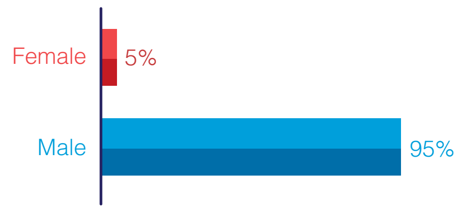
We practice equal employment opportunity and there are no barriers to employment or development in our Group by reason of an individual's gender, race, religion and age. The recruitment or promotion of a candidate is dependent on our organisational needs, the candidate's skills, experience, core competencies and other qualities.

The Group's workforce statistics as at 31 December 2018 are as follows:

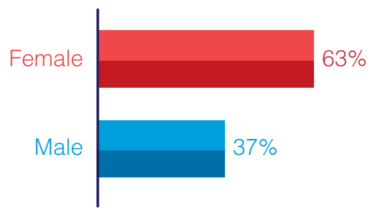
Age



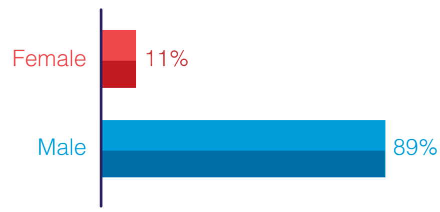
Gender-construction sites/ production floor based



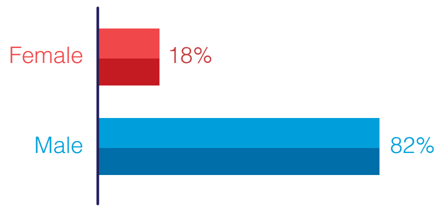
Gender-Office Based



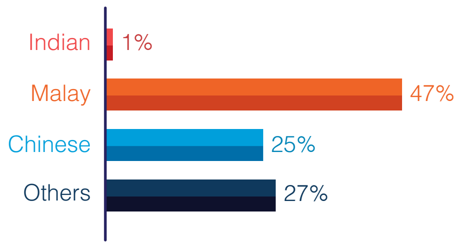
Gender-Overall



Gender-Managerial position



Ethnicity



SUSTAINABILITY STATEMENT

(cont'd)

To be a high-performance organisation, it is crucial to develop a competent, capable and motivated workforce that can meet the business challenges of today and tomorrow. The nature of our business is such that we require specialist technical and engineering expertise. Hence, we continuously undertake concerted efforts to groom our employees towards realising their fullest potential. During the year, we arranged numerous customised internal and external training programs in relation to our core businesses in order to improve our employees' technical knowhow.

Safety and quality continues to be a priority in our operations. Occupational health and safety not only contributes to corporate goals but also plays a part in the social and ethical role of the organisation. We inculcate the culture of safety, health and environmental consciousness in our business operations, and provide and maintain safe systems of work, make arrangements for ensuring the safe use, handling, storage and transport of equipment and materials, as well as provide necessary information, instruction, training and supervision to our employees.

Various internal training and external courses in relation to occupational health and safety, and quality management system were conducted during the year to ensure a safe working environment, and that a systematic and efficient construction and production process was upheld.

The Group has also looked into the training needs of departments such as finance and human resources department.

For the year under review, we have provided 3,500 hours of external training to our employees, which was approximately 9.6 hours per employee of executive level and above. This has surpassed our internal benchmark of a minimum of 6 hours per employee of executive level and above. We spent approximately RM131,000 for employees training and development.

For employees below executive level, on-the-job training were provided.

Contribution to Community

We also serve the community to improve the quality of the lives of the less fortunate. During the year, we supported numerous organisations and causes, either directly or in conjunction with other enterprises, mainly via monetary contribution and sponsorship. Amongst the charitable bodies, parties and events that we had supported were Eco Tropics Development Sdn. Bhd. Charity Dinner, Mah Sing Foundation and Association of Parents and Teachers of various schools.

We participated in various local government agencies' initiatives to build a caring society with united and harmonious living environment. We also supported amongst others the Kempen Tabung Pahlawan, Tabung Kebajikan untuk Kakitangan Kementerian Kerajaan Malaysia and Pertubuhan Kebajikan Mental Selangor during the year.

We made charitable contributions of approximately RM315,000 during the year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Board of Directors ("the Board") is accountable and responsible for the performance and affairs of Kimlun Corporation Berhad ("the Company"), including practising a high level of good governance. All Board members are expected to show good stewardship and act in a professional manner, as well as upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities. To this end, the Board implements the principles and practices of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") towards achieving corporate excellence.

This Corporate Governance Overview Statement sets out the principal features of the Company and its subsidiaries' (collectively referred to as "the Group") corporate governance approach, summary of corporate governance practices during the financial year as well as key focus areas in relation to corporate governance for the financial year ended 31 December 2018 ("FY2018"). The detailed application for each practice as set out in the MCCG 2017 is disclosed in the Corporate Governance Report ("CG Report") which is available on the Company's website at http://www.kimlun.com and via an announcement on the website of Bursa Malaysia.

A. BOARD LEADERSHIP AND EFFECTIVENESS

The Board adopted a Board Charter which sets out the authority, role, responsibilities, membership and operation of the Board. The Board reviews the Board Charter from time to time and makes any necessary amendments to ensure it complies with relevant laws, regulations and practices, and remain relevant and effective in the light of the Board's objectives. The last review of the Board Charter was on 1 April 2019.

The Board Charter is accessible at http://www.kimlun.com.

Authority

The Board's roles and responsibilities are governed by the Constitution of the Company and also in accordance with the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), the MCCG 2017 of Securities Commission Malaysia ("SC"), the Capital Markets and Services Act 2007 ("CMSA") and any other prevailing regulatory corporate governance practices and laws.

Board Composition

The Constitution of the Company provides for a minimum of two directors and a maximum of ten directors. In compliance with Paragraph 15.02 of the MMLR, there shall be at least two directors or one-third (1/3) of the Board, whichever is higher, who are Independent Directors.

The Board consists of eight qualified individuals with diverse set of skills, experience and knowledge necessary to govern the Company. Three of the Directors are Independent Non-Executive Directors ("Independent Director"), thus the Company has complied with Paragraph 15.02 of the MMLR. The composition and size of the Board is such that it facilitates the decision making of the Company.

The Independent Directors provide objective and independent views and judgement in decision-making processes of the Board covering issues of strategy, performance and risks. The presence of the Independent Directors fulfills a pivotal role in corporate governance accountability and ensures the interests of all shareholders are indeed taken into account by the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

Pursuant to Practice 4.2 of the MCCG 2017, the tenure of an Independent Director shall not exceed a cumulative term of nine years. However, upon completion of the nine years, the Independent Director may continue to serve the Board as a Non-Independent Director. If the Board intends to retain an Independent Director beyond nine years, it shall provide justification and seek annual shareholders' approval.

The size and composition of the current Board is well balanced with a good and appropriate mix of knowledge, skills, attributes and core competencies. The Board which currently comprises of three Independent Directors and five Executive Directors is able to discharge its duties professionally and effectively, uphold good governance standards in their conduct and that of the Board.

The Independent Directors are able to exercise strong independent judgement and provide balance to the Board with their unbiased and independent views, advice and judgement to all Board deliberations. All the Independent Directors fulfill the criteria of independence as defined in the MMLR and they impartially provide check and balance to the Board.

The Executive Chairman has demonstrated strong commitment and judgement in overseeing the management function, looking after the best interest of all shareholders and ensuring that contributions by all Directors were forthcoming on matters being deliberated and that no particular Board member dominated in any of the discussions. This ensures the balance of power and authority within the Board.

The Board does not have a formal policy on boardroom and senior management diversity, nevertheless the Board is committed to ensuring directors and senior management of the Company possess diverse sets of skills, knowledge and experience. In addition, the directors of the Company must have the ability to devote sufficient time and attention to the Company, and are independent taking into account the candidate's character, integrity and professionalism.

On boardroom diversity, the current composition of the Board is diverse in terms of skills, experiences, gender, age and nationality. The background of each Director can be found on pages 6 to 9 of this Annual Report. Despite the Group is operating mainly in the construction industry which is male-dominant whereby males made up of 89% of the Group's work force, the Board is supportive of the boardroom gender diversity recommended by MCCG 2017 as the Board currently has a female member (i.e. 12.5% of the Board). The Board is committed to have at least one female Director on the Board.

Underpinning the Company's boardroom gender diversity is the commitment to ensure that all Directors are appointed on merit, in line with the standards as set out in Paragraph 2.20A of the MMLR. The Board through the Nomination Committee ("NC") will review the proportion of the female to male board members during the annual assessment of the Directors' performance taking into consideration the appropriate skills, experience and characteristics required in the context of the needs of the Group. At the subsidiary companies level, 50% of the directors (other than those Directors(s) who also serve on the board of subsidiary companies) appointed by the Company to represent its interest in the subsidiary companies are female.

The Group practices equal employment opportunity, there are no barriers to employment or development in our Group by reason of an individual's gender. The recruitment or promotion of a candidate to the position of senior management is dependent on our organisational needs, the candidate's skills, experience, core competencies and other qualities.

The Board is satisfied with the level of time committed by its members in discharging their duties and roles as Directors of the Company. All the Directors have full attendance at the Board meetings or committee meetings (where applicable) during FY2018, and complied with Paragraph 15.06 of the MMLR on the limit of five directorships in public listed companies.

The Board acknowledges the recommendations by the MCCG 2017 that at least half of the board comprises independent directors. The Board will assess the impact of the recommendations on the composition of the Board, and endeavour to adopt the recommendation within two years.

The Board does not consider that it is necessary to nominate a Senior Independent Non-Executive Director to whom concerns may be conveyed. All members of the Board have demonstrated that they are always available to members and stakeholders whereby all issues can be openly discussed during Board meetings.

The composition and size of the Board are reviewed from time to time to ensure its appropriateness.

Appointment

The NC is responsible for making recommendations to the Board for the appointment of new Directors. All nomination to the Board shall first be considered by the NC, taking into consideration inter-alia the current and future needs of the Group, the Corporate Governance Guide issued by Bursa Securities and the credential of the potential Director.

The NC shall meet with the shortlisted candidates to assess their suitability before formally considering and recommending them for appointment to the Board. In assessing the suitability of candidates, the NC shall consider the candidates' characters, experiences, competencies, integrity, time commitment and other qualities, and board diversity including gender diversity and the mix of skills, qualifications, expertise and experience, knowledge, professionalism and integrity which would contribute to the overall desired composition of the Board.

Based on the NC's recommendation, the Board will evaluate and decide on the appointment of the proposed candidates. Prior to such appointment, the selected candidate will be briefed on the Company's vision and mission, its philosophy and nature of business, the corporate strategy and the expectations of the Company concerning input from Directors.

Election and re-election

Pursuant to Article 93 of the Company's Constitution, Directors appointed during the year by the Board shall hold office until the next Annual General Meeting ("AGM") and shall then be eligible for re-election. In accordance with Article 86 of the Constitution, at least one-third (1/3) of the Directors shall retire from office at every AGM. All Directors shall retire from office at least once every three years but shall be eligible for re-election. Retiring Directors who are seeking re-election are subject to Directors' assessment by the NC.

In FY2018, the NC had reviewed all Directors who are due for retirement by rotation, and standing for re-election at the Company's Tenth AGM. The NC found that they met the criteria of character, experience, integrity, competence and time to effectively discharge their respective roles as Directors as prescribed by the MMLR.

Independence of Director

The Board only considers Directors to be independent where they are independent of management and free from any business or other relationship that could materially interfere with or could reasonably be perceived to interfere with the exercise of their unfettered and independent judgement.

The NC reviews the independence of each Independent Non-Executive Director annually or whenever necessary, in light of information relevant to this assessment as disclosed by each Independent Non-Executive Director to the Board.

All the Independent Non-Executive Directors have served as independent directors of the Company for a cumulative term of nine (9) years on 23 October 2018. In the 9th Annual General Meeting held on 22 June 2018, shareholders of the Company approved the resolutions for all the Independent Non-Executive Directors to continue serving as independent directors from 24 October 2018 to 23 October 2019.

The NC has assessed the independence of all Independent Non-Executive Directors during FY2018 and has determined and informed the Board that all Independent Non-Executive Directors remain objective and independent. The Board concurred with the findings of the NC, and considered the suitability of each of the Independent Non-Executive Directors to continue to act as independent directors of the Company. The Board resolved to seek shareholders' approval for all the Independent Non-Executive Directors to continue serving as independent directors from 24 October 2019 to 23 October 2020 based on the following justifications:

(i) each of them has fulfilled the criteria under the definition of independent as set out in the MMLR;

(ii) each of them has during their present tenure as Independent Non-Executive Director developed valuable insight of the Group and its business. Their experience enables them to discharge their duties and responsibilities independently, objectively and effectively in the decision making processes of the Board;

(iii) each of them has vast experience, knowledge and skills in a diverse range of business and therefore provide constructive opinion, counsel, oversight and guidance as directors; and

(iv) each of them has devoted sufficient time and attention to his professional obligations to the Company for informed and balanced decision making.

On the same justification, with regards to the one Independent Director who is seeking for re-election pursuant to Article 86 of the Company's Constitution at the forthcoming Tenth AGM, the Board recommends and supports his re-election.

New Directorship

While the Board allows its Directors to accept appointments to other boards, the Directors are required to discuss with the Chairman and the Chief Executive Officer ("CEO") before accepting the new appointment and to indicate the time expected to be spent on the new appointment.

Role of Board

The Board's role is to represent and serve the interests of the shareholders. It is primarily responsible for overseeing and supervising the management of the business affairs of the Group.

The responsibilities of the Board include:

(i) Formulating the Group's strategic plans and strategies with economic, environmental and social considerations in line with sustainability practices for the Group;
(ii) Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed with good corporate governance;
(iii) Establishing an effective risk management and internal control framework which includes identifying the principal risks and ensuring the implementation of appropriate systems to manage these risks;
(iv) Succession planning including assessing that all candidates for senior management position are of sufficient calibre;
(v) Developing and implementing an investor relation programme and shareholder communication policy for the Company;
(vi) Together with senior management, promote good corporate governance culture which reinforces ethical, prudent and professional behaviour;
(vii) Reviewing the adequacy and the integrity of the Group's risk management framework and internal control systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines; and
(viii) ensuring the integrity of the Company's financial and non-financial reporting.

Matters which shall be reserved for decision by the Board, supported by any recommendation as may be made from time to time by the Board Committees (as appropriate) include:

(a) Approval of corporate plans and programmes;
(b) Approval of annual budgets;
(c) Approval of new ventures;
(d) Approval of material acquisitions and disposals of undertakings and properties;
(e) Approval of the annual financial statements and interim reports; and
(f) Any matters or transactions that fall within the ambit of the Board pursuant to the Companies Act 2016, MMLR, the Company's Constitution or any other applicable laws and regulations.

The Board delegates responsibility for the day-to-day operation of the Group's business to the Executive Directors and recognizes its responsibility for ensuring that the Group operates within a framework of prudent and effective control.

Chairman and Chief Executive Officer ("CEO")

The roles and responsibilities of the Chairman and the CEO are clearly defined and segregated to ensure a balance of power and authority such that no one individual has unfettered power of decision. The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role.

The responsibilities of the Chairman include:

(a) leading the Board in its responsibilities for the business and affairs of the Company and its oversight of management;
(b) overseeing the Board in the effective discharge of its supervisory role;
(c) ensuring the integrity and effectiveness of the governance process of the Board;
(d) facilitating the effective contribution of all Directors and ensuring constructive relations be maintained between the Board and Management;
(e) ensuring that there is regular and effective evaluation of the Board's performance; and
(f) ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole.

The CEO is responsible for implementing the policies and decisions of the Board, overseeing day-to-day operations as well as development and implementation of business and corporate strategies and plans. All Board authorities conferred on the management is delegated through the CEO and this will be considered as the CEO's authority and accountability.

Board Committees

The Board, in discharging its fiduciary duties, may from time to time establish Committees as it considers necessary to assist it in carrying out its responsibilities.

The Board has established three Board Committees, namely Audit Committee ("AC"), NC and Remuneration Committee ("RC"), each entrusted with specific tasks and operates within clearly defined terms of reference approved by the Board. The Chairman of the respective Committees reports to the Board on the outcome of the Committee meetings and such reports or minutes will be included in the Board papers.

The respective committees' terms of reference are available for reference at the Company's website at http://www.kimlun.com.

a. Audit Committee

Please refer to pages 44 to 46 of this Annual Report for composition of the AC, AC meetings held and the activities undertaken by the AC in the discharge of its duty during FY2018.

b. Remuneration Committee

The current composition of the RC is as follows:

Name	Designation	Directorship
Chua Kee Yat @ Koo Kee Yat	Chairman	Independent Non-Executive Director
Kek Chin Wu	Member	Independent Non-Executive Director
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	Member	Independent Non-Executive Director

The RC shall review and recommend to the Board the remuneration of the Executive Directors and Senior Management. Please refer to the ensuing section on Director's remuneration for further details.

The remuneration packages of Non-Executive Directors shall be determined by the Board as a whole and subject to the shareholders' approval at the AGM. The Director concerned shall abstain from any discussion on his/her individual remuneration.

During FY2018, one meeting was held and attended by all members.

c. Nomination Committee

The current composition of the NC is as follows:

Name	Designation	Directorship
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	Chairman	Independent Non-Executive Director
Kek Chin Wu	Member	Independent Non-Executive Director
Chua Kee Yat @ Koo Kee Yat	Member	Independent Non-Executive Director

During FY2018, one meeting was held and attended by all members. Please refer to the ensuing sections on Election and Re-election, Independence of Director and Board Evaluation and Performance for further details on activities undertaken by the NC in the discharge of its duties during FY2018.

Board Meetings and Attendance

The Board shall meet at least five times a year. Directors are informed at the end of each year about the number and the tentative dates of Board meeting and Board committee meetings in the following year. In exceptional circumstances, additional meetings may be convened. During Board meetings, the CEO and members of the Management team, will table and present reports for the Board's consideration, deliberation and direction.

Directors are required to inform the Board of conflicts or potential conflicts of interest they may have in relation to particular items of business transacted by the Group or the Company. The interested Directors should abstain themselves from discussion or decisions on matters in which they have a conflicting interest.

The Chairman of the AC, RC and NC would inform the Directors at Board meetings of any salient matters noted by the Committee and which require the Board's notice, direction or approval.

Agenda, board papers and any other documents are made available at least five business days in advance to the Board to facilitate well-informed Board deliberation and decision-making. In addition, members of the Management are frequently invited to the Board meetings to explain and clarify the items tabled to the Board.

Agenda shall be prepared taking into account the formal schedule of matters reserved for the Board's decision.

All proceedings of the Board meetings are minuted. All Board members ensure that the minutes of meetings accurately reflect the deliberations and decisions of the Board, including whether any Director abstain from voting or deliberating on a particular manner.

During FY2018, five Board meetings were held. Details of attendance at the Board Meeting are as follows:

Directors	Number of Meetings Held During Director's Tenure In Office	Number of Meetings Attended	Percentage of Attendance
Pang Tin @ Pang Yon Tin	5	5	100%
Sim Tian Liang	5	5	100%
Pang Khang Hau	5	5	100%
Chin Lian Hing	5	5	100%
Yam Tai Fong	5	5	100%
Kek Chin Wu	5	5	100%
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	5	5	100%
Chua Kee Yat @ Koo Kee Yat	5	5	100%

Access to Information and Independent Professional Advice

All Directors, whether as a full Board or in their individual capacity have unrestricted access to all information of the Group on a timely basis in an appropriate form and quality necessary to enable them to discharge their duties and responsibilities. In exercising their duties, the Directors have unrestricted access to the advice and services of the Company Secretary and are also entitled to obtain independent professional opinions or advice from external consultants at the Company's expenses, when the need arises. Any request for professional opinions or advice from external consultants shall be raised for the consideration and consent of the Chairman. Upon his consent of the request, the Chairman shall authorise a Director or a member of the Senior Management to source for the advice of a suitable professional advisers or external consultants, based on the requirements of the Board.

Directors' Remuneration

On an annual basis, the RC considers market competitiveness, business results and individual performance in evaluating the Executive Directors' remuneration. The RC will then recommend to the Board, the remuneration package for the Directors. The Board, as a whole, will determine the level of remuneration paid to its Directors, taking into consideration the recommendation of the RC.

The level and make-up of remuneration should be effective and sufficient enough to:-

- attract and retain the Directors needed to run the Group successfully; and
- motivate and create incentives for Directors to perform at their best;

The remuneration package for Executive Directors comprises of a number of separate elements such as basic salary, allowances, bonuses and benefit-in-kind. The level of remuneration of the Executive Directors takes into consideration the Directors' contribution and commitment to the Company, the performance of the Group, the compensation levels for comparable positions among other similar Malaysian public listed companies and market condition.

In the case of Non-Executive Directors, the level of remuneration should reflect the experience and level of responsibilities undertaken by the particular Non-Executive Director concerned. Non-Executive Directors will be paid a basic fee as ordinary remuneration, a sum based on their responsibilities in Board committees and allowances for their attendances at the meetings. The fee and allowance are subject to the approval of the shareholders.

No Board member, whether executive or non-executive, will be involved in deciding his own remuneration.
The remuneration received or receivable by the Directors for FY2018 are as follows:

Name of Directors	Fee∞ (RM)	Meeting allowance∞ (RM)	Salaries and other allowances^ (RM)	Bonus^ (RM)	EPF^ (RM)	Benefits -in-kind^ (RM)	Total (RM)
Independent Director							
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	75,600	5,100					80,700
Kek Chin Wu	75,600	5,100					80,700
Chua Kee Yat @ Koo Kee Yat	73,350	5,100					78,450
Total	224,550	15,300					239,850
Executive Director							
Pang Tin @ Pang Yon Tin			621,240	237,310	160,433	28,000	1,046,983
Sim Tian Liang			619,680	234,920	162,379	24,910	1,041,889
Chin Lian Hing			619,680	234,920	162,379	19,394	1,036,373
Yam Tai Fong			590,280	224,570	154,833	9,900	979,583
Pang Khang Hau			627,120	238,780	103,918	13,325	983,143
Total			3,078,000	1,170,500	743,942	95,529	5,087,971

^ : received and receivable on group basis. None of the amount was received from the Company.
∞ : received and receivable from the Company.

During FY2018, the RC had reviewed the remuneration of the Directors taken into consideration the respective Director's experience, level of responsibility, contribution and commitment to the Company, the performance of the Group, the compensation levels for comparable positions among other similar Malaysian public listed companies and market condition. Based on the result of its review, the RC made recommendation to the Board on the remuneration package for the Directors for financial year ending 2019. The Board concurred with the recommendation of the RC, and that shareholders' approval be sought at the Tenth AGM on the payment of Directors' fees and benefits up to an amount of RM370,000 to the Independent Directors for the period commencing from the date of the forthcoming Tenth AGM until the next AGM of the Company.

The Group's top five senior management are the five Executive Directors of the Company. Their respective remuneration is disclosed above.

Board Evaluation and Performance

The NC evaluates the effectiveness and performance of the Board as a whole, the Board Committees and the individual Directors on an annual basis. The process is internally facilitated and conducted through questionnaires covering a variety of assessment criteria.

The criteria on which assessment is made is developed, maintained and reviewed by the NC. The assessment criteria includes the mix of skills, experience, competency, time commitment, character, integrity, independence, ability to constructively challenge and contribute to the development of strategy, diversity and other qualities required to meet the needs of the Group and to comply with the provisions of the MMLR. The NC, upon discussion of the results, will present the findings to the Board.

Based on the evaluation conducted in FY2018, the NC found that the Board as a whole, the Board Committees and the individual Directors are effective and possess the criteria required to discharge their duties professionally and effectively, and uphold good governance standards in their conduct. The NC presented their findings to the Board, and the Board concurred with the findings of the NC.

Directors' Training

All Directors of the Company have attended the Mandatory Accreditation Programme as required by the Bursa Securities. The Directors continue to update their knowledge and enhance their skills through appropriate continuing education programmes and life-long learning. This will enable Directors to effectively discharge duties and sustain active participation in the Board deliberations.

The Board is notified of training programmes or workshops conducted by Bursa Securities for its consideration of participation and the Board receives updates of the MMLR from the Company Secretary from time to time. The external auditors also briefed the Directors on any changes to the Malaysian Financial Reporting Standards that would affect the Group's financial statements during the financial year under review. All the Directors after assessing their own training needs, had attended the following training/seminar/conference:-

Director	Training/Seminar/Conference	Date
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	• Common Breaches of the Listing Requirements with Case Studies • Malaysian Code on Corporate Governance Reporting and Corporate Governance Guide • Independent Director's Programme - The Essence of Independence	22 June 2018 28 February 2018 29 October 2018
Sim Tian Liang	• Common Breaches of the Listing Requirements with Case Studies	22 June 2018
Chin Lian Hing	• Common Breaches of the Listing Requirements with Case Studies	22 June 2018
Yam Tai Fong	• The Final Week of GST : 10 Things that Business Should Do • Common Breaches of the Listing Requirements with Case Studies • Implementation of SST and Transition from GST	25 May 2018 22 June 2018 6 September 2018
Pang Khang Hau	• Common Breaches of the Listing Requirements with Case Studies	22 June 2018
Kek Chin Wu	• Common Breaches of the Listing Requirements with Case Studies • MFRS 9 Financial Instruments	22 June 2018 20 September 2018
Pang Tin @ Pang Yon Tin	• Common Breaches of the Listing Requirements with Case Studies	22 June 2018
Chua Kee Yat @ Koo Kee Yat	• Common Breaches of the Listing Requirements with Case Studies	22 June 2018

Code of Conduct

The Directors, officers and employees of the Group are required to observe the Company's Corporate Code of Conduct. The core areas of conduct under the Code include the following:-

(a) conflict of interest;
(b) confidential information;
(c) fair dealing;
(d) protection of company assets and property;
(e) knowledge and information;
(f) employment practices; and
(g) reporting of illegal and/or unethical behavior

The Board will review the Code regularly to ensure that it continues to remain relevant and appropriate. The Code is made available for reference in the Company's website at http://www.kimlun.com.

Whistleblowing Policy

The Board is committed to achieving and maintaining the highest standards of integrity, openness, probity and accountability in the conduct of its businesses and operations. It aspires to conduct its affairs in an ethical, responsible and transparent manner.

Whistle blowing is a specific means by which an individual, whether employee or otherwise, can report or disclose through established channels, concerns about unethical behavior, malpractices, illegal acts or failure to comply with regulatory requirements that is taking place / has taken place / may take place in the future, without fear of reprisal or victimization, in a responsible and effective manner.

The policy addresses the following areas:

- Policy Statement;
- Scope of Policy;
- Reporting Procedure;
- Investigation Procedure; and
- Protection and Confidentiality.

The Policy also provides the contact details of the Chairman of AC, should the reporting individual is in doubt of the Management's independence and objectivity on the concerns raised.

COMPANY SECRETARIES

All the Company Secretaries of the Company are qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016. The Company Secretary plays an important advisory role and is a source of information and advice to the Board and Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company and Group.

The Board shall ensure that the Company Secretaries remain competent to fulfill the function for which they have been appointed. In this respect, the appointment and removal of the Company Secretaries are matters for the Board to consider as a whole.

The specific responsibilities of the Company Secretaries include, but are not limited to the following:

(a) manage all Board and Board Committee meeting logistics, attend and record minutes of all board and committee meetings and facilitate Board communication;
(b) advise the Board on its roles and responsibilities;
(c) facilitate the orientation of new directors and assists in directors training and development;
(d) advise the Board on corporate disclosures and compliance with company and securities regulations and listing requirements;
(e) manage processes pertaining to the annual shareholder meeting;
(f) monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectation; and
(g) serve as a focal point for stakeholders' communication and engagement on corporate governance issues.

The Company Secretary's appointments and resignations are subject to Board's approval.

B. EFFECTIVE AUDIT AND RISK MANAGEMENT

Financial Reporting

The Board aims to present a balanced, clear and meaningful assessment of the Group's financial performance and position, and prospects in presenting the annual financial statements and quarterly reports as well as announcement to Bursa Securities. The Board is assisted by the AC in reviewing the Group's financial reporting processes and accuracy of its financial results, and scrutinising information for disclosure to ensure compliance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act 2016.

Internal Control

The Board acknowledges its overall responsibility for maintaining a sound system of internal controls to safeguard shareholders' investment and the Group's assets. However, the Board recognises that such system is structured to manage rather than eliminate the possibility of encountering risk of failure to achieve corporate objectives.

The Statement on Risk Management and Internal Control is set out on page 47 of the Annual Report providing an overview of the state of internal controls, risk management framework and internal audit function within the Group.

Relationship with Auditors

The Company has established a formal, transparent and appropriate relationship with the Company's auditors, both internal and external. The internal auditors and the external auditors have direct access to the AC at all times. From time to time, the auditors will highlight to the AC and the Board matters that require the Board's attention.

The AC meets with the external auditors at least twice a year without the presence of Executive Directors and management to discuss their audit plan and audit findings. The AC reviews with the external auditors the annual audited financial statements before recommending them to the Board for its approval.
The AC assesses the effectiveness of both internal and external audit as well as the suitability, independence and objectivity of the external auditors. In its assessment, the AC considered several factors, which included adequacy of experience and resources of the firm and the professional staff assigned to the audit. Written assurance shall be obtained from the external auditors yearly, confirming their independence in accordance with the Bylaws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

Being satisfied with the external auditors, Ernst & Young's ("EY") performance, technical competency and audit independence, the AC recommended the appointment of EY as external auditors for FY2018. The Board at its meeting held on 1 April 2019 approved the AC's recommendation for the shareholders' approval to be sought at the 10th AGM on the appointment of EY as external auditors of the Company for FY2019.

C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

DISCLOSURE POLICY, INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Board shall place great importance in ensuring the high standards of transparency and accountability in its communication to shareholders, analysts and the public. The shareholders shall be informed of all material matters affecting the Company and Group.

The channels of communication, amongst others, are as follows:-

(a) timely announcements made to Bursa Securities, which includes quarterly financial results, material contracts awarded, changes in the composition of the Group and any other material information that may affect investors' decision making;
(b) conducts dialogues with financial analysts from time to time as a means of effective communication that enables the Board and Management to convey information relating to the Company's performance, corporate strategy and other matters affecting shareholders' interests; and
(c) The Company's website which provides easy access to corporate information pertaining to the Company and its activities and is continuously updated. All announcements made to Bursa Securities are updated on the Company's website as soon as practical.

The AGM is the principal forum for dialogue with shareholders. At each AGM, a presentation is given by the CEO or the Finance Director ("FD") to explain the Group's strategy, performance and major developments to shareholders. The Board also encourages shareholders to participate in the question and answer session at the AGM.

Key investor relation activities during FY2018 include the followings:

- Semi-annually investors and financial analysts briefings;
- Participation in events or roadshows organised by investment banks;
- Private meetings with fund managers, investors and financial analysts

The Board is mindful on the importance of maintaining proper corporate disclosure procedures with the aim to provide shareholders and investors with comprehensive, accurate and quality information on a timely basis. Personnel and working team for preparing the disclosure will conduct due diligence and proper verification, as well as coordinate the efficient disclosure of material information to the investing public. The Company also ensures that confidential information is handled properly by Directors, employees and relevant parties to avoid leakage and improper use of such information.

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Company dispatches its notice of AGM to shareholders at least 28 days before the AGM, in advance of the notice period as required under the Companies Act 2016 and MMLR. The additional time given to shareholders allows them to go through the Annual Report and Circular to shareholders, and make the necessary attendance and voting arrangements.

The Company allows a member to appoint a proxy who may 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 auditor or a person approved by the Companies Commission of Malaysia. The Company has also removed the limit on the number of proxies to be appointed by an exempt authorised nominee with shares in the Company for Omnibus account to allow greater participation of beneficial owners of shares at general meetings of the Company. The Constitution of the Company further accord proxies the same rights as members to speak at the general meeting. Essentially, a corporate representative, proxy or attorney is entitled to attend, speak and vote as if they were a member of the Company.

The AGM is the principal forum for dialogue with individual shareholders, as it provides shareholders the opportunity to ask questions about the resolutions being proposed or about the Group's operations in general. In every AGM, the CEO or FD conducts a presentation on the performance of the Group and encourages the shareholders to enquire about the Group's performance. The Directors, Company Secretary and the Company's external auditors are available to respond to the queries raised. The Share Registrar is available to attend to matters relating to shareholders' interests. Summary of key matters discussed at the AGM was published on the Company's website at http://www.kimlun.com.

Extraordinary General Meetings ("EGM") are held as and when required. When an EGM is held to obtain shareholders' approval on certain business or corporate proposals, comprehensive circulars to shareholders will be sent within prescribed deadlines in accordance with regulatory and statutory provisions.

The Board put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution.

This statement is made in accordance with the resolution of the Board of Directors dated 1 April 2019.

ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES

Utilisation of Proceeds Raised From Corporate Proposal

Net proceeds raised from the Dividend Reinvestment Plan ("DRP") during FY2018 (after deducting estimated expenses of the DRP) had been fully utilised to fund general working capital of the Group.

Non-Audit Fees

During FY2018, non-audit fees incurred for services rendered to the Company and/or its subsidiaries by the Company's external auditors, or a firm affiliated to the external auditors were as follows:

	Audit Fee	Non-audit Fee
Company	RM33,000	RM15,300
Group	RM136,500	RM82,857

The non-audit fees were incurred mainly for corporate tax computation and submission services rendered to the Group by a firm affiliated to the external auditors.

Material Contracts

Save as disclosed under Note 28 to the financial statements contained in this Annual Report, there were no material contracts including contracts relating to any loans entered into by the Company and its subsidiaries involving Directors and major shareholders' interest, either still subsisting at the end of FY2018 or entered into since the end of the previous financial year.

Recurrent Related Party Transactions of Revenue and Trading Nature ("RRPT")

The Company had at the 9th AGM of the Company held on 22 June 2018 obtained shareholders' mandate for the Group to enter into RRPT, which are necessary for its day-to-day operations and are in the ordinary course of business with related parties. The shareholders' mandate shall lapse at the conclusion of the Company's forthcoming AGM. The Company intends to seek a renewal of the shareholders' mandate for the RRPT at the Company's forthcoming AGM.

The details of the mandated RRPTs transacted during FY2018 are as follows:

Subsidiaries involved	Transacting Parties	Categories of transactions	Value transacted RM'000	Interested Directors and Major Shareholders
Kimlun Sdn Bhd ("KLSB")	Scudai Development Sdn Bhd ("SD")	Provision of construction services by KLSB to SD for construction of buildings and infrastructure	27,466	Pang Tin @ Pang Yon Tin^, his spouse and children collectively hold 90% interest in SD. Pang Khang Hau* holds 7.5% interest in SD.
				Pang Chew Ngo# is also deemed interested by virtue of their family relationship to Pang Tin @ Pang Yon Tin. Phin Sdn Bhd ("Phin") is deemed interested by virtue of Pang Tin @ Pang Yon Tin's interest in Phin∞ pursuant to Section 8 of the Companies Act 2016 ("the Act").

ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES
(cont'd)

Subsidiaries involved	Transacting Parties	Categories of transactions	Value transacted RM'000	Interested Directors and Major Shareholders
SPC	Sri Pulai Realty Sdn Bhd ("SPR")	Renting of premises from SPR.	836	Phang Piow @ Pang Choo Ing#, his spouse and his children collectively hold 100% interest in SPR. Pang Tin @ Pang Yon Tin^ and Pang Chew Ngo# are deemed interested by virtue of their family relationship to Phang Piow@ Pang Choo Ing. Phin is deemed interested by virtue of Pang Tin @ Pang Yon Tin's interest in Phin∞ pursuant to Section 8 of the Act.
SPC	Properties Watch Sdn Bhd ("PWSB")	Renting of premises from PWSB	1,180	Pang Tin @ Pang Yon Tin^ and his spouse collectively hold 100% interest in PWSB. Pang Khang Hau* and Pang Chew Ngo# are also deemed interested by virtue of their family relationship to Pang Tin @Pang Yon Tin. Phin is deemed interested by virtue of Pang Tin @ Pang Yon Tin's interest in Phin∞ pursuant to Section 8 of the Act.
KLSB, SPC and Kimlun Land Sdn Bhd ("Kimlun Land")	Mi Lun Woodworks Sdn Bhd ("MLW")	Provision of landscaping & maintenance service by MLW to SPC and Kimlun Land	68	Pang Tin @ Pang Yon Tin^ and his spouse collectively hold 100% interest in MLW. Pang Khang Hau* and Pang Chew Ngo# are also deemed interested by virtue of their family relationship to Pang Tin @ Pang Yon Tin. Phin is deemed interested by virtue of Pang Tin @ Pang Yon Tin's interest in Phin∞ pursuant to Section 8 of the Act.

^ *Our Director and Major Shareholder*
* *Our Director and shareholder*
\# *Our shareholder and a Director of one of our subsidiary companies*
∞ *Our Major Shareholder*

The details of the renewal of the shareholders' mandate to be sought would be furnished in the Circular to Shareholders dated 29 Apr 2019 together with this Annual Report.

The details of the RRPTs transacted during FY2018 are disclosed in Note 28 to the financial statements contained in this Annual Report.

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE COMPOSITION AND MEETINGS

The members of the Audit Committee ("AC") comprise of:-

1. **Kek Chin Wu**
   Chairman / Independent Non-Executive Director

2. **Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah**
   Member / Independent Non-Executive Director

3. **Chua Kee Yat @ Koo Kee Yat**
   Member / Independent Non-Executive Director

The AC, which consists solely of Independent Non-Executive Directors, comprise qualified individuals with the required skills and expertise to discharge the committee's functions and duties. All members of the AC, including the Chairman, will hold office only so long as they serve as Directors of the Company. The members of the AC are financially literate and have contributed to meaningful discussions in overseeing the integrity of the financial reporting processes and financial statements.

The AC Chariman, Mr Kek Chin Wu, is a fellow member of Association of Chartered Certified Accountants and a member of the Malaysia Institute of Accountants. Accordingly, the company complies with paragraph 15.09(1)(c)(i) of MMLR.

Annually, the term of office, independence and performance of the AC and each of its members are assessed by the Nomination Committee. Based on the said assessment, the AC and its members are found to have effectively discharged its duties in accordance with its terms of reference. The Board and the Nomination Committee were of the view that the AC has provided valuable recommendations to assist the Board in making informed decisions. The Board is kept informed of the AC's deliberations through its minutes and report, which is a standing agenda item in the scheduled meetings of the Board.

During the financial year ended 31 December 2018 ("FY2018"), the AC met five (5) times. The AC meetings were appropriately structured through the use of agendas, which were distributed to members prior to the meeting. The meeting attendance of the AC members is as follows:

Name of Directors	Number of Meetings Held During Director's Tenure in Office	Attendance	Percentage of Attendance
Kek Chin Wu	5	5	100%
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	5	5	100%
Chua Kee Yat @ Koo Kee Yat	5	5	100%

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The information on the terms of reference of the AC is available on the Company's website at http:///www.kimlun.com.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year, the AC met five times. In line with the terms of reference of the AC, the following activities were carried out by the AC during FY2018 in discharging its functions:

(1) External Audit

(a) Met with the external auditors three times during FY2018 on 27 February 2018, 29 March 2018 and 29 November 2018 respectively on matters relating to the audit and financial statements without the presence of Management and Executive Directors;

(b) Reviewed and discussed with the external auditors on their scope of work, engagement team, audit timeline, areas of audit emphasis, focus on key audit matters, accounting standards updates that affected financial reporting, the responsibilities of Directors and Management, and the FY2018 audit planning memorandum;

(c) Reviewed and discussed with the external auditors the results of their audit, their comments and conclusions on the significant audit findings, the audit report, management letter and internal control recommendations in respect of internal control weaknesses noted in the course of their audit;

(d) Sought clarification from the Management on significant financial reporting issues, judgments made by the Management and matters highlighted by the external auditors. The AC was satisfied with the clarification from the Management and the actions taken by the Management to address the matters highlighted;

(e) Reviewed the audit fees proposed by the external auditors and recommended the fees to the Board of Directors for approval;

(f) Assessed the suitability, objectivity and independence of the external auditors. In its assessment, the AC considered several factors, which included adequacy of experience and resources of the firm, the professional staff assigned to the audit and the level of non-audit services to be rendered by the external auditors, Ernst & Young ("EY"). Written assurance was received from the external auditors confirming their independence in accordance with the Bylaws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants. Being satisfied with EY's performance, technical competency and audit independence, the AC recommended the appointment of EY as external auditors for FY2018.

(2) Financial Reporting

(a) Reviewed the quarterly unaudited financial results, audited financial statements and Annual Report before recommending for the Board's approval focusing particularly on:-

(i) changes in or implementation of major accounting policy changes;

(ii) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, key audit matters and how these matters are addressed;

(iii) compliance with accounting standards and other legal requirements; and

(iv) the going concern assumption.

The AC obtained the advice of the Company's Secretary and external auditors on compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board, and other legal requirements;

(b) Invited the Finance Director to all AC meetings to facilitate direct communication as well as to provide clarification on the financial results of the Group, the changes in or implementation of major accounting policy changes, in particular the implication of the adoption of MFRS 15 Revenue from Contracts with Customers and MFRS 9 Financial Instruments.

(3) Internal Audit

(a) Met with the internal auditors four (4) times during the year without the presence of any Executive Directors or Management of the Group;

(b) Reviewed the internal audit plan, the adequacy of the scope and coverage of activities of the Group, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;

(c) Reviewed and deliberated on the audit findings in the internal audit reports tabled during the year, the audit recommendations made and Management's responses and/or actions taken to these recommendations. The AC briefed the Board on audit findings, sought clarifications from the Executive Directors on internal control matters and provided its views and recommendations on areas where improvements could be made;

(d) Reviewed the results of follow-up audits conducted by the internal auditors on the Management's implementation of audit recommendations to ensure that all key risks and internal control weaknesses are properly addressed.

(4) Related Party Transactions

(a) Reviewed related party transactions ("RPTs") on a quarterly basis and also the internal audit report on RPTs to ascertain that the review procedures established to monitor the RPTs have been complied with. The Management presented the RPTs reports detailing the parties to the RPTs, the nature and quantum of the RPTs to the AC quarterly for their review;

(b) Reviewed the 2018 Circular to Shareholders in relation to the renewal of shareholders' mandate for Recurrent RPT, prior to its recommendation to the Board of Directors for approval.

AUDIT COMMITTEE REPORT
(cont'd)

(5) Annual Report and Corporate Governance

(a) Reviewed the application of corporate governance principles and the extent of the Group's compliance with the best practices set out under the Malaysian Code on Corporate Governance 2017 ("MCCG 2017"). In discharging its duty, the AC obtained the advices of the Company Secretary on MCCG 2017, and discussed with the Executive Directors on the application of the best practices set out under the MCCG 2017;

(b) Reviewed the following statements/reports and recommended the same to the Board for inclusion in the Annual Report:

(i) General Sustainability Statement;
(ii) Corporate Governance Overview Statement;
(iii) Corporate Governance Report;
(iv) Statement on Risk Management and Internal Control; and
(v) Audit Committee Report.

(6) Risk Management

Discussed with the Board of Directors, the material key risks affecting the Group, the mitigation plans and strategies implemented by Management and the residual risk scores of these risks.

SUMMARY OF ACTIVITIES OF INTERNAL AUDIT FUNCTION

The Company has outsourced its internal audit function to NGL Tricor Governance Sdn. Bhd., a professional services firm. The internal audit function has been mandated to continually assess and monitor the Group's system of internal control.

During the financial year, the internal auditors carried out internal audit reviews to assess the adequacy and integrity of the system of internal control as established by the Management, so as to provide reasonable assurance that:-

- the system of internal control continues to operate satisfactorily and effectively;
- assets and resources are safeguarded;
- integrity of records and information is protected;
- internal policies, procedures and standards are adhered to; and
- applicable rules and regulations are complied with.

The scope of work, as approved by the AC, was essentially based on the risk profiles of individual business units in the Group, where areas of higher risk were included for internal audit. The internal audit covered key operational, financial and compliance controls, including the risk management process deployed by Management. Among the scope of coverage during the financial year were reviews of the procurement management system, safety and health function, related party transactions and production management system.

The internal audit reports ("IA Reports) with details on audit scope and methodology, process flow, critical process risks and relevant control activities, audit findings, areas of concern that require improvements, and audit recommendations were presented to the AC for its review and deliberation. The results of the audits in the IA Reports and the recommended corrective actions on reported weaknesses to be undertaken by the relevant Management team members within the required timeframes would be discussed at the Board meetings. The IA Reports were also forwarded to the Management for the necessary corrective actions. The internal auditors also conducted follow-up audits on key engagements to ensure that the corrective actions were implemented appropriately.

This statement is made in accordance with the resolution of the Board of Directors dated 1 April 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is committed to maintaining a sound system of risk management and internal control in the Group to safeguard shareholders' investments and the Group's assets. The Board is pleased to provide the Statement on Risk Management and Internal Control which outlines the nature and scope of risk management and internal control of the Group for the financial year ended 31 December 2018 ("FY2018") under review, in accordance with paragraph 15.26(b) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). For the purpose of this Statement, the Group comprises the holding company and its subsidiaries.

RESPONSIBILITIES OF THE BOARD

The Board acknowledges the importance of maintaining an effective and sound system of risk management and internal control, covering all its financial and operating activities, to safeguard shareholders' investments and the Group's assets. Notwithstanding this, due to the limitations that are inherent in any system of internal control, the Group's internal control system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. Accordingly, the Board affirms its responsibility for the Group's system of risk management and internal control and its commitment to review its effectiveness, adequacy and integrity to ensure implementation of an appropriate system to effectively and continuously identify, evaluate and manage principal risks of the Group and to mitigate the effects of the principal risks on achieving the Group's business objectives.

The Group's system of internal control covers risk management and financial, operational and compliance controls. The Board continually reviews the system of internal control to ensure that it provides a reasonable but not absolute assurance against material misstatement of financial information and records, or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively in all material aspects.

The Board has taken the necessary steps to ensure that appropriate systems are in place for the assets of the Group to be adequately safeguarded through the prevention and detection of fraud and other irregularities and material misstatements. The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of issuance of the financial statements is adequate and effective.

RISK MANAGEMENT FRAMEWORK

The Board has overall accountability for ensuring that risks are effectively managed across the Group, and on behalf of the Board, the Audit Committee ("AC") reviews the effectiveness of the Group's risk management process.

During FY2018, the Group operates within an enterprise risk management framework. A Risk Management Committee ("RMC") that comprises Executive Directors of the Company and appointed key management personnel has been established to assume the following functions:

a) To oversee the risk management activities of the Group. The RMC supports the Board in fulfilling its responsibility for identifying significant risks and ensuring the implementation of appropriate systems to manage the overall risk exposure of the Group; and

b) To review and recommend the Group's risk management policies and strategies for the Board's approval.

The main functions and duties of the RMC include, but are not limited to:

(i) Provides oversight, direction and counsel to the Group risk management process which includes:

- Evaluating and identifying new risks;
- Reviewing and updating the Risk Register and ensuring that significant risks are being responded to appropriately; and
- Monitoring the Group's risk exposures and ensuring the implementation of management action plans to mitigate significant risks identified

(ii) Evaluates the effectiveness of the risk management processes and support system to identify, assess, monitor and manage the Group's key risks;

(iii) Meets with senior management on a semi-annual basis to discuss and deliberate on the significant risks affecting the Group within the context of the business objectives and strategy;

(iv) Establish Group risk management guidelines and policies and ensure implementation of the objectives outlined therein and compliance thereto;

(v) Recommends for the Board's approval, the Group risk management policies, strategies and risk tolerance levels, and any proposed changes thereto;

(vi) Reviews significant investment proposals

A risk management report is tabled for AC and Board discussion annually or at shorter intervals where necessary. The report identifies principal risks affecting or are likely to affect the Group, and the appropriate systems or actions to manage the risks.

The key risks and some of the control measures for FY2018 are set out below:

Risk area	Control measures taken to mitigate the risks
Operational Risks • As in any business, the Group is subject to operational risks.	• Organisation structure outlining the lines of responsibilities and authorities for planning, executing, controlling and monitoring the business operations. • Periodic operational review meetings attended by the Executive Directors, heads of departments and key management staff to consider financial and operational risks and issues of the Group as well as any management proposal. • Monitoring of actual performance against annual budget by the Board. • Relocate loyal and experienced employees to lead branches' operations. • Engagement of specialist to provide consultancy services for technically complicated works • Formalised whistle blowing policy, code of conduct and written policies and procedures on major processes to ensure compliance with internal control systems and relevant laws and regulations. • Appointment of staff based on the required level of qualification, experience and competency.
Credit, financial and liquidity risks • The Group faces the threat of delays in payment by customers for work done which will eventually affect the Group's cash flow, and heighten the risks of debts becoming unrecoverable.	• Background check of prospective customers prior to accepting any engagement from such parties. • Close monitoring of collection by the finance department with weekly updates to the senior management as to collection received and incidence of delay. • Timely follow up with the customers on overdue payment and retention sum. • Avoid over concentration of sales and credit exposure to any customer to prevent over-dependence on any customer. • Actively monitor the Group's banking facilities to ensure the facilities are sufficient to meet the Group's working capital and capital expenditures requirement, and negotiate with bankers for credit facilities features which enable greater flexibility in the Group's financial resources management.

Risk area	Control measures taken to mitigate the risks
Market risks • The Group operates in a competitive environment and failure to compete effectively against its existing competitors and new market entrants will affect its performance	• Established quality control procedures and project tendering guidelines to ensure quality services and products to customers, and cost efficiency. • Nurture close relationship with customers, sub-contractors and suppliers. • Establish wide range of services and products to diversify product risks and reduce reliance on any particular services or products for revenue. • Focus in more technical demanding products and services to create a market niche or speciality. • Bid for projects jointly with parties which have complementary strength to the Group. • Diversify base of customers, sub-contractors and suppliers.
Human resource risks • The Group believes its future success largely depends on the Group's ability to hire, develop, motivate and retain competent employees and key personnel. The Group's key management team may be difficult to replace as they have been instrumental in the development, growth and success of the Group	• Succession planning in human resources. • Competitive remuneration packages to attract talents. • Appropriate training and development to nurture and groom existing staff force. • Internship program for university students to identify potential talents that the Group can employ.

INTERNAL CONTROL

The Group has established an organisation structure outlining the lines of responsibilities and authorities for planning, executing, controlling and monitoring the business operations aligned to business and operations requirements which supports the maintenance of a strong control environment. It has extended the responsibilities of the AC and of the Board to include the assessment of internal controls through the internal audit function.

Other key elements of the system of internal control of the Group are as follows: -

- The Board established a hierarchical organisation structure with proper segregation of duties for key functions of the operations of the Group;
- Delegation of authority including authorisation limits at various levels of management and those requiring the Board's approval are clearly defined to ensure accountability and responsibility;
- Standard operating procedure manuals set out the policies and procedures for day to day operations to be carried out. Reviews are performed to ensure that documentation remains current, relevant and aligned with evolving business and operational needs;
- Formation of committee to evaluate and approve related party project tenders;
- Appointment of staff is based on the required level of qualification, experience and competency to fulfil their responsibilities. Training and development programmes are carried out to ensure that staff are kept up to date with the necessary competencies and knowledge to carry out their responsibilities towards achieving the Group's objectives;
- There is an annual budgeting process. The Board reviews the actual performance against budget;
- Regular and comprehensive information are provided to the Board for monitoring and tracking of performance of the Group;
- Periodic operational review meetings are held and attended by the Executive Directors, heads of department and key management staff to consider financial and operational issues of the Group as well as any management proposal;
- Active involvement of directors in the operation and management of newly set up branch and subsidiary companies;
- Centralised control of financial resources by head office of respective subsidiary companies;
- Formalised whistle blowing policy and code of conduct are established to ensure high standards of conduct and ethics in the business operations;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

- ISO 9001:2008 Quality Management System has been implemented for certain subsidiaries of the Company. Annual surveillance audits are conducted by a certification body to provide assurance of compliance with ISO 9001:2008;
- Adequate insurance coverage and physical safeguarding of major assets are in place to guard against any mishap that may result in material losses to the Group;
- The internal audit function provides reasonable assurance on the effectiveness of the system of internal control within the Group. Internal audits are conducted to review the effectiveness of the control procedures and are directed towards areas with significant risks as identified by the AC and Management, and the risk management process is being audited to provide assurance on the management of risks; and
- Review of internal audit reports and follow-up on audit findings by the AC. The internal audit reports are deliberated by the AC and are subsequently presented to the Board on a quarterly basis where the AC sought clarifications from the Executive Directors on internal control matters and provided its views and recommendations on areas where improvements could be made.

INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to NGL Tricol Governance Sdn. Bhd., a professional service firm. The firm and its assigned personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence. The internal audit function has been mandated to continually assess and monitor the Group's system of internal control. The total cost paid or payable by the Group to the professional service firm amounted to RM36,000 for FY 2018.

The internal audit function adopts a risk-based approach and prepares its audit strategy and plans based on the risk profiles of individual business units of the Group. These plans are updated periodically and approved by the AC. The internal audit function employs the widely used internal control guidance, the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organisations ("COSO") of the Treadway Commission in assessing and monitoring the effectiveness of the Group's internal control. The monitoring, review and reporting arrangements undertaken by the Internal Auditor gives reasonable assurance that the internal controls embedded within the major business processes of the Group are appropriate to the Group's operations to adequately manage the key risks of the Group.

The key elements of the Group's internal audit function are described below:

1. Prepare a detailed Audit Plan based on a risk-based methodology with the scope and frequency of the internal audit activities for the AC's approval.

2. Carry out audit activities on business units of the Group to ascertain the adequacy and integrity of their system of internal controls, governance and risk management

3. Report to the Management upon completion of each audit on any significant control lapses and/or deficiencies noted from the reviews for their verification and corrective action plan.

4. Report to the AC on all significant non-compliance, internal control weaknesses and agreed actions taken by Management to resolve the audit issues identified.

5. Follow-up on internal audit issues identified to ascertain whether agreed corrective action plan has been carried out by the Management and provide updates to the AC.

WEAKNESSES IN INTERNAL CONTROLS WHICH RESULTED IN MATERIAL LOSSES

There were no major weaknesses in internal controls which resulted in material losses during the financial year under review until the date of approval of this Statement.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control and reported to the Board that nothing has come to their attention that causes them to believe the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the Group's internal control system.

This statement is made in accordance with the resolution of the Board of Directors dated 1 April 2019.

STATEMENT ON DIRECTORS' RESPONSIBILITY

For the Audited Financial Statements

The Directors acknowledged their responsibilities as required by the Companies Act 2016 to prepare the financial statements for each financial year so as to give a true and fair view of the state of affairs of the Group and the Company as at end of the financial year and of the results and cash flow of the Group and the Company for the financial year then ended.

In the preparation of the financial statements, the Directors have:

- adopted appropriate accounting policies and apply them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that applicable approved accounting standards have been complied with; and
- ensured the financial statements has been prepared on a going concern basis.

The Directors are responsible for ensuring that proper accounting and other records are kept which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act 2016. The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

This statement on Directors' responsibility is made in accordance with the resolution of the Board of Directors dated 1 April 2019.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

Principal activities

The principal activity of the Company is investment holding.

The principal activities and other information on the subsidiaries are disclosed in Note 15 to the financial statements.

Results

	Group RM	Company RM
Profit net of tax	61,065,108	17,851,299
Attributable to:		
Owners of the Company	61,138,672	17,851,299
Non-Controlling interests	(73,564)	-
	61,065,108	17,851,299

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

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

Dividend

The amount of dividends paid by the Company since 31 December 2017 was as follows:

	RM
In respect of the financial year ended 31 December 2017 as reported in the directors' report of that year:	
Final (single-tier) dividend of 5.50 sen per ordinary share, on 320,627,640 ordinary shares, declared on 22 June 2018 and paid on 9 August 2018	17,634,518

The shareholders of the Company ("Shareholders") have been granted an option to elect to reinvest their entitlement of the abovementioned final dividend in new ordinary shares in the Company ("New Shares") in accordance with the approved Dividend Reinvestment Plan of the Company ("DRP"). The reinvestment rate for the abovementioned dividend was 76.52%.

At the forthcoming Annual General Meeting ("AGM"), a final (single-tier) dividend in respect of the financial year ended 31 December 2018, of 3.70 sen per ordinary share 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 in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

The Board of Directors has determined that the DRP will apply to the final dividend and the shareholders will be given an option to reinvest the entire final dividend in New Shares ("Reinvestment Option"), subject to approvals being obtained from the following:

(i) Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing and quotation of the New Shares on the Main Market of Bursa Securities;

(ii) Shareholders in the forthcoming AGM for the declaration of the final dividend and the issuance of such number of New Shares as may be required pursuant to the exercise of the Reinvestment Option by the shareholders; and

(iii) Approval from other relevant authorities and/ or parties, if required.

Directors

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Pang Tin @ Pang Yon Tin**
Sim Tian Liang**
Chin Lian Hing**
Yam Tai Fong (f)**
Pang Khang Hau**
Kek Chin Wu
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah @ Lim Teik Keat
Chua Kee Yat @ Koo Kee Yat

** These directors are also directors of the Company's subsidiaries.

The names of the Directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Pang Chew Ngo
Chia Booi Hooi
Lee Kai Long
Lew Kim Bock

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 28 to the financial statements.

The directors' benefits are as follows:

	Group RM	**Company RM**
Salaries, bonus and other emoluments	4,263,800	15,300
Contributions to defined contribution plan	743,942	-
Fees	224,550	224,550
Estimated money value of benefits-in-kind	95,529	-
	5,327,821	239,850

Directors and officers indemnity and insurance cost

Directors and officers of the Company and its subsidiaries are covered under a Directors' and Officers' Liability Insurance against personal liability that they may incur in respect of amounts which they may be liable for in respect of claims made against them arising out of the performance of their duties. During the financial year, the insurance premium paid for the insurance are RM21,500.

DIRECTORS' REPORT
(cont'd)

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and warrants in the Company during the financial year were as follows:

(a) Shares in the Company

	Number of ordinary shares			
	1 January 2018	Bought/ Reinvested via DRP	Sold	31 December 2018
Direct interest:				
Pang Tin @ Pang Yon Tin	16,690,258	964,969	-	17,655,227
Sim Tian Liang	7,929,359	520,302	-	8,449,661
Chin Lian Hing	8,469,215	388,171	-	8,857,386
Yam Tai Fong (f)	8,672,851	397,504	-	9,070,355
Pang Khang Hau	18,800,175	861,674	-	19,661,849
Kek Chin Wu	339,176	15,545	-	354,721
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah @ Lim Teik Keat	67,450	13,549	-	80,999
Chua Kee Yat @ Koo Kee Yat	37,800	-	-	37,800
Indirect interest :				
Pang Tin @ Pang Yon Tin	124,054,791	8,280,112	-	132,334,903

By virtue of his interest in the shares of the Company, Pang Tin @ Pang Yon Tin is also deemed interested in the shares of the subsidiaries to the extent that the Company has an interest.

(b) Warrants 2014/2024 in the Company

	Number of warrants			
	1 January 2018	Bought	Sold	31 December 2018
Direct interest:				
Pang Tin @ Pang Yon Tin	2,928,100	-	-	2,928,100
Sim Tian Liang	100,000	-	-	100,000
Yam Tai Fong (f)	450,000	-	-	450,000
Pang Khang Hau	3,641,900	-	-	3,641,900
Kek Chin Wu	78,500	-	-	78,500
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah @ Lim Teik Keat	13,000	-	-	13,000
Chua Kee Yat @ Koo Kee Yat	7,800	-	-	7,800
Indirect interest:				
Pang Tin @ Pang Yon Tin	23,119,900	-	-	23,119,900

Issue of shares

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM223,817,821 to RM237,451,519 by way of:

(a) issuance of 11,243,464 ordinary shares arising from the DRP pertaining to the final (single tier) dividend of 5.50 sen in respect of the financial year ended 31 December 2017.

(b) issuance of 102,700 ordinary shares arising from the exercise of Warrants 2014/2024, at the exercise price of RM1.68 per warrant.

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

Warrants 2014/2024

Details of the Warrants 2014/2024 are disclosed in Note 27(b) to the financial statements.

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision has been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

  (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

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

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

(e) As at the date of this report, there does not exist:

  (i) any charge on the assets of the Group or of the Company which 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.

(f) In the opinion of the directors:

  (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due; and

  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

DIRECTORS' REPORT
(cont'd)

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

	Group RM	Company RM
Ernst & Young	136,000	33,000
Other auditor	5,883	-
Other services	5,000	5,000

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the end of the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 1 April 2019.

Pang Tin @ Pang Yon Tin

Sim Tian Liang

Statement by directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Pang Tin @ Pang Yon Tin and Sim Tian Liang, being two of the directors of Kimlun Corporation Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 64 to 118 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 1 April 2019.

Pang Tin @ Pang Yon Tin

Sim Tian Liang

Statutory declaration
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Yam Tai Fong, being the director primarily responsible for the financial management of Kimlun Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 64 to 118 are in my opinion 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 the abovenamed Yam Tai Fong)
at Johor Bahru in the State of Johor)
Darul Ta'zim on 1 April 2019)

Yam Tai Fong

Before me,

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

To the members of Kimlun Corporation Berhad (Incorporated in Malaysia) (cont'd)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Kimlun Corporation Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 64 to 118.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matter to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matter were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including those in relation to these matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

(i) Recognition of revenue and cost of construction

The Group is involved in a number of significant construction contracts for which it applies the percentage of completion method. The revenue and cost of construction contributed to approximately 79% and 81% respectively of the Group's revenue and cost.

We focused on this area because management made significant judgement and estimates in determining the estimated total contract costs and the extent of cost incurred, which form part of the computation of percentage of completion.

The notes relating to revenue recognition are disclosed in Note 2.21 (a), Note 3.2 (b)(i) and Note 4 to the financial statements.

As part of our audit, we performed the following:

We obtained an understanding of contractual terms and conditions of significant projects;

We obtained an understanding of the relevant controls performed by management in estimating the timing of revenue recognition, total contract costs, profit margin, and percentage of completion of a contract;

We discussed the status of projects under construction with the management, finance and the project leaders. We also observed the progress of the projects by performing site visits and compared the estimated stage of completion to architect certificates;

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

To the members of Kimlun Corporation Berhad (Incorporated in Malaysia) (cont'd)

Report on the audit of the financial statements (cont'd)

Key audit matters (cont'd)

(i) Recognition of revenue and cost of construction (cont'd)

We assessed management's assumptions in determining the percentage of completion of a contract. Our audit procedures included amongst others, agreeing the estimated construction cost to the awarded contracts, and assessing the completeness of the cost incurred by vouching to the latest progress claims from sub-contractors.

We tested management's workings on the computation of percentage of completion; and

We tested management's workings on the computation of revenue. Our audit procedures included, amongst others and where applicable, agreeing the contract revenue to the original signed contracts, letter of awards and approved variation orders.

Information other than the financial statements and auditors' report thereon

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

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

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

To the members of Kimlun Corporation Berhad (Incorporated in Malaysia) (cont'd)

Auditor's responsibilities for the audit of the financial statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

To the members of Kimlun Corporation Berhad (Incorporated in Malaysia) (cont'd)

Other matters

1. As stated in Note 2.1 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards and International Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position of the Group and the Company as at 31 December 2017 and 1 January 2017, 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 the Company for the year ended 31 December 2017 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and the Company for the year ended 31 December 2018, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as at 31 December 2018 and financial performance and cash flows for the year then ended.

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

Ernst & Young
AF 0039
Chartered Accountants

Tan Jin Xiang
03348/01/2020 J
Chartered Accountant

Johor Bahru, Malaysia
Date:

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Revenue					
Revenue from contracts with customers	4(a)	1,011,929,752	984,891,679	-	-
Other revenue	4(c)	48,812	297,944	19,040,162	21,394,101
		1,011,978,564	985,189,623	19,040,162	21,394,101
Cost of sales		(883,951,794)	(845,887,118)	-	-
Gross profit		128,026,770	139,302,505	19,040,162	21,394,101
Other item of income					
Other operating income	5	8,354,745	8,819,499	-	-
Share of profit of joint ventures		809,691	517,064	-	-
Other items of expenses					
Administration expenses		(43,643,189)	(51,465,826)	(729,437)	(1,064,083)
Finance costs	6	(11,881,755)	(7,138,291)	-	-
Profit before tax	7	81,666,262	90,034,951	18,310,725	20,330,018
Income tax expense	10	(20,601,154)	(21,697,094)	(459,426)	(511,265)
Profit net of tax		61,065,108	68,337,857	17,851,299	19,818,753
Other comprehensive loss:					
Foreign currency translation		(697)	(20,549)	-	-
Other comprehensive loss for the year, net of tax		(697)	(20,549)	-	-
Total comprehensive income for the year		61,064,411	68,317,308	17,851,299	19,818,753
Profit attributable to:					
Owners of the Company		61,138,672	68,483,747	17,851,299	19,818,753
Non-controlling interest		(73,564)	(145,890)	-	-
		61,065,108	68,337,857	17,851,299	19,818,753
Total comprehensive income attributable to:					
Owners of the Company		61,137,975	68,463,198	17,851,299	19,818,753
Non-controlling interest		(73,564)	(145,890)	-	-
		61,064,411	68,317,308	17,851,299	19,818,753
Earnings per share attributable to owners of the Company (sen per share)					
Basic	11	18.81	21.80		
Diluted	11	18.81	20.81		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	31.12.2018 RM	Group 31.12.2017 RM	1.1.2017 RM
Assets				
Non-current assets				
Property, plant and equipment	12	229,495,364	206,148,900	155,787,111
Land held for development	18(a)	70,241,486	69,563,486	51,765,427
Investment properties	13	7,026,805	8,001,824	5,637,194
Other investments	14	75,000	369,669	255,431
Investment in joint ventures	16	18,612,461	17,985,089	17,291,337
		325,451,116	302,068,968	230,736,500
Current assets				
Properties held for sale	17	1,829,232	1,829,232	1,829,232
Development properties	18(b)	105,452,821	32,039,512	54,157,105
Inventories	19	122,239,665	73,885,920	18,444,906
Trade and other receivables	20	464,830,851	412,258,463	466,753,630
Prepayment		5,292,589	5,665,956	2,517,291
Contract assets	4(b)	336,471,863	233,896,832	131,733,957
Cash and bank balances	21	35,569,427	86,571,902	79,025,354
		1,071,686,448	846,147,817	754,461,475
Total assets		1,397,137,564	1,148,216,785	985,197,975
Equity and liabilities				
Current liabilities				
Loans and borrowings	22	193,147,725	46,032,285	47,373,279
Trade and other payables	23	443,876,172	367,014,854	284,582,324
Contract liabilities	4(b)	3,588,794	31,019,617	33,076,162
Income tax payable		7,941,408	12,354,830	10,675,800
		648,554,099	456,421,586	375,707,565
Net current assets		423,132,349	389,726,231	378,753,910
Non-current liabilities				
Loans and borrowings	22	80,006,046	83,570,437	67,662,037
Deferred tax liabilities	24	3,781,156	432,524	2,565,529
		83,787,202	84,002,961	70,227,566
Total liabilities		732,341,301	540,424,547	445,935,131
Net assets		664,796,263	607,792,238	539,262,844

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group 31.12.2018 RM	Group 31.12.2017 RM	Group 1.1.2017 RM
Equity attributable to owners of the Company				
Share capital	25	237,451,519	223,817,821	155,144,969
Share premium	25	-	-	47,971,016
Treasury shares	25	(23,774)	(23,774)	(23,774)
Retained earnings	26	393,167,396	349,663,242	301,357,225
Other reserves	27	34,122,385	34,182,648	34,815,213
		664,717,526	607,639,937	539,264,649
Non-controlling interest		78,737	152,301	(1,805)
Total equity		664,796,263	607,792,238	539,262,844
Total equity and liabilities		1,397,137,564	1,148,216,785	985,197,975

	Note	Company 31.12.2018 RM	Company 31.12.2017 RM	Company 1.1.2017 RM
Non-current asset				
Investments in subsidiaries	15	229,318,796	202,818,796	177,659,999
Current assets				
Other receivables	20	40,970,288	51,984,606	59,536,201
Prepayment		7,475	7,475	13,675
Cash and bank balances	21	2,400,916	4,258,984	3,076,071
		43,378,679	56,251,065	62,625,947
Total assets		272,697,475	259,069,861	240,285,946
Equity and liabilities				
Current liabilities				
Income tax payable		163,652	199,282	212,200
Other payables	23	259,395	387,064	1,321,074
		423,047	586,346	1,533,274
Net current assets		42,955,632	55,664,719	61,092,673
Total liabilities		423,047	586,346	1,533,274
Net assets		272,274,428	258,483,515	238,752,672
Equity attributable to owners of the Company				
Share capital	25	237,451,519	223,817,821	155,144,969
Share premium	25	-	-	47,971,016
Treasury shares	25	(23,774)	(23,774)	(23,774)
Retained earnings	26	653,015	436,234	795,211
Other reserves	27	34,193,668	34,253,234	34,865,250
Total equity		272,274,428	258,483,515	238,752,672
Total equity and liabilities		272,697,475	259,069,861	240,285,946

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018 (cont'd)

			Attributable to owners of the Company							
			Non-Distributable			Distributable	Non-Distributable			
Group	Note	Equity, total RM	Share capital (Note 25) RM	Share premium (Note 25) RM	Treasury shares (Note 25) RM	Retained earnings (Note 26) RM	Other reserves total RM	Warrant reserve (Note 27) RM	Foreign currency translation reserve (Note 27) RM	Non Controlling Interest RM
Opening balance at 1 January 2017		539,262,844	155,144,969	47,971,016	(23,774)	301,357,225	34,815,213	34,865,250	(50,037)	(1,805)
Profit net of tax		68,337,857	-	-	-	68,483,747	-	-	-	(145,890)
Foreign currency translation		(20,549)	-	-	-	-	(20,549)	-	(20,549)	-
Total comprehensive income for the year		68,317,308	-	-	-	68,483,747	(20,549)	-	(20,549)	(145,890)
Transactions with owners										
Issuance of ordinary shares pursuant to:										
Dividend reinvestment plan of the Company	25	18,399,606	18,399,606	-	-	-	-	-	-	-
Conversion of warrants	25	1,772,736	2,384,752	-	-	-	(612,016)	(612,016)	-	-
Share issuance expenses		(82,522)	(82,522)	-	-	-	-	-	-	-
Issuance of shares to non-controlling interest		299,996	-	-	-	-	-	-	-	299,996
Dividends on ordinary shares	34	(20,177,730)	-	-	-	(20,177,730)	-	-	-	-
Transition to no-par value regime*		-	47,971,016	(47,971,016)	-	-	-	-	-	-
Total transactions with owners		212,086	68,672,852	(47,971,016)	-	(20,177,730)	(612,016)	(612,016)	-	299,996
Closing balance at 31 December 2017		607,792,238	223,817,821	-	(23,774)	349,663,242	34,182,648	34,253,234	(70,586)	152,301

* Effective from 31 January 2017, the Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit balance of share premium became a part of the Company's ordinary share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any members of the Company as a result of this transition.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018 (cont'd)

			Attributable to owners of the Company							
			Non-Distributable			Distributable	Non-Distributable			
Group	Note	Equity, total RM	Share capital (Note 25) RM	Share premium (Note 25) RM	Treasury shares (Note 25) RM	Retained earnings (Note 26) RM	Other reserves total RM	Warrant reserve (Note 27) RM	Foreign currency translation reserve (Note 27) RM	Non Controlling Interest RM
Opening balance at 1 January 2018		607,792,238	223,817,821	-	(23,774)	349,663,242	34,182,648	34,253,234	(70,586)	152,301
Profit net of tax		61,065,108	-	-	-	61,138,672	-	-	-	(73,564)
Foreign currency translation		(697)	-	-	-	-	(697)	-	(697)	-
Total comprehensive income for the year		61,064,411	-	-	-	61,138,672	(697)	-	(697)	(73,564)
Transactions with owners										
Issuance of ordinary shares pursuant to:										
Dividend reinvestment plan of the Company	25	13,492,157	13,492,157	-	-	-	-	-	-	-
Conversion of warrants	25	172,536	232,102	-	-	-	(59,566)	(59,566)	-	-
Share issuance expenses		(90,561)	(90,561)	-	-	-	-	-	-	-
Dividends on ordinary shares	34	(17,634,518)	-	-	-	(17,634,518)	-	-	-	-
Total transactions with owners		(4,060,386)	13,633,698	-	-	(17,634,518)	(59,566)	(59,566)	-	-
Closing balance at 31 December 2018		664,796,263	237,451,519	-	(23,774)	393,167,396	34,122,385	34,193,668	(71,283)	78,737

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018 (cont'd)

		Attributable to owners of the Company					
			Non-Distributable			Distributable	Non-Distributable
Company	**Note**	**Equity total RM**	**Share capital (Note 25) RM**	**Share premium (Note 25) RM**	**Treasury shares (Note 25) RM**	**Retained earnings (Note 26) RM**	**Warrant reserves (Note 27) RM**
Opening balance at 1 January 2017		238,752,672	155,144,969	47,971,016	(23,774)	795,211	34,865,250
Total comprehensive income		19,818,753	-	-	-	19,818,753	-
Transaction with owners							
Issuance of ordinary shares pursuant to:							
Dividend reinvestment plan of the Company	25	18,399,606	18,399,606	-	-	-	-
Conversion of warrants	25	1,772,736	2,384,752	-	-	-	(612,016)
Share issuance expenses		(82,522)	(82,522)	-	-	-	-
Dividends on ordinary shares	34	(20,177,730)	-	-	-	(20,177,730)	-
Transition to no-par value regime*		-	47,971,016	(47,971,016)	-	-	-
Total transaction with owners		(87,910)	68,672,852	(47,971,016)	-	(20,177,730)	(612,016)
Closing balance at 31 December 2017		258,483,515	223,817,821	-	(23,774)	436,234	34,253,234

* Effective from 31 January 2017, the Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit balance of share premium became a part of the Company's ordinary share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any members of the Company as a result of this transition.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018 (cont'd)

		Attributable to owners of the Company				
		Non-Distributable			Distributable	Non-Distributable
Company	**Note**	**Equity total RM**	**Share capital (Note 25) RM**	**Treasury shares (Note 25) RM**	**Retained earnings (Note 26) RM**	**Warrant reserves (Note 27) RM**
Opening balance at 1 January 2018		258,483,515	223,817,821	(23,774)	436,234	34,253,234
Total comprehensive income		17,851,299	-	-	17,851,299	-
Transaction with owners						
Issuance of ordinary shares pursuant to:						
Dividend reinvestment plan of the Company	25	13,492,157	13,492,157	-	-	-
Conversion of warrants	25	172,536	232,102	-	-	(59,566)
Share issuance expenses		(90,561)	(90,561)	-	-	-
Dividends on ordinary shares	34	(17,634,518)	-	-	(17,634,518)	-
Total transaction with owners		(4,060,386)	13,633,698	-	(17,634,518)	(59,566)
Closing balance at 31 December 2018		272,274,428	237,451,519	(23,774)	653,015	34,193,668

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2018

	Group 2018 RM	Group 2017 RM
Operating activities		
Profit before tax	81,666,262	90,034,951
Adjustments for:		
Interest income	(1,451,250)	(1,696,001)
Finance costs	11,881,755	7,138,291
Allowance for impairment on trade receivables	1,838,324	11,635,078
Reversal of allowance for impairment on trade receivables	-	(809,370)
Bad debts written off	1,504	-
Impairment loss on investment properties	110,172	210,120
Depreciation of property, plant and equipment	40,439,057	26,647,705
Gain on disposal of investment properties	(18,953)	-
Gain on disposal of plant and equipment	(324,836)	(1,409,142)
Plant and equipment written off	134,842	50,666
Share of profit of joint ventures	(809,691)	(517,064)
Gain on disposal of land held for property development	-	(10,621)
Unrealised foreign exchange (gain)/loss	(3,648,006)	7,258,000
Fair value loss/(gain) on other investments	211,937	(115,603)
Operating cash flows before changes in working capital	130,031,117	138,417,010
Property development costs	(72,421,164)	24,341,735
Inventories	(48,353,745)	(55,441,014)
Receivables	(59,210,005)	42,294,830
Other current assets	(102,198,314)	(109,972,020)
Payables	72,705,162	78,645,197
Other current liability	(27,430,823)	(2,056,545)
Cash flows generated from operations	(106,877,772)	116,229,193
Interest received	1,451,250	1,696,001
Income taxes paid	(21,514,310)	(22,027,755)
Interest paid	(10,576,975)	(6,451,057)
Net cash flows (used in)/generated from operating activities	(137,517,807)	89,446,382
Investing activities		
Investment in joint ventures	-	(300,000)
Purchase of property, plant and equipment	(21,749,363)	(18,764,143)
Purchases of land held for development and expenditure on land held for development	(678,000)	(18,060,118)
Proceeds from disposal of plant and equipment	334,772	2,391,332
Addition to investment property	-	(2,574,750)
Proceeds from disposal of other investments	64,637	-
Proceeds from disposal of investment properties	883,800	-
Proceeds from disposal of land held for development	-	272,680
Net cash flows used in investing activities	(21,144,154)	(37,034,999)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2018 (cont'd)

	Group	
	2018 RM	**2017 RM**
Financing activities		
Dividend paid on ordinary shares	(17,634,518)	(20,177,730)
Repayment of obligations under finance leases	(24,637,129)	(16,323,750)
Proceeds from issuance of shares	13,492,157	18,399,606
Proceeds from conversion of warrants	172,536	1,772,736
Share issuance expenses	(90,561)	(82,522)
Proceeds from issuance of shares by a subsidiary to non-controlling interests	-	299,996
Draw down of loans and borrowings	253,848,170	50,237,318
Repayment of loans and borrowings	(146,667,937)	(68,559,112)
Advance from/(repayment to) joint ventures	11,633,528	-
Uplift of/(addition to) pledged deposits	2,894,559	(10,794,724)
Net cash flows generated from/(used in) financing activities	93,010,805	(45,228,182)
Net (decrease)/increase in cash and cash equivalents	(65,651,156)	7,183,201
Effect of exchange rate changes on cash and cash equivalents	(708,751)	(366,121)
Cash and cash equivalents at 1 January	61,501,174	54,684,094
Cash and cash equivalents at 31 December (Note 21)	(4,858,733)	61,501,174

	Company	
	2018 RM	**2017 RM**
Operating activities		
Profit before tax	18,310,725	20,330,018
Adjustments for:		
Impairment loss on investment in subsidiary	-	323,871
Operating cash flows before changes in working capital	18,310,725	20,653,889
Receivables	11,014,318	7,551,595
Payables	(127,669)	(934,011)
Other current assets	-	6,200
Cash flows generated from operations	29,197,374	27,277,673
Income taxes paid	(495,056)	(524,182)
Net cash flows generated from operating activities	28,702,318	26,753,491
Investing activity		
Subscription of shares in subsidiaries	(26,500,000)	(25,482,668)
Net cash flows used in investing activity	(26,500,000)	(25,482,668)
Financing activities		
Dividend paid on ordinary shares	(17,634,518)	(20,177,730)
Provision from conversion of warrants	172,536	1,772,736
Proceeds from issuance of shares	13,492,157	18,399,606
Share issuance expenses	(90,561)	(82,522)
Net cash flows used in financing activities	(4,060,386)	(87,910)
Net (decrease)/increase in cash and cash equivalents	(1,858,068)	1,182,913
Cash and cash equivalents at 1 January	4,258,984	3,076,071
Cash and cash equivalents at 31 December (Note 21)	2,400,916	4,258,984

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at Suite 19.06, Level 19, Johor Bahru City Square, 106 - 108, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor Darul Ta'zim.

The principal activity of the Company is investment holding. The principal activities and other information on the subsidiaries are disclosed in Note 15 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements for the year ended 31 December 2018 of the Group and the Company have been prepared in accordance with Malaysia Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

For all periods up to and including the year ended 31 December 2017, the Group and the Company prepared their financial statements in accordance with Financial Reporting Standards ("FRS") in Malaysia. These financial statements for the year ended 31 December 2018 are the first that the Group and the Company have prepared in accordance with MFRS and MFRS 1 First-time Adoption of Malaysian Financial Standards has been applied.

In preparing its opening MFRS statements of financial position as at 1 January 2017 (which is also the date of transition), the Group and the Company have reassessed the current accounting policies and any change in accounting policy was applied retrospectively. The Group and the Company have consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 January 2017 and throughout all comparable periods presented, as if these policies had always been in effect. The adoption of MFRS and IFRS has not had a material impact on the comparative period presented, hence, comparative information in these financial statements have not been restated.

The financial statements of the Group and of the Company have been prepared on the historical cost basis.

The financial statements are presented in Ringgit Malaysia (RM) except when otherwise indicated.

2.2 Standards, IC interpretation, Amendments and Annual Improvements issued but not yet effective

The Standards, Amendments, Annual Improvements and IC interpretation that are issued but not yet effective up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these Standards, Amendments, Annual Improvements and IC Interpretations, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to references to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 Business Combinations - Definition of a Business	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

2. Summary of significant accounting policies (cont'd)

2.2 Standards, IC interpretation, Amendments and Annual Improvements issued but not yet effective (cont'd)

The directors are of opinion that the Standards, Amendments, Annual Improvement and IC Interpretations above will not have any material impact on the financial statement in the year of initial adoption other than as discussed below:

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group plans to adopt MFRS 16 using modified retrospective approach. The initial application of MFRS 16 is expected to increase the assets and liabilities of the Group as the Group will recognise right-of use assets and lease liabilities for leases previously classified as operating leases.

2.3 Current versus non-current classification

Assets and liabilities in the statements of financial position are presented based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2. Summary of significant accounting policies (cont'd)

2.4 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market 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.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable inputs.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, classes of assets and liabilities are determined based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Group. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Group controls an investee if and only if the Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

2. Summary of significant accounting policies (cont'd)

2.5 Basis of consolidation (cont'd)

When the Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Group, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.6 Investment in joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the joint venture's profit or loss for the period in which the investment is acquired.

A joint venture is equity accounted for from the date on which the investee becomes a joint venture.

Under the equity method, on initial recognition, the investment in a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition. When the Group's share of losses in a joint venture equal or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Profits and losses resulting from upstream and downstream transactions between the Group and its joint venture are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

All joint ventures have financial year end of 31 December, other than Zecon Kimlun Consortium Sdn. Bhd. which has financial year end of 30 June. For the purpose of applying the equity method on this joint venture, the last available audited financial statements and the management financial statements to 31 December of this joint venture have been used. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies MFRS 9 Financial Instruments to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairmen loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

2.7 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

2. Summary of significant accounting policies (cont'd)

2.7 Foreign currency (cont'd)

(b) Foreign currency transactions (cont'd)

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Freehold land is measured at cost less impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Construction-in-progress are not depreciated as these assets are not available for use. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	1.25%
Buildings	3% - 10%
Plant, machinery and motor vehicles	10% - 33.33%
Furniture and equipment	10% - 20%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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

2.9 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment loss.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

2. Summary of significant accounting policies (cont'd)

2.10 Properties held for sale

Properties are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject to terms that are usual and customary.

Immediately before classification as properties held for sale, the measurement of the non-current asset is brought up-to-date in accordance with applicable MFRSs. Then, on initial classification as held for sale, the non-current asset is measured in accordance with MFRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset’s recoverable amount.

An asset’s recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units (“CGU”)).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

2.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity investment of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group's and the Company’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do no contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal andinterest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

2. Summary of significant accounting policies (cont'd)

2.12 Financial instruments (cont'd)

(a) Financial assets (cont'd)

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group's and the Company's only financial assets are its financial assets at amortised cost (debt instruments).

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost comprise solely of its trade and other receivables balances.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired or;

- The Group and the Company have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Company have transferred its rights to receive cash flows from an or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and asset rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

2. Summary of significant accounting policies (cont'd)

2.12 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the present value of contractual cash flows due in accordance with the contract and present value of all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Company consider a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables and loans and borrowings.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

2. Summary of significant accounting policies (cont'd)

2.12 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.13 Cash and cash equivalents

Cash and short-term deposits in the statements of financial position comprise cash at banks and on hand and short-term deposits include short-term deposits pledged to banks, which are subject to an insignificant risk of change in value.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

2.14 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the year in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

2.15 Land held for development properties and development properties

(a) Land held for development

Land held for development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for development is reclassified as development properties at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

2. Summary of significant accounting policies (cont'd)

2.15 Land held for development properties and development properties (cont'd)

(b) Development properties

Development properties comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, development properties revenue and expenses are recognised in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that development properties incurred for work performed to date bear to the estimated total development properties cost.

Where the financial outcome of a development activity cannot be reliably estimated, development properties revenue is recognised only to the extent of development properties costs incurred that is probable will be recoverable, and development properties cost on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Development properties cost not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in profit or loss is classified as progress billings within trade payables.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.
- Finished goods: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2. Summary of significant accounting policies (cont'd)

2.19 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.20 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.21(f).

2.21 Revenue from contracts with customers

The Group recognises revenue from contracts with customers based on the five-step model as set out below:

(i) Identify contract with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(iii) Determine the transaction price. The transaction price is the amount of consideration in a contract to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expect to be entitled in exchange for satisfying each performance obligation.

(v) Recognise revenue when (or as) the Group satisfies a performance obligation.

2. Summary of significant accounting policies (cont'd)

2.21 Revenue from contracts with customers (cont'd)

The Group satisfies a performance obligation and recognise revenue over time if the Group's performance:

(i) Do not create an asset with an alternative use to the Group and have an enforceable right to payment for performance completed to-date; or

(ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or

(iii) Provide benefits that the customer simultaneously receives and consumes as the Company performs.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue is measured at the fair value of consideration received or receivable.

(a) Construction contracts

The Group contracts with its customers for construction services. Revenue from construction contracts is recognised over time using the input method, which is based on the actual cost incurred to date on the construction project as compared to the total budgeted cost for the respective construction project.

(b) Sale of goods

The Group contracts with its customers for the sales of goods. Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(c) Sales of development properties under construction

The revenue from development properties under construction is measured at the fixed transaction price agreed under the sale and purchase agreement.

Revenue from development properties under construction is recognised as and when the control of the asset is transferred to the customer and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The Group recognises revenue over time using the input method, which is based on the actual cost incurred to date on the development properties as compared to the total budgeted cost for the respective development properties.

(d) Sales of completed development properties

Revenue relating to sale of completed development properties is recognised at a point in time when the control of the property has been transferred to the purchaser, being when vacant possession of the property has been delivered to the customer and it is probable that the Group will collect the consideration to which it will be entitled to in exchange for the asset sold.

(e) Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

2. Summary of significant accounting policies (cont'd)

2.21 Revenue from contracts with customers (cont'd)

(f) Rental income

Rental income is recognised on accrual basis.

(g) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

2.22 Taxes

(a) Current income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

2. Summary of significant accounting policies (cont'd)

2.22 Taxes (cont'd)

(b) Deferred tax (cont'd)

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 transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the amount of GST incurred in a purchase of assets or services is not recoverable from the taxation authority, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2.23 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.25 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

3. Significant accounting judgements and estimates

The preparation of the Group's and of the Company's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

There are no critical judgements made by the management in the process of applying the Group's and the Company's accounting policies that have significant effect on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Useful lives of plant and equipment

The cost of plant and equipment of the Group is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be between 3 to 10 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 12.

(b) Revenue recognition

(i) Construction contracts

For construction revenue where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of the development construction to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the construction work. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the construction work.

Significant judgement is required in determining the stage of completion, the extent of the construction costs incurred, the estimated total construction revenue and costs. In making the judgement, the Group evaluate based on past experience and by relying on the work of specialists.

(ii) Development properties

The Group recognises property development revenue and expenses in the statement of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

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

(c) Income taxes

Judgement is involved in determining the Group's and the Company's provision for income taxes as there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(d) Deferred tax assets

Deferred tax assets are recognised for all unused tax credits to the extent that it is probable that taxable profit will be available against which the unused tax credits (primarily investment tax allowances and capital allowances) can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(e) Provision for expected credit loss of trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with available, reasonable and supportable forward-looking information.

The Group considers the probability of default upon initial recognition of an asset and whether there has been significant increase in credit risk on an on-going basis throughout each reporting period.

4. Revenue

(a) Revenue from contracts with customers

	Group	
	2018 RM	2017 RM
Types of goods and services		
Sales of concrete products	194,934,130	89,743,501
Sales of building material	11,337,406	8,222,228
Sales of completed properties	4,536,000	15,034,632
Sales of development properties	-	794,823
Construction contracts	801,122,216	871,096,495
	1,011,929,752	984,891,679
Timing of revenue recognition		
Transferred over time	801,122,216	871,891,318
Transferred at a point in time	210,807,536	113,000,361
	1,011,929,752	984,891,679

(b) Contract assets and contract liabilities

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

	Group	
	2018 RM	2017 RM
Receivables from contracts with customers (Note 20)	391,142,179	395,878,583
Contract assets	336,471,863	233,896,832
Contract liabilities	(3,588,794)	(31,019,617)

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's billings in advance at the reporting date. Contract liabilities are reversed and revenue is recognised as work is completed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

4. Revenue (cont'd)

(c) Other revenue

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Dividend income from subsidiaries	-	-	17,100,000	19,234,000
Interest income from subsidiaries	-	-	1,891,350	1,862,157
Interest income from fixed deposits	48,812	297,944	48,812	297,944
	48,812	297,944	19,040,162	21,394,101

5. Other operating income

	Group	
	2018 RM	2017 RM
Interest income from loans and receivables	1,451,250	1,696,001
Unwinding of discount on receivables	2,780,932	4,244,818
Rental income from machinery	491,472	464,085
Rental income from premises	260,065	211,049
Gain on disposal of plant and equipment	324,836	1,409,142
Gain on disposal of investment properties	18,953	-
Miscellaneous income	3,017,750	794,404
Realised foreign exchange gain	9,487	-
	8,354,745	8,819,499

6. Finance costs

	Group	
	2018 RM	2017 RM
Interest expense on:		
- bank loan, bank overdrafts, invoice financing and bankers' acceptance	6,292,932	4,281,294
- obligations under finance leases	4,150,515	2,169,763
- advance from joint venture	133,528	-
Unwinding of discount on payables	2,296,926	2,911,376
	12,873,901	9,362,433
Less: Interest expenses capitalised in development properties (Note 18)	(992,146)	(2,224,142)
	11,881,755	7,138,291

7. Profit before tax

The following items have been included in arriving at profit before tax:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Auditors' remuneration				
- statutory audits	141,883	131,604	33,000	33,000
- overprovision in prior year	(500)	-	-	-
- other services	5,000	5,000	5,000	5,000
Allowance for impairment on trade receivables (Note 20)	1,838,324	11,635,078	-	-
Reversal of allowance for impairment on trade receivables (Note 20)	-	(809,370)	-	-
Bad debts written off	1,504	-	-	-
Employee benefits expense (Note 8)	75,500,590	59,987,101	-	-
Hire of plant and machinery	33,059,162	16,241,928	-	-
Depreciation of property, plant and equipment (Note 12)	40,439,057	26,647,705	-	-
Gain on disposal of land held for development	-	(10,621)	-	-
Gain on disposal of plant and equipment	(324,836)	(1,409,142)	-	-
Gain on disposal of investment properties	(18,953)	-	-	-
Plant and equipment written off	134,842	50,666	-	-
Operating leases:				
- minimum lease payments on land and building	4,103,562	3,760,023	-	-
- minimum lease payments on office equipment	158,448	114,265	-	-
Fair value loss /(gain) on other investments	211,937	(115,603)	-	-
Impairment loss on investment in subsidiary	-	-	-	323,871
Depreciation of investment properties (Note 13)	110,172	210,120	-	-
Foreign exchange loss/(gain)				
- realised	4,999,654	(6,030,825)	-	-
- unrealised	(3,648,006)	7,258,000	-	-

8. Employee benefits expenses

	Group	
	2018 RM	2017 RM
Wages, salaries and bonus	68,639,253	53,142,429
Contributions to defined contribution plan	6,215,364	6,398,483
Social security contributions	645,973	446,189
	75,500,590	59,987,101

Included in employee benefits expenses of the Group are executive directors' remuneration amounting to RM4,992,442 (2017: RM5,581,722) as disclosed in Note 9.

9. Directors' remuneration

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	3,078,000	2,928,600	-	-
Bonus	1,170,500	1,821,150	-	-
Defined contribution plan	743,942	831,972	-	-
Total executive directors' remuneration (excluding benefits-in-kind) (Note 8)	4,992,442	5,581,722	-	-
Estimated money value of benefits-in-kind	95,529	86,694	-	-
Total executive directors' remuneration (including benefits-in-kind)	5,087,971	5,668,416	-	-
Non-Executive:				
Fees	224,550	217,800	224,550	217,800
Other emoluments	15,300	15,300	15,300	15,300
Total non-executive directors' remuneration	239,850	233,100	239,850	233,100
Total directors' remuneration	5,327,821	5,901,516	239,850	233,100

10. Income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Statement of comprehensive income:				
Current income tax:				
- Malaysian income tax	17,998,650	23,907,302	459,000	511,000
- (Over)/underprovision in prior years	(746,128)	(77,203)	426	265
	17,252,522	23,830,099	459,426	511,265
Deferred tax (Note 24):				
- Origination and reversal of temporary differences	3,098,583	(1,666,995)	-	-
- Under/(over)provision in prior years	250,049	(466,010)	-	-
	3,348,632	(2,133,005)	-	-
Income tax expense recognised in profit or loss	20,601,154	21,697,094	459,426	511,265

10. Income tax expense (cont'd)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 are as follows:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Profit before tax	81,666,262	90,034,951	18,310,725	20,330,018
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	19,599,903	21,608,388	4,395,000	4,879,000
Different tax rates in other countries	1,571	2,070	-	-
Effect of reduction in Malaysian income tax rate	-	(729,982)	-	-
Expenses not deductible for tax purposes	6,548,481	4,752,020	168,000	248,000
Income not subject to tax	(4,727,226)	(4,169,083)	(4,104,000)	(4,616,000)
Utilisation of unrecognised deferred tax assets	(254,113)	-	-	-
Deferred tax assets not recognised on unabsorbed capital allowances and unutilised tax losses	536,280	777,675	-	-
Utilisation of current year's reinvestment allowances and business losses	(309,800)	-	-	-
Utilisation of previous year's unabsorbed capital allowances	(285,856)	-	-	-
Share of tax of joint ventures	(12,007)	(781)	-	-
(Over)/underprovision of income tax in prior years	(746,128)	(77,203)	426	265
Under/(over)provision of deferred tax in prior years	250,049	(466,010)	-	-
Income tax expense recognised in profit or loss	20,601,154	21,697,094	459,426	511,265

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year. On 21 October 2016, the Government of Malaysia announced the reduction of income tax rate based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment, applicable to years of assessment 2017 and 2018. The effect of the change in tax rate is reflected in the computation of income tax.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

11. Earnings per share

(a) Basic earnings per share

Basic earnings per share amounts are calculated by dividing profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

The following reflect the profit and share data used in the computation of basic earnings per share for the years ended 31 December:

	Group	
	2018	**2017**
Profit net of tax attributable to owners of the Company (RM)	61,138,672	68,483,747
Weighted average number of ordinary shares in issue	325,092,975	314,115,644
Basic earnings per share (sen)	18.81	21.80

(b) Diluted earnings per share

Diluted earnings per share amounts are calculated by dividing profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares from exercise of the warrants. Dilutive potential ordinary shares are deemed to have been converted at the beginning of the financial year or, if later, the date of the issue of the potential ordinary shares.

The following reflect the profit and share data used in the computation of diluted earnings per share for the years ended 31 December:

	Group	
	2018	**2017**
Profit net of tax attributable to owners of the Company (RM)	61,138,672	68,483,747
Weighted average number of ordinary shares in issue	325,092,975	314,115,644
Effect of dilution of potential exercise of warrants	-	14,986,679
	325,092,975	329,102,323
Diluted earnings per share (sen)	18.81	20.81

12. Property, plant and equipment

Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant, machinery and motor vehicles RM	Furniture and equipment RM	Construction in progress RM	Total RM
Cost							
At 1 January 2017	5,186,536	16,394,806	69,806,162	170,891,351	8,565,976	2,683,917	273,528,748
Additions	-	-	114,052	74,381,612	1,062,686	2,484,000	78,042,350
Disposals	-	-	-	(5,675,928)	(59,176)	(898,650)	(6,633,754)
Written off	-	-	-	(63,808)	(22,280)	-	(86,088)
Transfer	-	-	-	2,541,575	-	(2,541,575)	-
At 31 December 2017 and 1 January 2018	5,186,536	16,394,806	69,920,214	242,074,802	9,547,206	1,727,692	344,851,256
Additions	-	-	1,798,226	61,326,981	584,877	220,215	63,930,299
Disposals	-	-	-	(1,474,159)	(32,854)	-	(1,507,013)
Written off	-	-	-	(88,467)	(81,318)	-	(169,785)
At 31 December 2018	5,186,536	16,394,806	71,718,440	301,839,157	10,017,911	1,947,907	407,104,757
Accumulated depreciation							
At 1 January 2017	-	956,982	10,039,188	103,146,051	3,599,416	-	117,741,637
Charge for the year (Note 7)	-	205,139	2,199,662	23,442,388	800,516	-	26,647,705
Disposals	-	-	-	(5,615,225)	(36,339)	-	(5,651,564)
Written off	-	-	-	(22,322)	(13,100)	-	(35,422)
At 31 December 2017 and 1 January 2018	-	1,162,121	12,238,850	120,950,892	4,350,493	-	138,702,356
Charge for the year (Note 7)	-	205,139	2,198,484	37,183,739	851,695	-	40,439,057
Disposals	-	-	-	(1,474,150)	(22,927)	-	(1,497,077)
Written off	-	-	-	(360)	(34,583)	-	(34,943)
At 31 December 2018	-	1,367,260	14,437,334	156,660,121	5,144,678	-	177,609,393
Net carrying amount							
At 1 January 2017	5,186,536	15,437,824	59,766,974	67,745,300	4,966,560	2,683,917	155,787,111
At 31 December 2017	5,186,536	15,232,685	57,681,364	121,123,910	5,196,713	1,727,692	206,148,900
At 31 December 2018	5,186,536	15,027,546	57,281,106	145,179,036	4,873,233	1,947,907	229,495,364

12. Property, plant and equipment (cont'd)

Assets held under the name of a joint venture company

Included herein are motor vehicles with carrying amount of RM6,619 (31.12.2017: RM24,669; 1.1.2017: RM43,167) held under the name of a joint venture company.

Assets held under finance leases

During the financial year, the Group acquired property plant and equipment with an aggregate cost of RM42,180,938 (2017: RM59,278,207) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to RM21,749,363 (2017: RM18,764,143).

The carrying amount of property, plant and equipment held under finance leases at the reporting date were as follows:

	Group		
	31.12.2018 RM	**31.12.2017 RM**	**1.1.2017 RM**
Plant, machinery and motor vehicles	95,457,213	56,705,566	20,100,991

Leased assets are pledged as security for the related finance lease liabilities (Note 22).

Leasehold land is pledged as security for bank loans and borrowings (Note 22).

13. Investment properties

	Group	
	2018 RM	**2017 RM**
Cost		
At 1 January	8,211,944	5,637,194
Addition	-	2,574,750
Disposal	(884,000)	-
At 31 December	7,327,944	8,211,944
Accumulated depreciation		
At 1 January	210,120	-
Charge for the year (Note 7)	110,172	210,120
Disposal	(19,153)	-
At 31 December	301,139	210,120
Net carrying amount		
At 31 December	7,026,805	8,001,824

Fair value of the investment properties as at 31 December 2018 was RM9,348,000 (31.12.2017:RM10,026,000; 1.1.2017: RM6,060,000).

14. Other investments

	Group		
	31.12.2018 RM	**31.12.2017 RM**	**1.1.2017 RM**
Club memberships, at cost	75,000	75,000	75,000
Quoted equity shares outside Malaysia, representing total financial assets at fair value through profit or loss	-	294,669	180,431
	75,000	369,669	255,431

Fair values of quoted equity shares are determined by reference to published price quotations in an active market.

15. Investment in subsidiaries

	Company		
	31.12.2018 RM	**31.12.2017 RM**	**1.1.2017 RM**
Unquoted shares, at cost	229,318,796	202,818,796	177,659,999

Details of the subsidiaries are as follows:

Name	**Country of incorporation**	**Principal activities**	**Proportion (%) of ownership interest 2018**	**2017**
Held by the Company:				
Kimlun Sdn. Bhd.	Malaysia	Building and infrastructure contractors	100	100
SPC Industries Sdn. Bhd.	Malaysia	Ready mix concrete production and manufacturing of pre-cast concrete products	100	100
Kimlun Land Sdn. Bhd.	Malaysia	Investment holding, property investment and development	100	100
KL Building Materials Sdn. Bhd.	Malaysia	Manufacturing and trading of all kinds of building and construction materials, and provision of quarry services and machinery rental services	100	100
I-Buildtech Solutions Pte Ltd *	Singapore	Provision of industrial building systems and the supply of construction and building materials	100	100
Held through Kimlun Sdn Bhd:				
Kimlun Superior Crest Sdn. Bhd.	Malaysia	Building and infrastructure contractors	60	60
Held through Kimlun Land Sdn Bhd:				
Kimlun Medini Sdn. Bhd.	Malaysia	Property development and property investment	100	100
Kitaran Lintas Sdn. Bhd.	Malaysia	Property development and property investment	100	100
Kiiville Sdn. Bhd.	Malaysia	Property development and property investment	100	100
Kii Ashbury Sdn. Bhd.	Malaysia	Property development and property investment	100	100
Kii Morris Sdn. Bhd.	Malaysia	Property development and property investment	100	100

* Audited by a firm of chartered accountants other than Ernst & Young

During the financial year, the Company subscribed for additional ordinary shares in Kimlun Land Sdn. Bhd. for a total consideration of RM26,500,000, satisfied by cash. The subscription did not change the percentage of shareholdings effectively held by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (cont'd)

16. Investment in joint ventures

	Group 31.12.2018 RM	31.12.2017 RM	1.1.2017 RM
Unquoted shares, at cost	4,830,000	4,830,000	4,530,000
Share of post-acquisition reserves	13,782,461	13,155,089	12,761,337
	18,612,461	17,985,089	17,291,337
Represented by:			
Share of net assets	18,612,461	17,985,089	17,291,337

Details of the joint ventures are as follows:

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2018	2017
Held through Kimlun Land Sdn Bhd:				
Posh Atlantic Sdn. Bhd.	Malaysia	Property development and property investment	51	51
Held through Kimlun Sdn Bhd:				
Zecon Kimlun Consortium Sdn. Bhd. *	Malaysia	Building and infrastructure contractor	30	30
JBB Kimlun Sdn Bhd	Malaysia	Building and infrastructure contractors	40	40
Held through KL Building Materials Sdn Bhd:				
Rock Projects Sdn. Bhd.	Malaysia	Quarry owner and provision of quarry related services	51	51

* Audited by a firm of chartered accountants other than Ernst & Young

Summarised financial information on the significant joint venture is as follows:

(i) Summarised statements of financial position of material joint venture

Posh Atlantic Sdn Bhd	31.12.2018 RM	31.12.2017 RM	1.1.2017 RM
Non-current assets	40,583	213,395	201,878
Cash and cash equivalents	418,543	13,547,355	2,359,444
Other current assets	31,051,655	26,548,660	38,100,648
Total current assets	31,470,198	40,096,015	40,460,092
Total assets	31,510,781	40,309,410	40,661,970
Trade and other payables and provisions	2,675,549	12,330,359	13,166,721
Total current liabilities	2,675,549	12,330,359	13,166,721
Net assets	28,835,232	27,979,051	27,495,249

16. Investment in joint ventures (cont'd)

(ii) Summarised statements of comprehensive income of material joint venture

Posh Atlantic Sdn Bhd	**2018 RM**	**2017 RM**
Revenue	1,928,642	3,597,976
Depreciation	(6,945)	(6,945)
Interest income	686,469	642,782
Interest expenses	-	(130,397)
Profit before tax from continuing operations	1,114,945	723,426
Income tax expenses	(258,764)	(239,624)
Total comprehensive income	856,181	483,802

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in joint ventures

"Posh Atlantic Sdn Bhd ("PASB")"	**2018 RM**	**2017 RM**
Net assets at 1 January	27,979,051	27,495,249
Total comprehensive income	856,181	483,802
Net assets at 31 December	28,835,232	27,979,051
Group's interest in PASB	51%	51%
Group's share of net assets of PASB	14,705,969	14,269,316
Unrealised profit adjustments	(463,208)	(547,704)
Carrying amount of individually immaterial joint ventures	4,369,700	4,263,477
Carrying amount of Group's interest in joint ventures	18,612,461	17,985,089

17. Properties held for sale

		Group	
	31.12.2018 RM	**31.12.2017 RM**	**1.1.2017 RM**
Cost of properties held for sale	1,829,232	1,829,232	1,829,232

18. Land held for development and development properties

(a) Land held for development

Group	Freehold and leasehold land RM	Development costs RM	Total RM
At 1 January 2018	60,682,723	8,880,763	69,563,486
Additions	636,349	41,651	678,000
At 31 December 2018	61,319,072	8,922,414	70,241,486
At 1 January 2017	44,564,376	7,201,051	51,765,427
Additions	16,365,475	1,694,643	18,060,118
Disposal	(247,128)	(14,931)	(262,059)
At 31 December 2017	60,682,723	8,880,763	69,563,486

(b) Development properties

Group	Freehold and leasehold land RM	Development costs RM	Total RM
At 31 December 2018			
Cumulative cost of development properties costs			
At 1 January 2018	29,750,751	2,288,761	32,039,512
Costs incurred during the year	71,685,452	1,727,857	73,413,309
At 31 December 2018	101,436,203	4,016,618	105,452,821
Cumulative costs recognised in profit or loss	-	-	-
Carrying amount			
At 31 December 2018	101,436,203	4,016,618	105,452,821
At 31 December 2017			
Cumulative cost of development properties			
At 1 January 2017	34,837,032	29,269,711	64,106,743
Costs incurred during the year	-	7,490,217	7,490,217
Unsold units transferred to inventories	(2,274,818)	(14,744,028)	(17,018,846)
Reversal of completed project	(2,811,463)	(19,727,139)	(22,538,602)
At 31 December 2017	29,750,751	2,288,761	32,039,512
Cumulative costs recognised in profit or loss			
At 1 January 2017	(974,885)	(8,974,753)	(9,949,638)
Recognised during the year	(1,836,579)	(10,752,386)	(12,588,965)
Reversal of completed project	2,811,464	19,727,139	22,538,603
At 31 December 2017	-	-	-
Carrying amount			
At 31 December 2017	29,750,751	2,288,761	32,039,512

18. Land held for development and development properties (cont'd)

(b) Development properties (cont'd)

Included in costs incurred during the financial year on land held for development and development properties are:

	2018 RM	2017 RM
Interest expenses (Note 6)	992,146	2,224,142

Land held for development and development properties with an aggregate carrying amount of RM74,901,678 (31.12.2017: RM61,895,539; 1.1.2017: RM61,943,251) are charged for bank borrowings as referred to in Note 22.

19. Inventories

	Group		
	31.12.2018 RM	31.12.2017 RM	1.1.2017 RM
Cost			
Raw materials	15,401,483	11,117,912	9,910,190
Finished goods	96,394,727	49,122,077	8,502,289
Completed properties	10,339,663	13,491,560	-
	122,135,873	73,731,549	18,412,479
Net realisable value			
Finished goods	103,792	154,371	32,427
	122,239,665	73,885,920	18,444,906

20. Trade and other receivables

	Group		
	31.12.2018 RM	31.12.2017 RM	1.1.2017 RM
Trade receivables			
Third parties	364,893,684	377,164,230	429,679,125
Amount due from joint venture	32,211,242	23,014,845	10,415,515
Amounts due from a company related to certain directors	8,932,651	8,757,953	10,474,740
	406,037,577	408,937,028	450,569,380
Less: Allowance for impairment			
- Third parties	(14,895,398)	(13,058,445)	(2,634,905)
Trade receivables, net	391,142,179	395,878,583	447,934,475
Other receivables			
Refundable deposits	57,376,652	14,314,340	15,369,500
Amount due from a joint venture	-	-	62
Sundry receivables	16,312,020	2,065,540	3,449,593
	73,688,672	16,379,880	18,819,155
Total trade and other receivables	464,830,851	412,258,463	466,753,630
Add: Cash and bank balances (Note 21)	35,569,427	86,571,902	79,025,354
Total financial assets at amortised cost	500,400,278	498,830,365	545,778,984

20. Trade and other receivables (cont'd)

		Group	
	31.12.2018 RM	**31.12.2017 RM**	**1.1.2017 RM**
Other receivables			
Refundable deposits	4,500	4,500	4,500
Amount due from subsidiaries	40,965,788	51,980,106	59,531,701
	40,970,288	51,984,606	59,536,201
Total other receivables (current)	40,970,288	51,984,606	59,536,201
Add: Cash and bank balances (Note 21)	2,400,916	4,258,984	3,076,071
Total financial assets at amortised cost	43,371,204	56,243,590	62,612,272

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (31.12.2017: 30 to 90 days; 1.1.2017: 30 to 90 days) terms, although in practice, this may extend to 120 days. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original certificated or invoiced amounts which represent their fair values on initial recognition.

<u>Ageing analysis of trade receivables</u>

The ageing analysis of the Group's trade receivables is as follows:

	31.12.2018 RM	**31.12.2017 RM**	**1.1.2017 RM**
Neither past due nor impaired	267,101,942	297,054,700	356,090,966
1 to 30 days past due not impaired	26,924,607	20,489,467	20,802,925
31 to 60 days past due not impaired	27,417,494	5,100,767	19,937,708
61 to 90 days past due not impaired	9,041,566	8,216,117	17,056,011
91 to 120 days past due not impaired	12,289,127	17,333,345	15,527,002
More than 120 days past due not impaired	48,367,443	47,684,187	18,519,863
	124,040,237	98,823,883	91,843,509
Impaired	14,895,398	13,058,445	2,634,905
	406,037,577	408,937,028	450,569,380

<u>Receivables that are neither past due nor impaired</u>

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of these balances have been renegotiated during the financial year.

<u>Receivables that are past due but not impaired</u>

The Group has trade receivables amounting to RM124,040,237 (31.12.2017: RM98,823,883; 1.1.2017: RM91,843,509) that are past due at the reporting date but not impaired and are not secured by any collateral or credit enhancements.

The management is confident that the balance of receivables that are past due but not impaired are recoverable as these are active accounts due from credit worthy debtors.

20. Trade and other receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Individually Impaired	
	2018	**2017**
	RM	**RM**
Trade receivables - nominal amounts	14,895,398	13,058,445
Less: Allowance for impairment	(14,895,398)	(13,058,445)
	-	-
Movement in allowance accounts:		
At 1 January	13,058,445	2,634,905
Charge for the year (Note 7)	1,838,324	11,635,078
Reversal of impairment loss (Note 7)	-	(809,370)
Written off	-	(390,646)
Translation difference	(1,371)	(11,522)
At 31 December	14,895,398	13,058,445

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Other receivables

Amounts due from subsidiaries are unsecured, interest bearing at 3.35% (31.12.2017: 3.20%; 1.1.2017: 3.50%) per annum and are repayable on demand.

21. Cash and bank balances

		Group	
	31.12.2018	**31.12.2017**	**1.1.2017**
	RM	**RM**	**RM**
Cash on hand and at banks	13,393,258	61,501,174	64,749,350
Short term deposits with licensed banks	22,176,169	25,070,728	14,276,004
Cash and bank balances	35,569,427	86,571,902	79,025,354

		Company	
	31.12.2018	**31.12.2017**	**1.1.2017**
	RM	**RM**	**RM**
Cash on hand and at banks	2,400,916	4,258,984	3,076,071

Included in cash at banks of the Group are amounts of RM1,521 (31.12.2017: RM67,899; 1.1.2017: RM16,396) held pursuant to Section 7A of the Housing Developers (Control and Licensing) Act, 1966 and therefore restricted from use on other operations.

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one month to three months (31.12.2017: one month to three months; 1.1.2017: one month to three months) depending on the immediate cash requirements of the Group and earn interest at respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2018 for the Group was 2.93% (31.12.2017: 2.88%; 1.1.2017: 2.74%).

Short-term deposits with licensed banks of the Group amounting to RM22,176,169 (31.12.2017: RM25,070,728; 1.1.2017: RM14,276,004) are pledged as security for borrowings (Note 22).

21. Cash and bank balances (cont'd)

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	RM	**RM**	**RM**
Cash and bank balances	35,569,427	86,571,902	79,025,354
Less: Bank overdrafts (Note 22)	(18,251,991)	-	(10,065,256)
Less: Pledged deposits	(22,176,169)	(25,070,728)	(14,276,004)
Cash and cash equivalents	(4,858,733)	61,501,174	54,684,094

Cash and cash equivalents of the Company comprise solely cash on hand and at banks.

22. Loans and borrowings

		Group		
	Maturity	**31.12.2018**	**31.12.2017**	**1.1.2017**
		RM	**RM**	**RM**
Current				
Secured:				
Bank overdrafts (Note 21)	On demand	18,251,991	-	10,065,256
Bankers' acceptances	2019	63,068,000	15,911,951	17,741,001
Term loans	2019	15,748,272	11,432,996	12,160,042
Obligations under finance leases (Note 29 (b))	2019	26,524,012	18,687,338	7,406,980
Invoice financing	2019	58,612,549	-	-
Revolving credit	2019	10,942,901	-	-
		193,147,725	46,032,285	47,373,279
Non-current				
Secured:				
Term loans	2020 - 2023	27,649,110	41,495,651	57,261,351
Obligations under finance leases (Note 29 (b))	2020 - 2023	52,356,936	42,074,786	10,400,686
		80,006,046	83,570,437	67,662,037
Total loans and borrowings		273,153,771	129,602,722	115,035,316

The remaining maturities of the loans and borrowings as at 31 December are as follows:

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	RM	**RM**	**RM**
On demand or within one year	193,147,725	46,032,285	47,373,279
More than 1 year and less than 2 years	32,075,655	31,695,017	17,961,638
More than 2 years and less than 5 years	44,941,472	49,493,780	40,906,401
5 years and more	2,988,919	2,381,640	8,793,998
	273,153,771	129,602,722	115,035,316

22. Loans and borrowings (cont'd)

Obligations under finance leases

These obligations are secured by a pledge over the leased assets (Note 12). The discount rate implicit in the leases is between 1.68% to 3.77% (31.12.2017 : 2.37% to 3.56%; 1.1.2017: 2.37% to 3.36%) per annum.

Bank overdrafts, bankers' acceptance, term loans and invoice financing.

The interest rates (per annum) at the reporting date were as follows:

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	%	**%**	**%**
Bank overdrafts	5.35 to 8.37	5.35 to 8.29	5.35 to 8.15
Bankers' acceptances	3.68 to 5.10	4.15 to 6.42	4.35 to 6.40
Term loans	5.20 to 6.85	4.90 to 6.70	4.90 to 6.65
Invoice financing	4.61 to 7.95	-	-
Revolving credit	4.95 to 5.27	-	-

The bank overdrafts, bankers' acceptance and term loans together with bank guarantee facilities are secured by:

(a) First party first legal charge over a parcel of leasehold land as disclosed in Note 12;

(b) First party first legal charge over certain land held for development and development properties as disclosed in Note 18;

(c) Short term deposits as disclosed in Note 21; and

(d) Corporate guarantee by the Company.

Movement in loans and borrowings were as follows:

	Group	
	2018	**2017**
	RM	**RM**
At 1 January	129,602,722	115,035,316
Drawdown:		
- obligations under finance lease	42,755,954	59,278,206
- loans and borrowings	253,848,170	50,237,318
Repayments:		
- obligations under finance lease	(24,637,129)	(16,323,750)
- loans and borrowings	(146,667,937)	(68,559,112)
Net changes in bank overdrafts	18,251,991	(10,065,256)
At 31 December	273,153,771	129,602,722

23. Trade and other payables

	Group		
	31.12.2018 RM	31.12.2017 RM	1.1.2017 RM
Trade payables			
Third parties	242,202,997	244,537,434	217,807,189
Amount due to company related to certain directors	23,834	21,981	2,926,437
Amount due to joint ventures	-	-	42,426
	242,226,831	244,559,415	220,776,052
Other payables			
Accrued operating expenses	59,251,294	78,185,844	30,568,739
Other payables	65,173,546	12,279,999	18,087,337
Deposits payable	65,590,973	31,934,344	14,999,146
Amount due to company related to certain directors	-	2,350	11,254
Amount due to joint ventures	11,633,528	52,902	139,796
	201,649,341	122,455,439	63,806,272
Total trade and other payables	443,876,172	367,014,854	284,582,324
Add: Loans and borrowings (Note 22)	273,153,771	129,602,722	115,035,316
Total financial liabilities carried at amortised cost	717,029,943	496,617,576	399,617,640

	Company		
	31.12.2018 RM	31.12.2017 RM	1.1.2017 RM
Other payables			
Accrued operating expenses	254,075	151,421	45,128
Other payables	5,320	176,798	-
Amount due to subsidiaries	-	5,943	1,136,150
Amount due to joint ventures	-	52,902	139,796
Total financial liabilities carried at amortised cost	259,395	387,064	1,321,074

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 day (31.12.2017: 30 to 90 day; 1.1.2017: 30 to 90 day) terms.

(b) Other payables

Other payables due to third parties are non-interest bearing and are normally settled on 30 to 60 day (31.12.2017: 30 to 60 day; 1.1.2017: 30 to 60 day) terms.

Amounts due to subsidiaries, joint ventures and a company related to certain directors are unsecured, non-interest bearing and are repayable on demand.

The amounts due to joint ventures are unsecured, bear interest at 3.30% (31.12.2017: Nil; 1.1.2017: Nil) per annum and are repayable on 31 March 2019 (31.12.2017: repayable on demand; 1.1.2017: repayable on demand).

24. Deferred tax liabilities/(assets)

Deferred tax liabilities/(assets) as at 31 December relate to the following:

Group	As at 1 January 2017 RM	Recognised in profit or loss (Note 10) RM	As at 31 December 2017 RM	Recognised in profit or loss (Note 10) RM	As at 31 December 2018 RM
Deferred tax liabilities of the Group:					
Property, plant and equipment	7,671,113	238,584	7,909,697	1,242,441	9,152,138
Others	3,069,855	(1,641,458)	1,428,397	1,010,154	2,438,551
	10,740,968	(1,402,874)	9,338,094	2,252,595	11,590,689
Deferred tax assets of the Group:					
Unutilised tax credits	(7,109,439)	3,345,608	(3,763,831)	2,164,011	(1,599,820)
Provisions	(1,066,000)	(4,075,739)	(5,141,739)	(1,067,974)	(6,209,713)
	(8,175,439)	(730,131)	(8,905,570)	1,096,037	(7,809,533)
	2,565,529	(2,133,005)	432,524	3,348,632	3,781,156

25. Share capital, share premium and treasury shares

	Number of ordinary shares		Amount			
Company	**Share capital (Issued and fully paid)**	**Treasury shares**	**Share capital (Issued and fully paid) RM**	**Share premium RM**	**Treasury shares RM**	**Total RM**
At 1 January 2017	310,289,937	20,000	155,144,969	47,971,016	(23,774)	203,092,211
Issuance of ordinary shares pursuant to:						
Dividend reinvestment plan of the Company	9,199,803	-	18,399,606	-	-	18,399,606
Conversion of warrants	1,055,200	-	2,384,752	-	-	2,384,752
Share issue expenses	-	-	(82,522)	-	-	(82,522)
Transition to no-par value regime	-	-	47,971,016	(47,971,016)	-	-
At 31 December 2017 and 1 January 2018	320,544,940	20,000	223,817,821	-	(23,774)	223,794,047
Issuance of ordinary shares pursuant to:						
Dividend reinvestment plan of the Company	11,243,464	-	13,492,157	-	-	13,492,157
Conversion of warrants	102,700	-	232,102	-	-	232,102
Share issue expenses	-	-	(90,561)	-	-	(90,561)
At 31 December 2018	331,891,104	20,000	237,451,519	-	(23,774)	237,427,745

25 Share capital, share premium and treasury shares (cont'd)

(a) Share capital

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM223,817,821 to RM237,451,519 by way of:

(i) issuance of 11,243,464 ordinary shares arising from the DRP pertaining to the final (single tier) dividend of 5.50 sen in respect of the financial year ended 31 December 2017.
(ii) issuance of 102,700 ordinary shares arising from the conversion of Warrants 2014/2024, at the exercise price of RM1.68 per warrant.

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

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

Dividends to owners of the Company and non-controlling interests are recognised in the statement of changes in equity in the period in which they are declared.

(b) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares.

The directors of the Company are committed to enhance the value of the Company for its shareholders and believe that the share purchase plan can be applied in the best interests of the Company and its shareholders.

26. Retained earnings

The entire retained earnings of the Company as at 31 December 2018 and 2017 may be distributed as dividends under single tier system.

27. Other reserves

		Group	
	31.12.2018 RM	31.12.2017 RM	1.1.2017 RM
Foreign currency translation reserve			
At 1 January	(70,586)	(50,037)	(44,796)
Foreign currency translation	(697)	(20,549)	(5,241)
At 31 December	(71,283)	(70,586)	(50,037)
Warrant reserve			
At 1 January	34,253,234	34,865,250	34,865,250
Conversion of warrants	(59,566)	(612,016)	-
	34,193,668	34,253,234	34,865,250
At 31 December	34,122,385	34,182,648	34,815,213

		Company	
	31.12.2018 RM	31.12.2017 RM	1.1.2017 RM
Warrant reserve			
At 1 January	34,253,234	34,865,250	34,865,250
Conversion of warrants	(59,566)	(612,016)	-
At 31 December	34,193,668	34,253,234	34,865,250

27. Other reserves (cont'd)

(a) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of a foreign operation whose functional currency is different from that of the Group's presentation currency.

(b) Warrants reserve

A total of 60,112,500 free warrants ("Warrants 2014/2024") were issued by the Company on 13 March 2014. Each warrant entitles the holder to subscribe for 1 new share at the exercise price of RM1.68 per share at any time during the exercise period. The warrants have an exercise period of 10 years commencing 13 March 2014 and expiring on 12 March 2024.

As at 31 December 2018, 58,954,600 (2017: 59,057,300) Warrants 2014/2024 remain unexercised.

28. Related party disclosures

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Purchase of raw materials from a company related to certain directors	-	387,136	-	-
Contract fee receivable from a company related to certain directors	27,465,517	11,368,667	-	-
Contract fee receivable from joint ventures	156,945,001	142,173,543	-	-
Rental of land and building paid to companies related to certain directors	2,241,394	2,046,911	-	-
Rental of premise paid to a company related to certain directors	13,598	13,893	-	-
Landscaping and maintenance service paid to a company related to certain directors	65,800	267,153	-	-
Interest income received from subsidiaries	-	-	1,891,350	1,862,157
Dividend income received from subsidiaries	-	-	17,100,000	19,234,000

Companies related to certain directors

These entities are subject to the same source of influence as the Company through common directors.

Compensation of key management personnel

The remuneration of key management personnel during the year are as follows:

	2018 RM	**2017 RM**
Salaries, bonus and other emoluments	5,153,450	5,479,130
Defined contribution plan	890,433	947,555
Other short term benefits	121,729	108,894
	6,165,612	6,535,579

29. Commitments

(a) Capital commitments

	Group 31.12.2018 RM	31.12.2017 RM	1.1.2017 RM
Capital commitments as at the reporting date are as follows:			
Approved and contracted for:			
Property, plant and equipment	9,071,347	20,283,369	5,012,448
Land held for development	67,749,598	-	-
Approved and not contracted for:			
Property, plant and equipment	-	-	5,573,258

(b) Finance lease commitments

The Group has finance leases for certain items of plant and equipment (Note 12).

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group 31.12.2018 RM	31.12.2017 RM	1.1.2017 RM
Minimum lease payments:			
Not later than 1 year	30,462,064	21,578,136	8,195,167
Later than 1 year but not later than 2 years	23,452,664	19,862,752	5,295,339
Later than 2 years but not later than 5 years	30,321,659	23,598,535	4,820,563
More than 5 years	3,064,637	2,435,330	1,034,714
Total minimum lease payments	87,301,024	67,474,753	19,345,783
Less: Amounts representing finance charges	(8,420,076)	(6,712,629)	(1,538,117)
Present value of minimum lease payments	78,880,948	60,762,124	17,807,666
Present value of payments:			
Not later than 1 year	26,524,012	18,687,338	7,406,980
Later than 1 year but not later than 2 years	20,970,655	17,848,477	4,857,203
Later than 2 years but not later than 5 years	28,397,362	21,844,669	4,531,985
More than 5 years	2,988,919	2,381,640	1,011,498
Present value of minimum lease payments	78,880,948	60,762,124	17,807,666
Less: Amount due within 12 months (Note 22)	(26,524,012)	(18,687,338)	(7,406,980)
Amount due after 12 months (Note 22)	52,356,936	42,074,786	10,400,686

29. Commitments (cont'd)

(c) Operation lease commitment - as lessee

The Group has minimum lease payments recognised in profit or loss for the financial year ended 31 December 2018 amounting to RM4,262,010 (2017: RM3,874,288).

Future minimum rentals payable under operating leases at the reporting date are as follows:

		Group	
	31.12.2018 RM	31.12.2017 RM	1.1.2017 RM
Not later than 1 year	3,832,973	2,054,030	2,933,073
Later than 1 year but not later than 5 year	2,152,060	400,190	1,511,910
	5,985,033	2,454,220	4,444,983

30. Fair value

(a) Fair values of assets

The following table shows an analysis of assets measured at fair value or for which fair values are disclosed by level of fair value hierarchy:

		Group		
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
31.12.2018				
Assets for which fair values are disclosed:				
Investment properties	-	-	9,348,000	9,348,000
31.12.2017				
Assets for which fair values are disclosed:				
Investment properties	-	-	10,026,000	10,026,000
Assets measured at fair value:				
Other investments	294,669	-	-	294,669
1.1.2017				
Assets for which fair values are disclosed:				
Investment properties	-	-	6,060,000	6,060,000
Assets measured at fair value:				
Other investments	180,431	-	-	180,431

The fair values of investment properties are determined by the Directors using the comparable method.

(b) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value:

	Note
Trade and other receivables (current)	20
Cash and bank balances (current)	21
Loans and borrowings (current)	22
Loans and borrowings (non-current)	22
Trade and other payables (current)	23

30. Fair value (cont'd)

(b) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value (cont'd)

The carrying amounts of these financial assets and liabilities of the Group and of the Company at the reporting date approximate fair values due to the relatively short term maturity of these financial instruments whilst the carrying value of long term borrowings approximates fair value based on the current rates available for borrowings with the same maturity profile.

Fair values of retention sums on construction contracts are estimated by discounting expected future cash flows at market incremental lending rates at the reporting date.

Guarantees

The fair value of the guarantees provided by the Company in connection with credit facilities, construction contracts and development agreement granted to its subsidiaries is not significant as it is not probable that the financial institutions and third parties will call upon the guarantees.

31. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

The Board of Directors approves and reviews policies and procedures for the management of these risks, which are executed by the Management. The audit committee provides independent oversight to the effectiveness of the risk management process.

The Group and the Company do not undertake any trading of derivative financial instruments.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For cash and bank balances, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group and the Company minimise and monitor its credit risk by strictly limiting the Group's and Company's associations to business partners with high credit worthiness. Receivable balances are monitored on an ongoing basis.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the statements of financial position.
- an amount of RM679,538,530 (31.12.2017: RM607,001,468; 1.1.2017: RM577,924,735) relating to corporate guarantees provided by the Company to several financial institutions for its subsidiaries' credit facilities, and to third parties for the credit facilities granted by suppliers and the joint venture and subsidiaries' performance in construction contracts.

Credit risk concentration profile

The Group and the Company do not have any significant exposure to any individual customers or counterparties nor does it have any major concentration of credit risk related to any financial instruments.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 20. Deposits with banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20.

31. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

To ensure continuity of funding, the Group's and the Company's policy is to manage the debt maturity profile, operating cash flows and the availability of funding to support the operating cycle of the business.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	More than five years RM	Total RM
2018				
Group				
Financial liabilities:				
Trade and other payables	447,958,290	-	-	447,958,290
Loans and borrowings	199,062,270	83,745,733	3,064,637	285,872,640
Total undiscounted financial liabilities	647,020,560	83,745,733	3,064,637	733,830,930
Company				
Financial liabilities:				
Other payables	259,395	-	-	259,395
Total undiscounted financial liabilities	259,395	-	-	259,395
2017				
Group				
Financial liabilities:				
Trade and other payables	370,754,882	-	-	370,754,882
Loans and borrowings	51,836,690	89,195,424	2,435,329	143,467,443
Total undiscounted financial liabilities	422,591,572	89,195,424	2,435,329	514,222,325
Company				
Financial liabilities:				
Other payables	387,064	-	-	387,064
Total undiscounted financial liabilities	387,064	-	-	387,064

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's primary interest rate risk relates to interest-bearing borrowings. The investments in financial assets including fixed deposits are mainly short term in nature and they are not held for speculative purposes.

The Group manages its interest rate exposure by using a mix of fixed and floating rate debts and actively reviewing its debt portfolio, taking into account the investment holding period and nature of its assets.

31. Financial risk management objectives and policies (cont'd)

(c) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

During the financial year, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's net profit after tax would have increased/decreased by RM1,038,000 (2017: RM492,000) during the year. The assumed movement in basis points for interest rate sensitivity analysis was based on the prior year observable market environment.

32. Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings less cash and bank balances whereas total capital comprises equity attributable to owners of the Company.

The gearing ratios are as follows:

	Note	31.12.2018 RM	31.12.2017 RM	1.1.2017 RM
Group				
Loans and borrowings	22	273,153,771	129,602,722	115,035,316
Less: Cash and bank balances	21	(35,569,427)	(86,571,902)	(79,025,354)
Net debt		237,584,344	43,030,820	36,009,962
Total equity		664,796,263	607,792,238	539,262,844
Capital and net debt		902,380,607	650,823,058	575,272,806
Gearing ratio		26.3%	6.6%	6.3%

33. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

(i) Construction
(ii) Manufacturing and trading of construction materials and provision of quarry services
(iii) Investment holding
(iv) Property development

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

33. Segment information (cont'd)

At 31 December 2018	Construction RM	Ma nufacturing, trading, and quarry services RM	Investment holding RM	Property development RM	Eliminations RM	Consolidation RM
Revenue:						
External customers	801,122,216	206,271,536	48,812	4,536,000	-	1,011,978,564
Inter-segment	-	46,385,037	18,991,350	-	(65,376,387)	-
Total revenue	801,122,216	252,656,573	19,040,162	4,536,000	(65,376,387)	1,011,978,564
Results:						
Segment results	87,915,740	38,402,389	19,040,162	904,532	(18,236,053)	128,026,770
Other operating income						8,354,745
Administration expenses						(43,643,189)
Finance costs						(11,881,755)
Share of profit of joint ventures						809,691
Profit before tax						81,666,262
Income tax expense						(20,601,154)
Profit net of tax						61,065,108
Assets:						
Segment assets	825,988,256	387,810,840	272,697,475	257,718,403	(347,077,410)	1,397,137,564
Liabilities:						
Segment liabilities	450,225,218	243,045,619	423,047	151,691,533	(113,044,116)	732,341,301

33. Segment information (cont'd)

At 31 December 2017	Construction RM	Manufacturing, trading, and quarry services RM	Investment holding RM	Property development RM	Eliminations RM	Consolidation RM
Revenue:						
External customers	871,096,495	97,965,729	297,944	15,829,455	-	985,189,623
Inter-segment	1,328,802	20,499,745	21,096,157	(117,309)	(42,807,395)	-
Total revenue	872,425,297	118,465,474	21,394,101	15,712,146	(42,807,395)	985,189,623
Results:						
Segment results	106,858,734	26,854,605	21,394,101	3,123,182	(18,928,118)	139,302,505
Other operating income						8,819,499
Administration expenses						(51,465,826)
Finance costs						(7,138,291)
Share of profit of joint ventures						517,064
Profit before tax						90,034,951
Income tax expense						(21,697,094)
Profit net of tax						68,337,857
Assets:						
Segment assets	723,221,474	291,555,109	259,069,861	146,810,193	(272,439,852)	1,148,216,785
Liabilities:						
Segment liabilities	376,858,793	162,736,419	586,346	64,488,244	(64,245,255)	540,424,547

34. Dividends

	Group and Company	
	2018	2017
	RM	RM
Recognised during the financial year:		
Dividends on ordinary shares:		
- Final (single tier) dividend of 5.50 sen (2017: 6.50 sen) per share	17,634,518	20,177,730

The shareholders of the Company ("Shareholders") have been granted an option to elect to reinvest the entire portion of the final dividend in respect of the financial year ended 31 December 2017 in new ordinary shares in the Company ("New Shares") in accordance with the approved Dividend Reinvestment Plan of the Company ("DRP"). The reinvestment rate for the abovementioned dividend was 76.52%.

At the forthcoming Annual General Meeting ("AGM"), a final (single-tier) dividend in respect of the financial year ended 31 December 2018, of 3.70 sen per ordinary share 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 in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

The Board of Directors has determined that the DRP will apply to the final dividend and the Shareholders be given an option to reinvest the entire final dividend in New Shares ("Reinvestment Option"), subject to approvals being obtained from the following:

(i) Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing and quotation of the New Shares on the Main Market of Bursa Securities;

(ii) Shareholders in the forthcoming AGM for the declaration of the final dividend and the issuance of such number of New Shares as may be required pursuant to the exercise of the Reinvestment Option by the Shareholders; and

(iii) Approval from other relevant authorities and/ or parties, if required.

35. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 1 April 2019.

ANALYSIS OF SHAREHOLDINGS

As At 29 March 2019

Total number of Issued Shares	: 331,891,104 Ordinary Shares
Number of Treasury Shares	: 20,000 Ordinary Shares
Class of shares	: Ordinary Shares
Voting rights	: One vote per ordinary share

Distribution of Shareholdings (As per Record of Depositors)

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of shares*	% of Issued Capital
1 - 99	179	6.388	7.230	0.002
100 - 1,000	411	14.668	237,466	0.071
1,001 - 10,000	1,447	51.641	6,538,477	1.970
10,001 - 100,000	625	22.305	16,577,651	4.995
100,001 – 16,593,554 **	138	4.925	173,709,437	52.342
16,593,555 and above ***	2	0.071	134,800,843	40.618
Total	2,802	100.000	331,871,104	100.000

* excluding 20,000 shares bought back and retained by the Company as treasury shares
** less than 5% of issued shares
*** 5% and above of issued shares

Substantial Shareholders (As per Register of Substantial Shareholders)

Name of Shareholders	Direct Interest No of Shares	Direct Interest %	Indirect Interest No. of Shares	Indirect Interest %
1. Phin Sdn Bhd	121,818,994	36,707	-	-
2. Pang Khang Hau	19,661,849	5.924	-	-
3. Pang Tin @ Pang Yon Tin	17,655,227	5.320	121,818,994	36,707

Directors' Shareholdings (As per Register of Directors' Shareholdings)

Name of Shareholders	Direct Interest No. of Shares	Direct Interest %	Indirect Interest No. of Shares	Indirect Interest %
1. Pang Khang Hau	19,661,849	5.925	-	-
2. Pang Tin @ Pang Yon Tin	17,655,227^	5.320	132,334,903	39.875
3. Sim Tian Liang	8,449,661@	2.546	-	-
4. Chin Lian Hing	8,857,386+	2.669	-	-
5. Yam Tai Fong	9,070,355#	2.733	-	-
6. Kek Chin Wu	354,721	0.107	-	-
7. Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	80,999	0.024	-	-
8. Chua Kee Yat @ Koo Kee Yat	37,800	0.011	-	-

Note :-

^ Includes 11,692,624 shares held in bare trust by HLB Nominees (Tempatan) Sdn. Bhd.

@ Includes 2,711,611, 3,732,763 and 2,005,287 shares held in bare trust by Amsec Nominees (Tempatan) Sdn Bhd, Maybank Nominees (Tempatan) Sdn Bhd and Alliancegroup Nominees (Tempatan) Sdn Bhd respectively.

\+ Includes 2,077,916 and 3,429,987 shares held in bare trust by Amsec Nominees (Tempatan) Sdn Bhd and Alliancegroup Nominees (Tempatan) Sdn Bhd.

\# Includes 2,799,284 shares held in bare trust by TA Nominees (Tempatan) Sdn Bhd.

ANALYSIS OF SHAREHOLDINGS

As At 29 March 2019 (cont'd)

Thirty Largest Shareholders (As per Record of Depositors)

	Name of Shareholders	No. of Shares Held	% of Issued Capital
1.	Phin Sdn. Bhd.	115,138,994	34.693
2.	Pang Khang Hau	19,661,849	5.924
3.	Phang Piow @ Pang Choo Ing	16,525,288	4.979
4.	Urusharta Jamaah Sdn Bhd	12,112,500	3.649
5.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Pang Tin @ Pang Yon Tin (JBU 13629)	11,692,624	3.523
6.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Phin Sdn Bhd (PB)	6,680,000	2.012
7.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB Prin)	6,464,099	1.947
8.	Yam Tai Fong	6,271,071	1.889
9.	Pang Tin @ Pang Yon Tin	5,962,603	1.796
10.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Bhd (LGF)	5,700,984	1.717
11.	Cartaban Nominees (Asing) Sdn Bhd BBH (Lux) Sca for Fidelity Funds Asean	5,019,000	1.512
12.	Loh Oi Yoke	4,341,300	1.308
13.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sim Tian Liang	3,732,763	1.124
14.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Lian Hing (8122003)	3,429,987	1.033
15.	Wang Ah Yu	3,389,038	1.021
16.	Chin Lian Hing	3,349,483	1.009
17.	Leong Choon Thye	3,330,947	1.003
18.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Bhd (Par 2)	3,276,815	0.987
19.	Sunny Pang Yi Lin	3,086,196	0.929
20.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yam Tai Fong	2,799,284	0.843
21.	DB (Malaysia) Nominees (Tempatan) Sdn Bhd Deutsche Trustees Malaysia Berhad for Eastspring Investments Ents Islamic Small-Cap Fund	2,731,000	0.822
22.	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sim Tian Liang	2,711,611	0.817
23.	Lew Kim Bock	2,669,937	0.804
24.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	2,484,939	0.748
25.	Citigroup Nominees (Asing) Sdn Bhd Exempt An for Citibank New York (Norges Bank 14)	2,434,432	0.733
26.	Pang Yi Shia	2,133,243	0.642
27.	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account – AmBank (M) Berhad for Chin Lian Hing (SMART)	2,077,916	0.626
28.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Small Cap Opportunity Unit Trust	2,006,300	0.604
29.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sim Tian Liang (8122016)	2,005,287	0.604
30.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (PHEIM)	1,967,100	0.592
	Total	265,186,590	79.906

The thirty largest shareholders refer to the thirty securities account holders having the largest number of securities according to the Record of Depositors (without aggregating the shares from different securities accounts belonging to the same depositor).

ANALYSIS OF WARRANT HOLDINGS

As At 29 March 2019

No. of Warrants in issue	: 58,954,600
No. of Warrant Holders	: 1,293
Exercise Price per Warrant	: RM1.68
Exercise Period	: 13 March 2014 to 12 March 2024
Exercise Rights	: Each warrant entitles the holder to subscribe for one new ordinary share
Voting rights at Meetings of Warrant Holders	: One vote per warrant

Distribution of Warrant Holdings (As per Record of Depositors)

Size of Holdings	No. of Holders	% of Holders	No. of Warrants	% of Warrants
1 - 99	54	4.176	2,576	0.004
100 - 1,000	388	30.007	217,025	0.368
1,001 - 10,000	580	44.856	2,393,837	4.060
10,001 - 100,000	225	17.401	8,034,437	13.628
100,001 – 2,947,729 *	44	3.402	23,012,725	39.034
2,947,730 and above **	2	0.154	25,294,000	42.904
Total	1,293	100.000	58,954,600	100.000

* less than 5% of issued warrants
** 5% and above of issued warrants

Directors' Warrant Holdings (As per Register of Directors' Warrant Holdings)

Name of Warrant Holders	Direct Interest No. of Warrants	%	Indirect Interest No. of Warrants	%
1. Pang Khang Hau	3,641,900	6.177	-	-
2. Pang Tin @ Pang Yon Tin	2,928,100	4.967	23,119,900	39.216
3. Sim Tian Liang	100,000@	0.170	-	-
4. Chin Lian Hing	-	-	-	-
5. Yam Tai Fong	450,000#	0.763	-	-
6. Kek Chin Wu	78,500	0.133	-	-
7. Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	13,000	0.022	-	-
8. Chua Kee Yat @ Koo Kee Yat	7,800	0.013	-	-

Note :-
@ Held in bare trust by Alliancegroup Nominees (Tempatan) Sdn Bhd.
# Held in bare trust by TA Nominees (Tempatan) Sdn Bhd.

ANALYSIS OF WARRANT HOLDINGS

As At 29 March 2019 (cont'd)

Thirty Largest Warrant holders (As per Record of Depositors)

	Name of Warrant Holders	No. of Warrants Held	% of Issued Warrants
1.	Phin Sdn Bhd	21,652,100	36.726
2.	Pang Khang Hau	3,641,900	6.177
3.	Pang Tin @ Pang Yon Tin	2,928,100	4.966
4.	Phang Piow @ Pang Choo Ing	2,579,200	4.374
5.	Maybank Nominees (Tempatan) Sdn Bhd Nomura Singapore Limited for Lim Lian Hock (410242)	1,817,100	3.082
6.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Cheah Chee Siong (MY1891)	1,431,400	2.427
7.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt an for UOB Kay Hian Pte Ltd (A/C Client)	1,255,000	2.128
8.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt an for UOB Kay Hian Pte Ltd (A/C Client)	1,250,000	2.120
9.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lew Kim Bock (8122057)	704,775	1.195
10.	Wang Ah Yu	627,800	1.064
11.	Chai Yun Kien	585,300	0.992
12.	Chai Yune Fah	566,900	0.961
13.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Ganendrah A/L Chellappah (MY1786)	561,500	0.952
14.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Toh Yew Peng	550,000	0.932
15.	Ter Leong Swe	528,100	0.895
16.	Chin Ah Fee @ Chan Yok Ying	519,600	0.881
17.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Retnarasa A/L Annarasa (MY 2355)	503,500	0.854
18.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tam Kian Kwang	498,200	0.845
19.	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yong Foy Won (CCTS)	471,000	0.798
20.	Citigroup Nominees (Asing) Sdn Bhd Exempt An for Citibank New York (Norges Bank 1)	454,250	0.770
21.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yam Tai Fong	450,000	0.763
22.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securties Account for Yeap Soon Aik	409,000	0.693
23.	Sunny Pang Yi Lin	394,800	0.669
24.	Pang Yili	353,500	0.599
25.	Maybank Securities Nominees (Asing) Sdn Bhd Maybank Kim Eng Securities Pte Ltd for Lim Chuan Seng	300,000	0.508
26.	Cheah Chee Siong	252,200	0.427
27.	Tan Siew Kang	250,000	0.424
28.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teoh Wei Shien (8119538)	247,000	0.418
29.	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Siew Gaik (TTDI-CL)	205,000	0.347
30.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Fong Jong Han	200,000	0.339
	Total	46,187,225	78.343

The thirty largest warrant holders refer to the thirty securities account holders having the largest number of securities according to the Record of Depositors (without aggregating the warrants from different securities accounts belonging to the same depositor).

LIST OF PROPERTIES

Held by the Group as at 31 December 2018

No	Address/Location	Description and Existing Use	Date of Acquisition[e]	Tenure of Land (years)	Land Area (sq. ft.)	Built-up Area (sq. ft.)	Age of Building	Net Book Value (RM)
1.	PTD 90544, HS(M) 1203, Mukim Kulai, District of Kulai Jaya, Johor	Factory and office buildings	02/09/2002 [b]	Freehold	605,457	349,268	17	20,999,326
2.	Lot 2689, Mukim Kulai, District of Kulai Jaya, Johor	Factory building	29/11/ 2010	Not applicable[c]	274,689	113,168	8	5,547,326[d]
3.	PN45839 Lot No.2, Pekan Sungai Gadut, District of Seremban, Negeri Sembilan	Factory and office buildings	26/01/2012	Leasehold expiring on 08/12/2091	5,665,041	284,538	6	51,565,242
4.	HS(D)478917, PTD170709, Mukim Pulai, Daerah Johor Baharu, Negeri Johor	Lease over vacant commercial land	28/03/2013	Land lease over freehold commercial land expiring 31 July 2113	110,642	Not Applicable	Not Applicable	21,950,399.50
5.	HS(D)478918 PTD170710, Mukim Pulai, Daerah Johor Baharu, Negeri Johor	Lease over vacant commercial land	28/03/2013	Land lease over freehold commercial land expiring 13 July 2116	120,491	Not Applicable	Not Applicable	16,365,475
6.	HS(M)3416 to HS(M)3423 (PT7109 to PT7116) and HS(M)3539 to HS(M)3571 (PT7232 to PT7264, Seksyen U10 Shah Alam, Mukim Bukit Raja, Daerah Petaling, Negeri Selangor	Vacant bungalow land	05/03/2014	Leasehold (99 years expiring on 27 January 2103)	386,499	Not Applicable	Not Applicable	34,021,171.26
7.	Lot 3766 to Lot 3775, Lot 3787 to Lot 3795, Lot 3807 to Lot 3814, Lot 4393 and Lot 3833, Mukim Kota Tinggi, Daerah Kota Tinggi, Negeri Johor	Agriculture land	13/05/2015	Freehold	6,082,826	Not Applicable	Not Applicable	32,906,463.87
8.	R-G-5, D' Sara Sentral, Jalan Welfare, Kg Baru Sungai Buloh, Seksyen U19, Shah Alam, 40160 Selangor	Retail Shop Lot	03/07/2017	Leasehold expiring on 14 August 2112	[a]	1,320	1	2,556,000

LIST OF PROPERTIES

Held by the Group as at 31 December 2018 (cont'd)

No	Address/Location	Description and Existing Use	Date of Acquisition[e]	Tenure of Land (years)	Land Area (sq. ft.)	Built-up Area (sq. ft.)	Age of Building	Net Book Value (RM)
9.	HS(M)3441 to HS(M)3443 (PT7134 to PT7136), HS(M)3445 to HS(M)3452 (PT7138 to PT7145), HS(M)3455 (PT7148), HS(M)3461 to HS(M)3465 (PT7154 to PT7158), HS(M)3473 to HS(M)3475 (PT7166 to PT7168), HS(M)3486 (PT7179), HS(M)3494 to HS(M)3495 (PT7187 to PT7188), HS(M)3497 to HS(M)3500 (PT7190 to PT7193) and HS(M)3506 to HS(M)3508 (PT7199 to PT7201), Seksyen U10 Shah Alam, Mukim Bukit Raja, Daerah Petaling, Negeri Selangor	Bungalows	26/01/2018	Leasehold (99 years expiring on 27 January 2103)	291,530	1,942,929	3	47,294,241.23
10.	HS(M)3412 to HS(M)3415 (PT7105 to PT7108), HS(M)3424 to HS(M)3439 (PT7117 to PT7132), HS(M)3509 to HS(M)3525 (PT7202 to PT7218), HS(M)3528 to HS(M)3534 (PT7221 to PT7227) and HS(M)3536 to HS(M)3538 (PT7229 to PT7231), Seksyen U10 Shah Alam, Mukim Bukit Raja, Daerah Petaling, Negeri Selangor	Vacant bungalow land	26/01/2018	Leasehold (99 years expiring on 27 January 2103)	589,539	Not Applicable	Not Applicable	25,272,241.47

Notes :

(a) Based on strata title, thus no land area available.
(b) This being the acquisition date of the factory building. The acquisition of the freehold land on which the buildings were erected thereon was completed on 27 October 2010.
(c) Tenure of land is not applicable as the building is sited on rented land.
(d) The Net Book Value is in relation to the building only.
(e) Date of acquisition stated herein refers to the date of the respective sale & purchase agreement.

NOTICE OF TENTH (10TH) ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 10th Annual General Meeting of the Company will be held at Rafflesia 1 & 2, Lower Ground Floor 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Monday, 17 June 2019 at 2.30 p.m. to transact the following business:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon. (Please refer to Note 2)

2. To re-elect the following Directors who retire pursuant to Article 86 of the Company's Constitution, as Directors of the Company:-

   i) Pang Khang Hau (Resolution 1)
   ii) Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah @ Lim Teik Keat (Resolution 2)
   iii) Chin Lian Hing (Resolution 3)

3. To declare a final single tier dividend of 3.7 sen per ordinary share for the financial year ended 31 December 2018. (Resolution 4)

4. To approve the payment of Directors' fees and benefits up to an amount of RM370,000 to the Non-Executive Directors for the period from this 10th Annual General Meeting ("AGM") until the next AGM of the Company. (Resolution 5)

5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)

Special Business

To consider and if thought fit, to pass the following resolutions, with or without modifications, as Ordinary/Special Resolutions of the Company:-

6. **ORDINARY RESOLUTION I** (Resolution 7)
   CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR – CHUA KEE YAT @ KOO KEE YAT

   "THAT authority be and is hereby given to Chua Kee Yat @ Koo Kee Yat who will have served as an Independent Non-Executive Director of the Company for a cumulative term of ten years on 23 October 2019, to continue to serve as an Independent Non-Executive Director of the Company from 24 October 2019 to 23 October 2020.

7. **ORDINARY RESOLUTION II** (Resolution 8)
   CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR - DATO' PADUKA (DR.) IR. HJ. KEIZRUL BIN ABDULLAH @ LIM TEIK KEAT

   "THAT subject to the passing of Resolution 2, authority be and is hereby given to Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah @ Lim Teik Keat who will have served as an Independent Non-Executive Director of the Company for a cumulative term of ten years on 23 October 2019, to continue to serve as an Independent Non-Executive Director of the Company from 24 October 2019 to 23 October 2020."

8. **ORDINARY RESOLUTION III** (Resolution 9)
   CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR – KEK CHIN WU

   "THAT authority be and is hereby given to Kek Chin Wu who will have served as an Independent Non-Executive Director of the Company for a cumulative term of ten years on 23 October 2019, to continue to serve as an Independent Non-Executive Director of the Company from 24 October 2019 to 23 October 2020."

NOTICE OF TENTH (10TH) ANNUAL GENERAL MEETING

(cont'd)

9. **ORDINARY RESOLUTION IV** (Resolution 10)
AUTHORITY TO ALLOT SHARES

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016, the Directors of the Company be and are hereby authorised to allot shares in the Company at any time 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 allotted pursuant to this resolution does not exceed 10% of the number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued from Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next AGM of the Company after the approval was given or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by the Company at a general meeting."

10. **ORDINARY RESOLUTION V** (Resolution 11)
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR THE COMPANY AND/OR ITS SUBSIDIARIES TO ENTER INTO RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH RELATED PARTIES ("RRPT MANDATE")

"THAT pursuant to Part E Paragraph 10.09 of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements, the Company and its subsidiaries ("KLCB Group") be and are hereby authorised to enter into any of the recurrent transactions of a revenue or trading nature as set out in Section 2.2 of the Circular to Shareholders of the Company dated 29 April 2019 with the related parties mentioned therein which are necessary for the KLCB Group's day-to-day operations, provided that the transactions are in the ordinary course of business, on normal commercial terms and on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company;

AND THAT such approval shall continue to be in force until:-

(i) the conclusion of the next AGM of the Company following the general meeting at which this resolution was passed, at which time it will lapse, unless by an 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 of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting;

whichever is earlier;

AND THAT the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things as they may deemed fit and expedient in the interest of the Company to give full effect to the RRPT Mandate."

11. **ORDINARY RESOLUTION VI** (Resolution 12)
PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES OF UP TO TEN PER CENT (10%) OF THE TOTAL NUMBER OF ISSUED SHARES ("PROPOSED RENEWAL OF SHARE BUY-BACK")

"THAT subject to the Companies Act 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

i. the aggregate number of issued shares in the Company ("Shares") purchased ("Purchased Shares") and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per cent (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at point of purchase; and

ii. the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,

("Proposed Renewal of Share Buy-Back").

AND THAT the authority to facilitate the Proposed Renewal of Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:

a. the conclusion of the next AGM of the Company following the general meeting at which this resolution was passed, at which time the authority shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;

b. the expiration of the period within which the next AGM of the Company is required by law to be held; or

c. revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

AND THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

i. To cancel all or part of the Purchased Shares;

ii. To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;

iii. To distribute all or part of the treasury shares as dividends to the shareholders of the Company;

iv. To resell all or part of the treasury shares;

v. To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;

vi. To transfer all or part of the treasury shares as purchase consideration;

vii. To sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe; and/or

viii. To deal with the treasury shares in any other manners as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are authorised to take all such steps as are necessary or expedient [including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into agreements, arrangements and guarantee with any party or parties] to implement, finalise and give full effect to the Proposed Renewal of Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities."

NOTICE OF TENTH (10TH) ANNUAL GENERAL MEETING
(cont'd)

12. **ORDINARY RESOLUTION VII** (Resolution 13)
PROPOSED RENEWAL OF THE AUTHORITY TO ALLOT NEW ORDINARY SHARES IN THE COMPANY ("NEW KLCB SHARES"), FOR THE PURPOSE OF DIVIDEND REINVESTMENT PLAN ("DRP") THAT PROVIDES THE SHAREHOLDERS OF THE COMPANY THE OPTION TO ELECT TO REINVEST THEIR CASH DIVIDEND IN NEW KLCB SHARES ("PROPOSED RENEWAL OF DRP")

"THAT pursuant to the DRP as approved by the shareholders at the Extraordinary General Meeting held on 24 June 2016 and subject to the approval of the relevant regulatory authorities, approval be and is hereby given to the Company to allot such number of New KLCB Shares from time to time as may be required to be allotted pursuant to the DRP until the conclusion of the next AGM upon such terms and conditions and to such persons as the Board of the Company at their absolute discretion, deem fit and in the best interest of the Company PROVIDED THAT the issue price of the said New KLCB Shares shall be fixed by the Board at not more than ten per cent (10%) discount to the adjusted five (5)-day volume weighted average market price ("VWAMP") of KLCB Shares immediately prior to the price-fixing date, of which the VWAMP shall be adjusted ex-dividend before applying the abovementioned discount in fixing the issue price;

AND THAT the Directors and the Secretary of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements and documents as may be necessary or expedient in order to give full effect to the DRP with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed or agreed to by any relevant authorities or consequent upon the implementation of the said conditions, modifications, variations and/or amendments, as they, in their absolute discretion, deem fit and in the best interest of the Company."

13 **SPECIAL RESOLUTION** (Resolution 14)
PROPOSED ALTERATION OF THE EXISTING MEMORANDUM AND ARTICLES OF ASSOCIATION/CONSTITUTION BY REPLACING WITH A NEW CONSTITUTION ("PROPOSED ALTERATION")

"THAT the existing Memorandum and Articles of Association/Constitution of the Company be hereby altered by replacing with a new Constitution as set out in the Appendix I attached to the Annual Report 2018 with effect from the date of passing this special resolution.

AND THAT the Directors of the Company be hereby authorised to do all such acts and things and to take all such steps as they deem fit, necessary, expedient and/or appropriate in order to complete and give full effect to the Proposed Alteration with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities."

14. To consider any other business of which due notice shall be given in accordance with the Act.

By Order of the Board
TAY LEE SHYA (MIA 16982)
WONG PEIR CHYUN (MAICSA 7018710)
YENG SHI MEI (MAICSA 7059759)
Company Secretaries
Kuala Lumpur

29 April 2019

NOTICE OF TENTH (10TH) ANNUAL GENERAL MEETING

(cont'd)

NOTES:-

1. Appointment of Proxy

(a) A member entitled to attend and vote at the Meeting is entitled to appoint proxy(ies) (or in the case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy may but need not be a member of the Company.

(b) The instrument appointing a proxy shall be in writing under the hand of the appointor or of 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.

(c) A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meetings, and that appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

(d) 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.

(e) Where a member of the company is an exempt authorised nominee as defined under the SICDA which holds ordinary shares in the company for multiple beneficial owners in one 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.

(f) Where the authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of the shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(g) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the share registrar of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

(h) Only the members whose names appear on the Record of Depositors as at 10 June 2019 shall be entitled to attend and vote at this meeting or appoint proxy (proxies) to attend and vote on their behalf.

2. Audited Financial Statements for the financial year ended 31 December 2018

The Audited Financial Statements in agenda 1 is meant for discussion only as the approval of the shareholders is not required pursuant to the provision of Section 340(1)(a) of the Companies Act 2016. Hence, this agenda is not put forward for voting by shareholders.

3. Resolutions 1 to 3 – Re-election of Directors

Pang Khang Hau, Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah @ Lim Teik Keat and Chin Lian Hing are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 10th AGM.

The Board had through the Nomination Committee carried out assessment of the Directors who are standing for re-election and agreed that they met the criteria as prescribed by Paragraph 2.20A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on character, experience, integrity, competence and time to effectively discharge their role as Directors.

The Board had also through Nomination Committee carried out assessment on the independence of Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah @ Lim Teik Keat and is satisfied that he met the criteria of independence as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

4. Resolution 4 – Declaration of a Final Single Tier Dividend

Pursuant to Paragraph 8.26(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the final single tier dividend, if approved, will be paid no later than three (3) months from the date of shareholders' approval.

NOTICE OF TENTH (10^{TH}) ANNUAL GENERAL MEETING
(cont'd)

5. **Resolution 5 – Directors' Fees and Benefits**

The Directors' fees and benefits proposed for the period from this 10th AGM until the date of next AGM are calculated based on the expected Board size and number of scheduled Board and Committee Meetings for 2019 up to the next AGM. This resolution is to allow the Company to make payment of Directors' fees and benefits up till the next AGM of the Company. In the event the proposed amount is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next AGM for the shortfall.

6. **Resolution 6 – Re-appointment of Auditors**

The Board had on 1 April 2019, through the Audit Committee, assessed the suitability and independence of the External Auditors, Messrs Ernst & Young and considered the re-appointment of Messrs Ernst & Young as Auditors of the Company. The Board and the Audit Committee collectively agreed and satisfied that Messrs Ernst & Young has the relevant criteria prescribed by Paragraph 15.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

7. **Explanatory Notes on Special Business**

(i) Resolutions 7, 8 and 9 – Continuing in Office as Independent Non-Executive Directors

The Board had through the Nomination Committee conducted an annual performance evaluation and assessment of Chua Kee Yat @ Koo Kee Yat, Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah @ Lim Teik Keat and Kek Chin Wu who will have served as Independent Non-Executive Directors ("INED") of the Company for a cumulative term of ten years respectively on 23 October 2019 and recommended for them to continue to act as an INEDs based on the following justifications:-

a. Each of them has fulfilled the criteria under the definition of Independent as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;

b. Each of them has during their present tenure as Independent Non-Executive Director developed valuable insight of the Group and its business. Their experience enables them to discharge their duties and responsibilities independently, objectively and effectively in the decision making processes of the Board;

c. Each of them has vast experience, knowledge and skills in a diverse range of business and therefore provide constructive opinion, counsel, oversight and guidance as directors; and

d. Each of them has devoted sufficient time and attention to his professional obligations to the Company for informed and balanced decision making.

(ii) Resolution 10 – Authority to Allot Shares

The resolution is proposed for the purpose of granting a renewed general mandate ("General Mandate") and empowering the Directors to allot shares in the Company up to an amount not exceeding in total ten per cent (10%) of the total number of issued shares of the Company for such purposes as the Directors consider would be in the interest of the Company.

This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

The renewed General Mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this renewed General Mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investments projects, working capital, repayment of bank borrowings and acquisition.

As at the date of this notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Ninth AGM because there were no investment(s), acquisition(s) or working capital that require fund raising activity.

(iii) Resolution 11 – RRPT Mandate

This resolution, if passed, will authorise the Company and each of its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature in the ordinary course of business. For further information on the recurrent related party transactions, please refer to the Circular to Shareholders dated 29 April 2019 enclosed together with the Company's Annual Report 2018.

(iv) Resolution 12 – Proposed Renewal of Share Buy-Back

This resolution, if passed, will give the Company the authority to purchase its own ordinary shares of up to ten per cent (10%) of the number of issued shares of the Company. For further information on Proposed Renewal of Share Buy-Back, please refer to the Statement to Shareholders dated 29 April 2019 enclosed together with the Company's Annual Report 2018.

(v) Resolution 13 - Proposed Renewal of DRP

The shareholder had at the AGM held on 22 June 2018 approved the authority for Director to allot New KLCB Shares in relation to DRP and such authority will expire at the conclusion of this AGM. The Company's DRP provides the shareholders of the Company the option to elect to reinvest their cash dividend in New KLCB Shares.

This resolution, if passed, will give the Company the authority to the Board to allot New KLCB Shares under the DRP in respect of dividend declared in this AGM and subsequently, until the conclusion of the next AGM. A renewal of this authority may be sought at the next AGM, at the sole discretion of the Board.

(vi) Special Resolution – Proposed Alteration

This proposed Special Resolution, if passed, will enable the Company to alter its existing Memorandum and Articles of Association/Consitution by replacing with a new Constitution which is drafted in accordance with the relevant provisions of Companies Act 2016, relevant amendments of Chapter 7 and other Chapters of the Main Market Listing Requirements of Bursa Securities and other provisions of laws and regulations that are applicable to the Company.

For further information on the Proposed Alteration, please refer to the Appendix I attached to the Annual Report 2018.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Authority For Directors to Allot Shares Pursuant To Sections 75 and 76 of the Companies Act 2016.

Kindly refer to item (ii) of Explanatory Notes on Special Business at page 130 and 131.

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KIMLUN CORPORATION BERHAD **(867077X)**

CDS Account No.	
No. of Shares held:	

PROXY FORM

I/ We ____NRIC No. (old and new)/Passport No./Company No. ____________________________
(FULL NAME IN BLOCK CAPITALS)

of ____
(FULL ADDRESS)

being a member / members of **KIMLUN CORPORATION BERHAD (867077-X)** hereby appoint ____

____ NRIC No. (old and new)/Passport No. ____
(FULL NAME IN BLOCK CAPITALS)

of ____
(FULL ADDRESS)

or failing *him/ her____________________________________ NRIC No. (old and new)/Passport No.____
(FULL NAME IN BLOCK CAPITALS)

of ____
(FULL ADDRESS)

or failing *him/her, *the Chairman of the Meeting as *my/ our proxy to vote for *me/us and on *my/our behalf at the 10th Annual General Meeting of the Company, to be held at Rafflesia 1 & 2, Lower Ground Floor 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Monday, 17 June 2019 at 2.30 p.m. and at every adjournment thereof *for/against the resolution(s) to be proposed thereat.

Item	AGENDA	No. Resolution	For	Against
1.	**Ordinary Business** Receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon.			
2.	Re-election of Pang Khang Hau who retires pursuant to Article 86 of the Company's Constitution, as Director of the Company.	1		
3.	Re-election of Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah @ Lim Teik Keat who retires pursuant to Article 86 of the Company's Constitution, as Director of the Company.	2		
4.	Re-election of Chin Lian Hing who retires pursuant to Article 86 of the Company's Constitution, as Director of the Company.	3		
5.	Declaration of final single tier dividend of 3.7 sen per Ordinary Share for the financial year ended 31 December 2018.	4		
6.	Approval of Directors' fees and benefits up to an amount of RM370,000 to the Non-Executive Directors for the period from this 10th Annual General Meeting until the next Annual General Meeting of the Company.	5		
7.	Re-appointment of Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.	6		
8.	**Special Business** Approval on the continuation of office for Chua Kee Yat @ Koo Kee Yat as an Independent Non-Executive Director of the Company.	7		
9.	Approval on the continuation of office for Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah @ Lim Teik Keat as an Independent Non-Executive Director of the Company.	8		
10.	Approval on the continuation of office for Kek Chin Wu as an Independent Non-Executive Director of the Company.	9		
11.	Authority to allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.	10		
12.	Proposed of RRPT Mandate.	11		
13.	Proposed Renewal of Share Buy-Back.	12		
14.	Proposed Renewal of DRP.	13		
15.	Proposed Alteration.	14		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fits.

As witness my hand, this _______________ day of _______________

** Strike out whichever is not desired.*

____
Signature or Common Seal of Member(s)

Notes:

(a) A member entitled to attend and vote at the Meeting is entitled to appoint proxy(ies) (or in the case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy may but need not be a member of the Company.

(b) The instrument appointing a proxy shall be in writing under the hand of the appointor or of 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.

(c) A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meetings, and that appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

(d) 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

(e) Where a member of the company is an exempt authorised nominee as defined under the SICDA which holds ordinary shares in the company for multiple beneficial owners in one 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.

(f) Where the authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of the shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(g) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the share registrar of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

(h) Only the members whose names appear on the Record of Depositors as at 10 June 2019 shall be entitled to attend and vote at this meeting or appoint proxy (proxies) to attend and vote on their behalf.

FOLD THIS FLAP FOR SEALING

STAMP

The Share Registrar
Kimlun Corporation Berhad (867077 X)
Unit 32-01, Level 32,
Tower A, Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur,
Wilayah Persekutuan, Malaysia.

1ST FOLD HERE

www.kimlun.com