



ANNUAL REPORT 2018

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DIRECTORS**Ferdaus Bin Mahmood**

Male, Malaysian, Company Director
(Independent Non-Executive Chairman)

Choong Gaik Seng

Male, Malaysian, Company Director
(Executive Director)

Goh Kok Boon

Male, Malaysian, Company Director
(Executive Director)

Tong Siut Moi

Female, Malaysian, Chartered Secretary
(Independent Non-Executive Director)

Dato' Lai Keng Onn

Male, Malaysian, Company Director
(Managing Director)

Datin Alicia Chan Pey Kheng

Female, Malaysian, Company Director
(Executive Director)

Dato' Chan Chee Hong

Male, Malaysian, Company Director
(Independent Non-Executive Director)

Lu Chee Leong

Male, Malaysian, Chartered Accountant
(Independent Non-Executive Director)

AUDIT COMMITTEE**Lu Chee Leong** (Chairman)

Independent Non-Executive Director

Ferdaus Bin Mahmood (Member)

Independent Non-Executive Chairman

Tong Siut Moi (Member)

Independent Non-Executive Director

REMUNERATION COMMITTEE**Tong Siut Moi** (Chairman)

Independent Non-Executive Director

Ferdaus Bin Mahmood (Member)

Independent Non-Executive Chairman

Lu Chee Leong (Member)

Independent Non-Executive Director

NOMINATING COMMITTEE**Tong Siut Moi** (Chairman)

Independent Non-Executive Director

Ferdaus Bin Mahmood (Member)

Independent Non-Executive Chairman

Lu Chee Leong (Member)

Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE**Lu Chee Leong** (Chairman)

Independent Non-Executive Director

Dato' Lai Keng Onn (Member)

Managing Director

Tong Siut Moi (Member)

Independent Non-Executive Director

Ferdaus Bin Mahmood (Member)

Independent Non-Executive Chairman

COMPANY SECRETARIES**Joanne Toh Joo Ann** (LS 0008574)

Sia Ee Chin (MAICSA 7062413)

REGISTERED OFFICE

Unit 30-01, Level 30, Tower A

Vertical Business Suite

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E-mail : asastera@asastera.com

Website : www.asastera.com

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Mercury Securities Sdn Bhd

L-7-2, No 2 Jalan Solaris

Solaris Mont' Kiara

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Malaysia

Tel No. : +603 6203 7559

Fax No. : +603 6203 7560

AUDITORS

Kreston John & Gan (AF: 0113)

160-2-1, Kompleks Maluri, Business Centre

Jalan Jejaka,

55100 Kuala Lumpur

Malaysia

Tel No. : +603 9287 1889

Fax No. : +603 9283 0889

PRINCIPAL BANKERS

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Level 16, Menara Dion

Jalan Sultan Ismail

50250 Kuala Lumpur

Malaysia

Tel No. : +603 2026 3939

Fax No. : +603 2381 1780

Al Rajhi Banking & Investment Corporation

(Malaysia) Berhad

Level 10B, Chulan Tower

No. 3, Jalan Conlay

50450 Kuala Lumpur

Malaysia

Tel No. : +603 2301 7000

Fax No. : +603 2332 6065

United Overseas Bank (Malaysia) Berhad

Level 14, Menara UOB,

Jalan Raja Laut,

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Malaysia

Tel No. : +603 2772 6550

Fax No. : +603 2691 0692

SHARE REGISTRAR

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Fax No. : +603 2783 9222

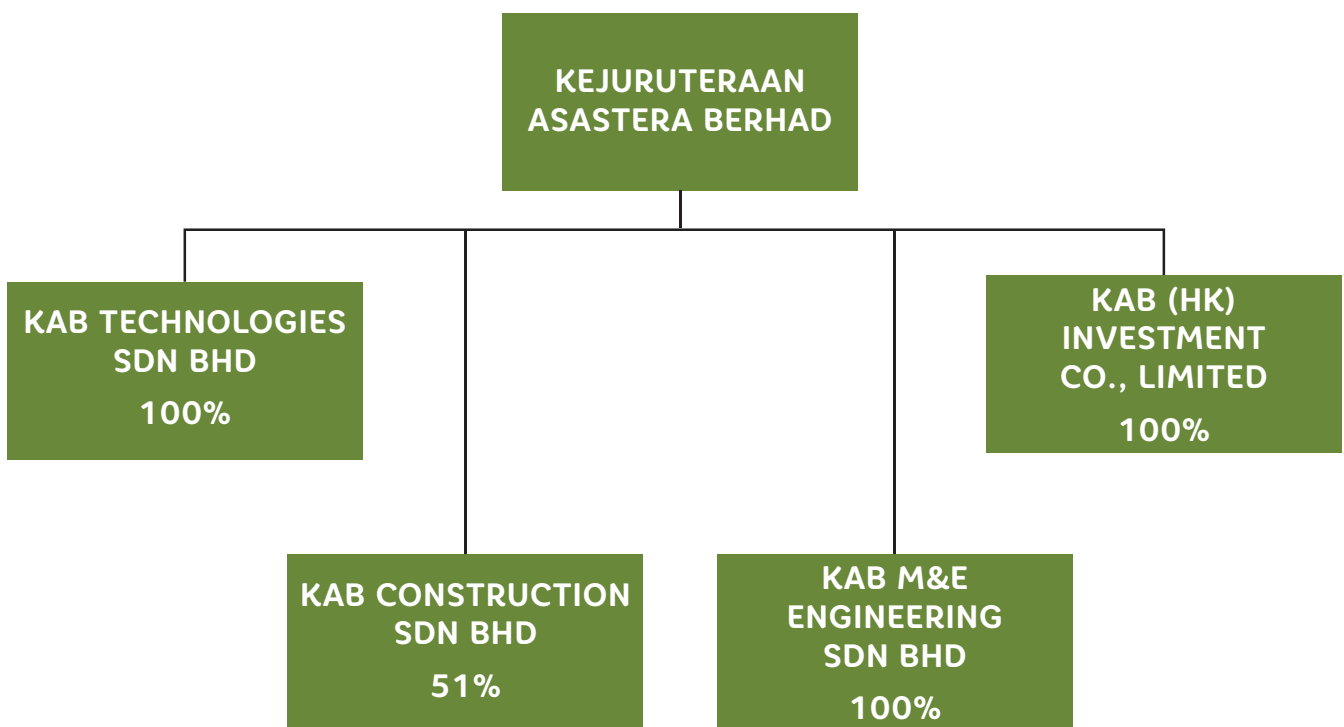
STOCK EXCHANGE

ACE Market of Bursa Securities

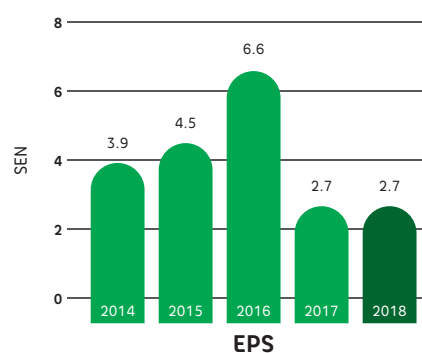
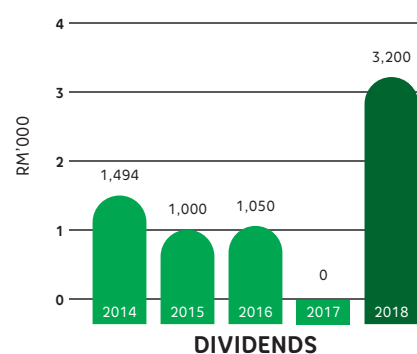
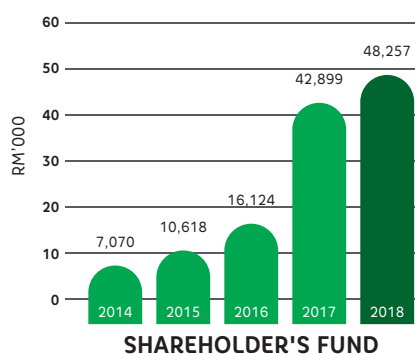
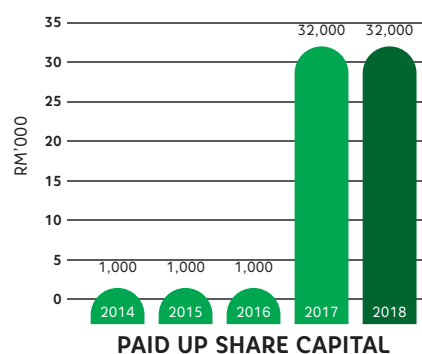
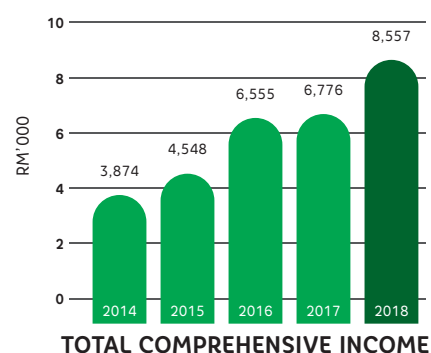
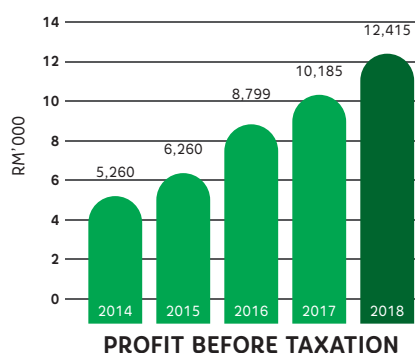
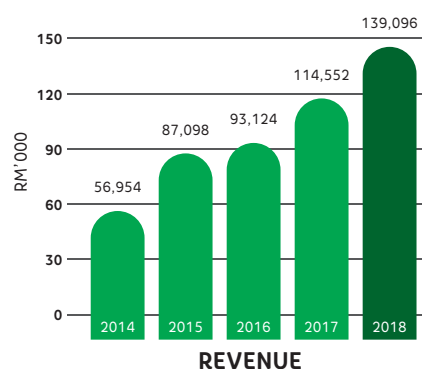
Stock Name : KAB

Stock Code : 0193

GROUP STRUCTURE AS AT 22 MARCH 2019



| Financial Year Ended Dec 31 | 2018 RM'000 | 2017 RM'000 | 2016 RM'000 | 2015 RM'000 | 2014 RM'000 |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| REVENUE | 139,096 | 114,552 | 93,124 | 87,098 | 56,954 |
| PROFIT BEFORE TAXATION | 12,415 | 10,185 | 8,799 | 6,260 | 5,260 |
| TOTAL COMPREHENSIVE INCOME | 8,557 | 6,776 | 6,555 | 4,548 | 3,874 |
| PAID UP SHARE CAPITAL | 32,000 | 32,000 | 1,000 | 1,000 | 1,000 |
| SHAREHOLDERS' FUND | 48,257 | 42,899 | 16,124 | 10,618 | 7,070 |
| DIVIDENDS | 3,200 | 0 | 1,050 | 1,000 | 1,494 |
| EARNING PER-SHARE(SEN) | 2.680 | 2.712 | 6.555 | 4.548 | 3.874 |



FERDAUS BIN MAHMOOD

● Independent Non-Executive Chairman

Ferdaus Bin Mahmood, Malaysian, male, aged 65, is our Independent Non-Executive Chairman. He was appointed to the Board on 30 May 2017. He is also a member of the Nominating, Remuneration, Audit and Risk Management Committee.

Mr. Ferdaus obtained his Sijil Pelajaran Malaysia in 1972 and began his career in 1974 as a trainee accountant at Tractors Malaysia Berhad. Mr. Ferdaus joined United Estate Projects Sdn Bhd (now known as Sime Darby Property Berhad) in 1976. His last position with United Estate Projects Sdn Bhd was credit controller. In 1982, he joined Pandan Maju Sdn Bhd as a marketing and sales manager and subsequently, in 1986, Ferdaus Bin Mahmood joined Trimula Sdn Bhd as project manager.

In 1990, he joined Landgen Property Management Sdn Bhd (a subsidiary of Land & General Berhad), as the general manager and director. In 1996, Ferdaus Bin Mahmood was seconded to Lembah Beringin Sdn Bhd (a subsidiary of Land & General Berhad) as general manager and director. He was then seconded to Lang Australia Pty Ltd, a subsidiary of Land & General Berhad, based in Melbourne, Australia, as its chief operating officer and director. He then returned to Malaysia in 2005 and was re-designated as the director of property division of Land & General Berhad. In 2008, Ferdaus Bin Mahmood was promoted to the position of executive director of Land & General Berhad subsequently retired in 2016.

He is currently a Non-Independent Non-Executive Director of Land & General Berhad, a company listed on the Main market of Bursa Malaysia Securities Berhad.

DATO' LAI KENG ONN

● Managing Director

Dato' Lai, Malaysian, male, aged 51, is our founder and Managing Director. Dato Lai was appointed to the Board of Kejuruteraan Asastera Berhad on 24 February 1997. He is the member of Risk Management Committee.

Dato' Lai obtained a Bachelor of Science in Construction Management from Greenwich University, Australia in 2002. He started his career as a project manager at Wira Teknik Sdn Bhd from 1990 to 1997. On 24 February 1997, he founded Kejuruteraan Asastera Sdn. Bhd.

Dato' Lai is a substantial shareholder of Kejuruteraan Asastera Berhad.

CHOONG GAIK SENG

● Executive Director

Choong Gaik Seng, Malaysian, male, aged 59, is our Executive Director. He was appointed to the Board of Kejuruteraan Asastera Berhad on 01 March 2013.

Mr. Choong completed his secondary school education at Penang Free School, Malaysia, in 1976. He is a certified charginer and wireman by profession, which is registered with the Energy Commission Malaysia. In 2002, he obtained a charginer A0 qualification from Institut Latihan Perindustrian, Malaysia, and subsequently in 2003, he obtained a wireman PW4 qualification from Institut Kemahiran Belia Negara, Malaysia. In 2008, he obtained a charginer A4 qualification from Pusat Latihan Teknologi Tinggi, Malaysia.

Mr. Choong began his career as a purchaser for Limamas Sawmill Sdn Bhd in 1981. He joined Eden Catering Sdn. Bhd. in 1985 prior moving to Eden Food Industry in 1989. In 1991, Mr. Choong joined Tan Choong Industrial Equipment Sdn Bhd as the sales representative. He then joined Ikhtiar Bersatu Letrik Sdn Bhd in 1992 as a site supervisor before joining Prinsip Serasi Sdn Bhd in 2004.

Mr. Choong joined our Company in 2007 as project coordinator and he subsequently became an Executive Director in 2013.

DATIN ALICIA CHAN PEY KHENG

● Executive Director

Datin Alicia, Malaysian, female, aged 47, is our Executive Director. She was appointed to the Board of Kejuruteraan Asastera Berhad on 01 March 2018.

Datin Alicia obtained her Sijil Pelajaran Malaysia in 1990. She began her career with Ritz Print Sdn Bhd in 1991 and her last position held in Ritz Print Sdn Bhd was the head of production department in 1995 prior joining Kejuruteraan Asastera Berhad in August 1997.

Datin Alicia has more than 27 years of experience in overseeing the daily operations of the finance, administration and purchasing department.

GOH KOK BOON

● Executive Director

Goh Kok Boon, Malaysian, male, aged 45, is our Executive Director. He was appointed to the Board of Kejuruteraan Asastera Berhad on 01 September 2018.

Mr. Goh graduated with a Bachelor of Applied Science (Honours) in Electrical Engineering from the University of Windsor, Canada, in 1999. He began his career as project engineer with Selatan Johor Electrical Engineering Sdn Bhd in 2000 and subsequently joined Henikwon Corporation Sdn Bhd as a sales manager in 2001. In 2002, he joined Letrikon Engineering Sdn Bhd, which is also an electrical engineering contractor, as general manager and he was subsequently promoted to the position of executive director from 2004. Then, he joined Hoe Huat Electric Sdn Bhd in 2009 as executive director. In 2012, he set up Kitchen On Wheels Sdn Bhd which later became dormant in 2013.

Mr. Goh joined Connect County Holdings Berhad as an executive director from August 2014 to August 2016 prior rejoining Kejuruteraan Asastera Berhad in October 2016 as project director.

LU CHEE LEONG

● Independent Non-Executive Director

Lu Chee Leong, Malaysian, male, aged 55, is our Independent Non-Executive Director. He was appointed to the Board on 30 May 2017. He is the Chairman of the Audit Committee and Risk Management Committee. He is also a member of Nominating and Remuneration Committee.

Mr. Lu obtained his Association of Chartered Certified Accountants ("ACCA") qualification in 1989. He has been a fellow member of the ACCA since 1995. He is also a Chartered Accountant of the Malaysian Institute of Accountants since 1996.

In 1990, Mr. Lu joined Kassim Chan & Co., Kota Kinabalu (now known as Deloitte Malaysia) as an audit assistant. He left as an audit senior and subsequently joined Luyang Recreation Club Sdn Bhd as an accountant in 1995 and in 1997, he joined DiGi Telecommunications Sdn Bhd as an accountant. His last position in DiGi Telecommunications Sdn Bhd was the head of section (GTM), Sabah region, under the sales division of the company. Then he left DiGi Telecommunications Sdn Bhd at the end of 2014 and started his own corporate services firm named Johan Corporate Services in early 2015, where he provided book keeping and related services to customers.

Mr. Lu has been the Independent Non-Executive Director of Mikro MSC Berhad, a company listed on the ACE Market of Bursa Malaysia Securities Berhad, since 2008.

TONG SIUT MOI

● Independent Non-Executive Director

Tong Siut Moi, Malaysian, female, aged 50, is our Independent Non-Executive Director. She was appointed to the Board of Kejuruteraan Asastera Berhad on 30 May 2017. She is the Chairman of the Nominating Committee and Remuneration Committee, and also a member of the Audit Committee and Risk Management Committee.

She obtained her professional secretarial degree from the Institute of Chartered Secretaries and Administrators (United Kingdom) and was admitted as an Associate Member of the Malaysian Association of Institute of Chartered Secretaries and Administrators (MAICSA) in 1996. She has subsequently become a qualified Chartered Secretary since 1998. Ms Tong has also completed the Advanced Women Directors' Programme in December 2015 and is now a member of the Institute of Corporate Directors Malaysia.

Ms Tong has more than 26 years of working experience in the corporate secretarial advisory field and senior management level, gathered from both commercial and advisory environments. She is currently a Director and Associate Trainer of CKM Advisory Sdn Bhd, a company focusing on providing specialised training to the Board of Directors and senior management of public listed companies, investment bankers and company secretaries, in relation to Bursa Malaysia Securities Berhad's Main and ACE Markets Listing Requirements.

Ms Tong has been an Independent Non-Executive Director of Niche Capital Emas Holdings Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad, since 2016.

DATO' CHAN CHEE HONG

● Independent Non-Executive Director

Dato' Chan, Malaysian, male, aged 58, is our Independent Non-Executive Director. He was appointed to the Board of Kejuruteraan Asastera Berhad on 01 April 2019.

Dato' Chan obtained his Malaysian Certificate of Education (M.C.E) in 1979. He began his career as a supervisor for Dynaklen Services Sdn. Bhd. in 1980 which was involved in the cleaning services business. Subsequently he progressed to operate his own professional cleaning services business which was eventually sold in 2011. He joined a construction company, Falih Sdn. Bhd., in 1985 as executive director and was subsequently promoted as Managing Director in 2010 until present. He is currently the Managing Director of Niaga Sari Sdn. Bhd., a construction company, since 2001. He is also an executive director for MKS Development Sdn. Bhd., a property developer, from 2012 until present.

a. Family Relationship

Save for Datin Alicia Chan Pey Kheng who is the spouse of Dato' Lai Keng Onn, none of the other Directors have any family relationship with any Director and/or major shareholder of Kejuruteraan Asastera Berhad.

b. Conflict of Interest

None of the directors have any conflict of interest with the the Company.

c. Conviction of Offences

Other than traffic offences, none of the Directors have been convicted for any offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

d. Directorship in other Public Companies

Except for Mr. Lu Chee Leong, Ms. Tong Siut Moi and Encik Ferdaus Bin Mahmood, none of the other Directors hold any directorships in other public listed companies.

e. Directors' attendance for Board Meetings for the financial year ended 31 December 2018

The Directors' attendance for the Board Meetings for the financial year ended 31 December 2018 is presented on page 20 of the Annual Report.

f. Directors' Shareholdings

Except for Dato' Lai Keng Onn, Datin Alicia Chan Pey Kheng, Mr. Choong Gaik Seng, Mr. Goh Kok Boon and Mr. Lu Chee Leong, none of the other Directors hold any shares, direct or indirect in the company. Dato' Lai Keng Onn, Datin Alicia Chan Pey Kheng, Mr. Choong Gaik Seng, Mr. Goh Kok Boon and Mr. Lu Chee Leong shareholdings in the Company are disclosed in page 120 of the Annual Report.

Corporate Overview

Kejuruteraan Asastera Berhad (“KAB” or “the Company”) is a Malaysia-based electrical and mechanical engineering company that is listed on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”).

Since it was established in 1997, KAB has been focused on an integral yet niche area within the electrical engineering services segment, specifically in the installation, testing and commissioning of electrical systems, which includes electrical distribution systems, communications and information technology networks and ELV (extra low voltage) systems.

KAB further differentiated itself through notable accreditations and certifications. The Company holds a Class A certification, the highest class of electrical contractor certification, from the Energy Commission Malaysia. This allows the Company to tender for electrical projects exceeding RM1 million. The Company also holds a Grade ‘G7’ licence, the highest grade of licence, from the Construction Industry Development Board (CIDB) which allows KAB to tender for electrical projects with unlimited amount of value.

Leveraging on its strong track record garnered across two decades, KAB has also expanded its income stream to the provision of mechanical engineering services such as the installation, testing and commissioning of air-conditioning and mechanical ventilation systems. While this segment is still relatively small, KAB is confident that it has the potential to grow further given the synergies derived from the Company’s electrical engineering services business as well as the growing demand from the building and property industry.

Today, KAB is a reputable company that can provide comprehensive or ‘one-stop’ solutions in electrical and mechanical engineering services. KAB aims to become a recognised and reputable leader in the electrical and mechanical engineering segment. KAB also intends to position itself as an exciting high-growth counter on Bursa Malaysia with a unique exposure to Malaysia’s vibrant construction and property industries.

In order to achieve its aim, the Company is currently focused on carrying out its expansion plans that will cover three core areas, namely investing in strategies that will grow its market share, expanding its geographical presence as well as diversifying its earnings stream by increasing its service offerings.

KAB operates from its current headquarters in Bandar Baru Sri Petaling, Kuala Lumpur. As at 31 December 2018, the Group has a staff strength of 143 individuals.

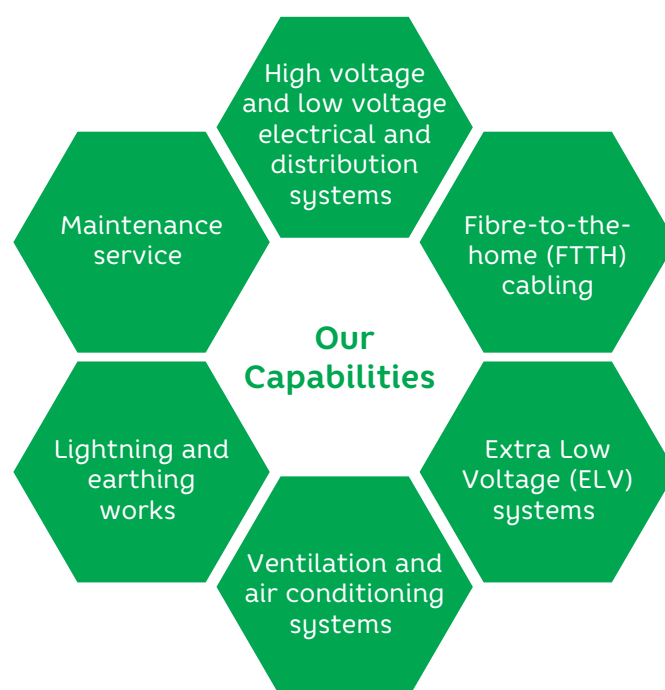
Analysis of Financial Results

For FYE 2018, the Group achieved its highest record for revenue of RM139.10 million and profit after tax of RM8.56 million. The Group's revenue was attributed to 43.6% derived from residential projects and 54.6% derived from commercial projects.

For FYE 2018 the Group recorded a gross profit of RM25.38 million at a gross profit margin of 18.2% as compared to RM21.96 million with a gross profit margin of 19.2% of the preceding FYE 31 December 2017. The decrease in gross profit margin was mainly due to the increase of raw material cost.

The Group's earnings per share for FYE 31 December 2018 is 2.68 sen (FYE 2017 - 2.71 sen) while total assets as at 31 December 2018 is RM101.45 million (FYE 2017 - RM90.23 million)

There are no known trends and events that are likely to have a material effect on the Group's operations, financial condition and liquidity.



Review of Operations

KAB's electrical engineering services segment still remain as a core business for the Group. Our customers are primarily main contractors, project owners and property developers operating in Malaysia.

KAB is usually appointed as a sub-contractor for electrical engineering services either by the main contractor or project owner of a particular building or construction project. Approximately 78% of our contracts secured over the past three years have been made as a nominated sub-contractor, whereby a professional working relationship has already been established with the project owner based on our delivery track record, and as such, the main contractor is obliged to appoint us to the project.

As at 31 December 2018, KAB has a total of 32 on-going projects for electrical engineering services. Some of our notable projects include the setting-up of electrical, FTTH (fibre-to-home) and telephone systems for residential developments such as M Centura Services Residence, Kuala Lumpur; Paisley Serviced Residences, Selangor; as well as mixed development like KL Metropolis, Kuala Lumpur; Southlink Bangsar South, Kuala Lumpur. The Company is also undertaking electrical engineering services projects for the affordable homes segment in Kuala Lumpur, namely Sofiya Residensi.

The year under review also saw KAB successfully securing new contracts worth RM180 million in total. These contracts included the installation, testing and commissioning of electrical systems for commercial properties like Bukit Jalil Mall, Kuala Lumpur; and Port Klang Free Zone Warehouse, Klang; and to provide electrical services for Pavilion Damansara Heights, Selangor; and Sinaran Wangsa Maju, Kuala Lumpur.

As at 31 December 2018, KAB's order book stood at RM282 million.

Managing Risks

KAB is cognisant that its core business activities can be affected by adverse changes in public policies. Any unexpected and unfavourable introduction of laws and regulations that impacts electrical and mechanical engineering service providers as well as the construction industry at large will likely affect the Group's financial performance from a revenue as well as cost perspective.

In order to manage this risk, KAB's Board of Directors and Senior Management Team are ever-vigilant in monitoring relevant public policy discussions and developments. We are also actively engaging key stakeholders, from relevant policy makers to industry non-governmental organization (NGO) to stay abreast of public policy trends.

In addition, KAB is also mindful that its business is correlated to the health of Malaysia's construction sector, which is in turn reliant on our national economy. A slowdown in the construction and property industry in Malaysia will have a repercussion on KAB's financial performance. In order to mitigate this risk, we intend to expand our service offerings, especially in the mechanical engineering segment, as well as enhance our geographic reach beyond the Klang Valley area. We are also looking to penetrate further into the affordable housing sector where demand is expected to remain robust in the foreseeable future.

The electrical and mechanical engineering services industry is highly competitive and fragmented, with numerous industry players of different sizes and specialisation. KAB aims to stay ahead of the competition by updating and enhancing our accreditations and certifications while at the same time, continue to build our track record and reputation for quality and on-time delivery in the market. Being a public listed company on the ACE Market of Bursa Securities also lends a competitive advantage as it accords us an additional level of visibility, esteem and credibility when tendering for jobs.

Forward Looking Statements

The expected slowdown in the growth of the construction sector shall not bring much impact to the KAB due to current book order of RM282 million will ensure the sustainability of its strong performance in the immediate and medium term given that the Group's core business activity is to provide electrical and mechanical engineering services to the building and construction sector.

Moving forward, we aim to focus our efforts to grow our market share in Malaysia by increasing tendering activities, specifically in the affordable housing sector. At the same time, we are also looking to expand our geographic footprint further.

KAB also intends to strengthen our presence in the area of maintenance services to further generate income beyond project completion. Amongst the various maintenance services that the Company aims to offer include upgrading, expansion, refurbishment, retrofitting and renovation projects.

In the area of technology innovation, KAB has already started planning to collaborate with a software specialist to develop our own proprietary Internet-of-Things based software that can monitor ventilation and air-conditioning systems in order to enhance operational efficiencies and reduce cost. We believe that by developing new technologies, KAB can leap-frog our competitors to reach greater heights and gain a competitive advantage.

The Company announced a first interim single tier dividend of 0.5 sen per share on 25 February 2019. This was done based on the Company's 2018 financial performance.

All in all, in view of the positive operating landscape and the progressive strides we have made in enhancing our operations and expanding our earnings stream, the Board of KAB is confident that the Group will be able to deliver an encouraging performance for the financial year ending 31 December 2019.

EMBRACING SUSTAINABILITY IN KAB

The Group is a firm believer in sustainability and is continuously reviewing, enhancing and adopting sustainable best practices throughout our value chain. We are convinced that the Group can grow in a dynamic manner while creating tangible value for our shareholders and stakeholders at large.

During the year under review, the Group continues to update as well as put in place new initiatives that are in accordance to the tenets of sustainability within our organisation. The Group has always been mindful of the way our organisation and business operations impact the lives of our own employees, external parties, our environment and the society as a whole.

When it comes to sustainability, the Group is focused on the three sustainability pillars of economic, environmental and social (EES). The Company's Board of Directors is responsible for reviewing and approving the Group's sustainability strategy and initiatives. As for the implementation and execution, the Board of Directors empowers the Managing Director to cascade responsibilities to the relevant Heads of Department within our organisation.

IDENTIFYING MATERIAL SUSTAINABILITY MATTERS

The Group's continued growth and success is based on a variety of internal and external factors. Each material factor or material sustainability matter is highly integral to the Group's continued performance and comes with its own set of risks, variables and opportunities.

In order to put in place effective sustainability strategies that can ultimately drive our organisation further forward, the Group has to first identify and understand these material sustainability matters. The Group then relies on feedback, insights and information from across our stakeholder community.

The information gathering and assessment process involved various areas covering EES that are relevant and important to each stakeholder segment. Key sustainability matters were then identified and validated by the Board of Directors and Senior Management Team.

The Group has identified four Sustainability Matters, namely Employees, Compliance, Environment and Community. These four areas will continue to be reviewed periodically to ascertain material relevancy vis-a-vis the organisation.

EMPLOYEES

As a specialist in the electrical and mechanical engineering sector, the Group relies on the experience and expertise of its team of highly trained electricians and engineers to deliver our contractual obligations in a quality and timely manner. The job scope that is required to undertake the electrical and mechanical engineering services that we offer can be very technical, more so with the diverse components, tools, equipment and devices utilised in our line of work.

In view of this, The Group consistently keeps our technical specialists trained and updated on the techniques and technologies that can help them perform their duties effectively. At the same time, the Group has also put in place a competitive remuneration and talent development programme across all levels within our organisation in order to attract, retain and develop talent in a more structured manner. We believe that by investing in our talent, we are able to expand our business in terms of greater market share and enhanced geographical reach.



List of employee training programmes conducted in FY2018:

| Date | Training Programme | Organiser | Scope/Area | Type of Training | Location |
|---------------------|---|--|---------------------------------------|------------------|--------------|
| 04.01.2018 | Bossnet EA & BIK Seminar 2017 | Boss Solutions Sdn Bhd | Human Resource | Seminar | Selangor |
| 15, 16 & 17.01.2018 | Autodesk Revit MEP 2018 Essential Training | 3DTech Parametric Sdn Bhd | Technical | Training | Kuala Lumpur |
| 25 & 26.01.2018 | Autodesk Revit MEP 2018 Advance Training | 3DTech Parametric Sdn Bhd | Technical | Training | Kuala Lumpur |
| 27 & 28.02.2018 | Preparation & Presentation of Consolidated Financial Statements | Malaysian Institute of Accountants | Finance & Accounting | Training | Kuala Lumpur |
| 05 & 06.03.2018 | Bursa Malaysia Sustainability Reporting-Practitioner Program | Bridgit Sdn Bhd | Finance & Accounting | Training | Kuala Lumpur |
| 15.03.2018 | Corporate Governance Briefing Sessions: MSSG Reporting & CG Guide | Bursa Malaysia | Corporate Governance | Briefing | Kuala Lumpur |
| 02 - 04.04.2018 | Autodesk Revit MEP 2018 Essential Training | 3DTech Parametric Sdn Bhd | Technical | Training | Kuala Lumpur |
| 04.04.2018 | Financial Communications: Effective Media Management | Malaysian Investor Relations Association Berhad (MIRA) | Investor Relations | Training | Kuala Lumpur |
| 07.04.2018 | In-house Training on Listing Requirements for Directors and Key Management | CKM Advisory Sdn Bhd | Corporate Governance | Training | Kuala Lumpur |
| 09 & 10.04.2018 | Autodesk Revit MEP 2018 Advance Training | 3DTech Parametric Sdn Bhd | Technical | Training | Kuala Lumpur |
| 09 & 10.04.2018 | Mandatory Accreditation Programme (MAP) | The Iclif Leadership and Governance Centre | Directors Accreditation Programme | Training | Kuala Lumpur |
| 08.06.2018 | GST after 1 June 2018: Transitional Issues and What You Need To Do | Malaysian Institute of Accountants | Finance & Accounting | Training | Kuala Lumpur |
| 28.06.2018 | MIRA Dialogue Session: Communicating What Analysts Want | Malaysian Investor Relations Association Berhad (MIRA) | Investor Relations | Dialogue | Kuala Lumpur |
| 09 & 10.07.2018 | Seminar Safety & Health In Construction Industry | CIDB | Safety | Seminar | Kuala Lumpur |
| 14.07.2018 | In-house Training: Pre & Post Contract Administration & Project Risk Management | WCW Management Consulting | Contractual & Project Risk Management | Training | Kuala Lumpur |
| 01.08.2018 | Bengkel Ke Arah Pemantapan Perlindungan Keselamatan Sosial 2018 | PERKESO | Human Resource | Workshop | Kuala Lumpur |
| 17.08.2018 | Boss Net Payroll Software Training | Boss Solutions Sdn Bhd | Human Resource | Training | Puchong |
| 27.08.2018 | Sales Tax Act 2018 & Service Tax Act 2018 | Malaysian Institute of Accountants | Finance & Accounting | Training | Bangsar |
| 28 - 29.08.2018 | Sustainability Reporting Workshop for Practitioners 2018 (ACE MARKET) | Bursa Malaysia | Corporate Governance | Workshop | Kuala Lumpur |
| 19.09.2018 | Insider Trading With Case Studies | Tricor | Corporate Governance | Workshop | Kuala Lumpur |
| 22.10.2018 | Taklimat Penggunaan Sistem ePerolehan Kepada Pembekal di Putrajaya | Kementerian Kewangang | Administration | Seminar | Putrajaya |
| 26.10.2018 | TSIS Annual Construction Industry Seminar | Tan Swee Im, Siva & Partners advocates & Solicitors | Industry Outlook | Seminar | Kuala Lumpur |
| 14.11.2018 | 14th Tricor Tax Seminar | Tricor | Finance & Accounting | Seminar | Kuala Lumpur |

Occupational safety and health

The services that the Group provides come with a notable level of risks. Our engineers and electricians are constantly exposed to high voltage electricity at the job site. In addition, as our team work in areas which are under construction, they are also exposed to the risks associated to building sites.

At KAB, the health, safety and welfare of our employees is top priority. We have stringent guidelines in place and enforced in accordance to standards set by the Department of Occupational Safety and Health Malaysia (DOSH). Our team also has to comply with safety procedures implemented at the building site by the project owners.

Occupational health and safety also applies across our talent pool, from our administrative staff to our engineering team. As such, the Group consistently provides internal and external training to our employees in order to inculcate a safety culture within our organisation.

COMPLIANCE

The electrical and mechanical engineering solutions that KAB provides are integral to the functionality, operations and safety of a building or infrastructure project. In order to ensure our ability to deliver to specifications, KAB has and will continue to comply with all relevant guidelines and regulations, in particular, those that are set out by the Energy Commission of Malaysia (Suruhanjaya Tenaga).

KAB also holds a Class A certification from the Energy Commission, the highest class of electrical contractor certification that allows the Company to tender for electrical projects exceeding RM1 million. The Company also holds a Grade 'G7' licence, the highest grade of licence, from the Construction Industry Development Board (CIDB). These certifications, which are reviewed periodically, provides our customers with the assurance of our competency and provide the Company with a competitive advantage in our industry.

KAB is also committed towards complying with the processes and procedures set out under our existing Quality Management System certification, ISO 9001:2015, so that we can continue to deliver quality services to our clientele.

COMMUNITY ENRICHMENT

As a sustainability-conscious organisation, the Group continues to contribute positively towards enriching the lives of people within our society.

During the year under review, the Group has contributed in cash and kind to various organisations and causes ranging from;

- 1) Monthly supply of sundries to Ti-Ratana Welfare Society Desa Petaling, Selangor.
- 2) Donation to Persatuan Kebajikan Hope Worldwide, Kuala Lumpur.
- 3) Donation to Persatuan Kebajikan Kanak-Kanak Rhema, Seremban.
- 4) Donation to Pertubuhan Kebajikan Anak-Anak Yatim dan OKU Mesra, Petaling Jaya, Selangor.
- 5) Donation to Pertubuhan Jagaan Kanak-Kanak Cacat Setia, Ipoh, Perak.
- 6) Donation to Pertubuhan Kebajikan Orang Tua Cacat Dan Kurang Upaya, Taman Connaught, Kuala Lumpur.



CHARITY TI-RATANA (JAN 2018)



HOPE WORLDWIDE'S BOLATHON (JUN 2018)



PERSATUAN KEBAJIKAN KANAK-KANAK RHEMA, SEREMBAN
(DEC 2018)

ENVIRONMENT

As a total solutions provider in the electrical and mechanical engineering sector, the Group is in a unique position to promote and encourage technologies and processes that can help safeguard our environment. By leveraging on our team's expertise and experience, we strive to provide our clients with clever ways that can help the building being constructed save electricity usage in the future.

When it comes to ventilation and air-conditioning systems, we are constantly focused on maximising efficiencies through smart planning and the utilisation of new technologies. This will lead to better cost savings while mitigating the impact of the building on the environment.

The Group also produces office waste in the course of its daily operations. Currently, we are streamlining our operational processes with the aim of cutting down paper usage.

The Group's many green initiatives include:

Reduce Reuse Recycle (3R)

- 1) Pre-set photocopier to print on both sides by default to cut consumption of paper by half
- 2) Pre-set printing in grayscale/draft mode to reduce the usage of colour ink
- 3) Pre-set computer (desktop/laptop) settings to energy saving mode when not in use
- 4) Recycle old documents / paper and reuse
- 5) Distribute memos via emails, instead of paper
- 6) Sharing general information such as handbooks, SOP, forms using the network server instead of hardcopies
- 7) Reuse boxes when necessary
- 8) Reuse envelopes
- 9) Switch off all electrical appliances when not in use, during the lunch break and after office hours
- 10) Use of energy saving LED lightings throughout the organisation

The Board of Directors (“The Board”) of the Group remains committed and continues to uphold to the highest standard of corporate governance in managing the affairs of the Group, guided by the Principles and Best Practices as set out in the Malaysian Code on Corporate Governance (“MCCG” or “the Code”). Pursuant to Rule 15.25 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Board is pleased to present this Corporate Governance Overview Statement which outlines how the Company applied the Principles and best practices of the Code for the financial year ended 31 December 2018 (“FY 2018”).

The detailed application by the Group for each practice as set out in the MCCG during the FY 2018 is disclosed in the Corporate Governance Report (“CG Report”), announced together with this Annual Report 2018 published on Bursa Securities’ website (www.bursamalaysia.com).

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

Board Charter

The Board is guided by a Board Charter. KAB was listed in November 2017 and the Board has adopted its Board Charter in FY 2018. The Board Charter is available on KAB’s website.

The Company’s Board Charter clearly identifies the respective roles and responsibilities of the Board, Board committees and individual directors including Independent Non-Executive Chairman and Managing Director. It also clearly identifies the issues and decisions reserved for the Board. The Board Charter will be periodically reviewed as and when necessary to ensure it remains relevant and consistent with the recommended best practices, and applicable rules and regulations.

Board Functions

The Board is responsible for strategic planning, oversight and overall management of the Group. The Board has also delegated specific matters to various Board Committees which operate within their respective approved Terms of Reference. The Board’s role is to lead and control the affairs on behalf of shareholders.

The Board takes into account the interests of all stakeholders when making decisions so as to ensure that the twin objectives of enhancing prosperity and creating long term shareholders’ value are met. In addition, the Board monitors the performance of the Group’s various areas of operations. To enhance the Board’s effectiveness and performance, the Board has established the following Board Committees to perform certain of its functions and provide it with recommendations and advice:

- Nominating Committee
- Remuneration Committee
- Audit Committee
- Risk Management Committee

There is a clear division of responsibilities between the Executive Directors and Non-Executive Directors of the Board. The Executive Directors are responsible for the implementation of the Board’s decision and policies, overseeing of day to day management and coordination of business and strategic decisions. The Independent Non-Executive Directors play a significant role in bringing objectivity and scrutiny to the Board’s deliberations and decision making. Any material and important proposals that will significantly affect the policies, strategies, directions and assets of the Group will be subject to approval by the Board.

The Board discharged its responsibilities in the best interests of the Group, as follows:

i. Reviewing and adopting a strategic plan for the Group

The Board provides direction and has in place a strategy planning process, whereby the management presents its recommended strategy and business plans to the Board for review and approval before implementation. In the FY 2018, the Group continued to focus on improving market growth and strengthen KAB’s financial position. The Group views the venture into mechanical engineering projects as promising and wishes to increase its involvement in mechanical engineering projects. The Group will continue to seek and secure new business opportunities and to expand its existing business in electrical and mechanical engineering services.

ii. Overseeing the conduct of the Group's business

The Managing Director and the Executive Directors are responsible to oversee the daily management of the Group's business and operations. The Managing Director and the Executive Directors are assisted by the various divisional heads in monitoring daily activities and further supported by the Management and other Committees established within the Group's management framework. The Management's performance is monitored and assessed by the Board through management reports which are tabled to the Board on a periodic basis. These reports include a brief summary of business operations and comprehensive financial performance. The Board is also kept informed of key strategic initiatives and operational issues within the Group.

iii. Identifying principal business risks and ensuring the implementation of appropriate systems to manage risks.

The Audit Committee, the Risk Management Committee ("RMC"), together with Internal Audit function, would oversee the Enterprise Risk Management ("ERM") of the Group. The RMC would review and identifies areas of potential high risk faced by the Group and advises the Management and makes recommendations to the Audit Committee and the Board to establish adequate compliance and controls over the organization. The RMC would also review risk management policies and makes recommendations to Audit Committee and the Board for approval.

iv. Succession planning

The Board, with the assistance of the Nominating Committee ("NC"), ensures that an appropriate framework and plan for succession within the Group are in place. The Board has also entrusted the Managing Director with the responsibility to review candidates, compensation packages and oversees development for key management positions.

v. Overseeing the development and implementation of a shareholder communication policy for the Company

The Company believes in, and emphasises, the importance of communication among shareholders, stakeholders and the Company. Adequate communication generates and builds public confidence towards the company. The Board endeavours to ensure that pertinent information such as annual reports, quarterly reports, and announcements are released on a timely basis via:

- Bursa Malaysia Securities Berhad's website
- KAB's website
- General Meetings

vi. Reviewing the adequacy and integrity of management information and internal controls system of the Group.

The Board is ultimately responsible for the adequacy and integrity of the Group's internal control system. The Board ensures that there is a sound framework of reporting on internal controls and regulatory compliance. The internal audit function has been outsourced to an independent service provider and the Audit Committee regularly reviews and scrutinises the audit reports. Details relating to the internal control system and review of effectiveness are available in the Statement on Risk Management and Internal Control as set out in this Annual Report. The Board meets at least every quarter and more frequently as and when business or operational needs arise. There are established procedures on the agenda, content and presentation of reports for each meeting so that all pertinent information is included. All Board members are supplied with information on a timely manner. Board papers are circulated in advance prior to Board meetings and the reports provide, amongst others, financial and corporate information, significant financial and corporate issues, the Group's performance and any management proposals which required the approval of the Board.

In order to ensure the effective overall functioning of the Board, the Chairman with the assistance of the Managing Director and Company Secretaries leads the Board in establishing and monitoring good corporate governance practices in the Company. The Chairman also chaired the Board Meetings and encourages active participation and healthy discussion to ensure that dissenting views can be freely expressed and discussed. Besides that, the Chairman ensures that decisions are taken on a sound and well-informed basis, including ensuring that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis. The position of the Chairman and Managing Director are held by different individuals with clear and distinct roles which are documented in the Board Charter.

Code of Conduct and Ethics

The Board strongly believes in applying good working ethics and code of conduct in all business dealings. The Directors of the Company are guided by the Code of Conduct and Ethics. The Code of Ethics sets out the compliance with Legal and Regulatory Requirements and the Company's Policies, Observance of Board Charter, Duty to Act in the Best Interest of the Group, Competence, Integrity, Objectivity, Confidentiality and Fairness. The Code of Conduct and Ethics for Directors is published on the Company's website. The Whistleblower Policy was adopted in FY 2018, which provides an avenue for raising concerns related to possible improprieties in matters of financial reporting compliance and other malpractices at the earliest opportunity, in an appropriate manner and without fear of retaliation. The Whistleblower Policy lays down the communication channel available and the aim of this policy is to encourage the reporting of such matters in good faith, with the confidence that the person filing the report, to the extent possible, be protected from reprisal, victimisation, harassment or subsequent discrimination. Any person who wishes to report a suspected impropriety may submit his/her report to the Chairman of Audit Committee.

The Board is mindful of the importance of business sustainability, and is committed to conduct its business in a socially responsible manner. The Board promotes good corporate governance through sustainability practices by implementing sustainable corporate strategies and practices. The Company has embraced good corporate responsibility practices in the areas of workplace, community, environment and stakeholders' engagement.

Tenure of Independent Directors

Practice 4.2 of the MCCG states that the tenure of an independent director should not exceed a cumulative term of 9 years. However, an independent director may continue to serve the Board subject to the Independent Director's re-designation as a Non-Independent Non-Executive Director. In the event the Board intends to retain the Director as independent after a cumulative term of 9 years, justifications from the Board and shareholders' approval at a general meeting are required. An independent director who continues to serve the Board after 12th year of appointment will require shareholders' approval at a general meeting through a 2-tier voting process as prescribed under the MCCG.

Currently, none of the Independent Directors of KAB has served more than 9 years.

Time Commitment

The Group has high expectations of the availability and commitment of its Board members. The Board meets at least quarterly to consider, inter alia all matters relating to the overall control, business performance and strategy, annual business plans and budgets, operational and financial performance reports, quarterly reports, capital expenditure of the Group. Additional meetings will be called as and when necessary.

Supply and Access to Information

All relevant reports and board papers are distributed to all Directors in advance of the Board Meeting to allow the Directors to have sufficient time to peruse for effective discussion and decision making during the meetings. The Board may obtain all information pertaining to KAB from the Management. All pertinent issues discussed at the meetings in arriving at decisions and conclusions are properly recorded in the discharge of the Board's duties and responsibilities. The Management is also invited to attend Board meetings to give an update of their respective functions and to discuss on issues that may be raised by the Directors.

Board Meeting

In order to ensure attendance of Board meetings, the meeting dates for the calendar year are set and the Board usually confirms their attendance for each meeting. The attendance record of the Directors for the FY 2018 was satisfactory.

During the FY 2018, the Board held a total of 5 meetings and details of the attendance record of the Board for the financial year ended 31 December 2018 are set out below:

| Name | Designation | Attendance | % |
|--|---------------------------|------------|-----|
| Dato Lai Keng Onn | Managing Director | 5/5 | 100 |
| Choong Gaik Seng | Executive Director | 5/5 | 100 |
| Datin Alicia Chan Pey Kheng ⁽ⁱ⁾ | Executive Director | 4/4 | 100 |
| Goh Kok Boon ⁽ⁱⁱ⁾ | Executive Director | 1/1 | 100 |
| Lu Chee Leong | Independent Non Executive | 5/5 | 100 |
| Tong Siut Moi | Independent Non Executive | 5/5 | 100 |
| Ferdaus Bin Mahmood | Independent Non Executive | 5/5 | 100 |

Notes:

(i) Datin Alicia Chan Pey Kheng was appointed to the Board on 1 March 2018

(ii) Goh Kok Boon was appointed to the Board on 1 September 2018

In the intervals between Board Meetings, for any matters requiring Board's decision, the Board's approvals are obtained through Directors' Written Resolutions ("DWR"). The resolutions passed by way of DWR would also be tabled for notation at the subsequent Board Meeting.

Directors' Continuous Professional Development

The Company recognises the need to enhance the skills of the Board members. All existing Directors of the Company have successfully completed the Mandatory Accreditation Programme as required by Bursa Securities on all directors of listed companies.

The Directors will continue to undergo other relevant training programmes to keep themselves abreast with the relevant changes in laws, regulations and business development.

During the FY 2018, the Directors have attended relevant development and training programme according to their individual needs to enhance their ability in discharging their duties and responsibilities more effectively which are as follows:

| Training Programme | Organiser | Course Title | |
|-----------------------------|--------------------|--------------|---|
| Ferdous Bin Mahmood | 1 March 2018 | Workshop | Boardroom Dynamics - Shaping High Performance Transformation |
| | 6 August 2018 | Briefing | Briefing on Malaysian Financial Reporting Standards (MFRS) 9,15 & 16 |
| Dato' Lai Keng Onn | 15 March 2018 | Briefing | Corporate Governance Briefing Sessions: MSSG Reporting & CG Guide |
| | 07 April 2018 | Training | In-house Training on Listing Requirements or Directors and Key Management |
| | 28 June 2018 | Dialogue | MIRA Dialogue Session: Communicating What Analysts Want |
| | 14 July 2018 | Training | in-house Training : Pre & Post Contract Administration & Project Risk Management |
| | 19 September 2018 | Briefing | Insider Trading with Case Studies |
| Choong Gaik Seng | 07 April 2018 | Training | In-house Training on Listing Requirements for Directors and Key Management |
| | 14 July 2018 | Training | In-house Training : Pre & Post Contract Administration & Project Risk Management |
| Datin Alicia Chan Pey Kheng | 07 April 2018 | Training | In-house Training on Listing Requirements for Directors and Key Management |
| | 09 & 10 April 2018 | Training | Mandatory Accreditation Programme (MAP) |
| | 28 June 2018 | Dialogue | MIRA Dialogue Session: Communicating What Analysts Want |
| | 14 July 2018 | Training | In-house Training : Pre & Post Contract Administration & Project Risk Management |
| | 19 September 2018 | Briefing | Insider Trading with Case Studies |
| | 26 October 2018 | Seminar | TSIS Annual Construction Industry Seminar |
| | 14 November 2018 | Seminar | 14th Tricor Tax Seminar |
| Goh Kok Boon | 07 April 2018 | Training | In-house Training on Listing Requirements for Directors and Key Management |
| | 14 July 2018 | Training | In-house Training : Pre & Post Contract Administration & Project Risk Management |
| Lu Chee Leong | 12 March 2018 | Training | Bursa's Corporate Governance Guide |
| | 12-13 July 2018 | Conference | MIA AccTech Conference 2018 |
| Tong Siut Moi | 15 March 2018 | Briefing | Corporate Governance Briefing Sessions: MSSG Reporting & CG Guide |
| | 07 April 2018 | Training | In-house Training on Listing Requirements for Directors and Key Management |
| | 10-11 July 2018 | Conference | MAICSA Annual Conference 2018 |
| | 5 September 2018 | Workshop | Case Study Workshop for Independent Directors "Rethinking – Independent Directors: Board Best Practices" |
| | 11 October 2018 | Training | Provision of Financial Assistance and Related Party Transaction |
| | 15 October 2018 | Briefing | Technical Briefing for Companies Secretaries of Listed Issuers :Key Amendments to Listing Requirements Arising From Companies Act, 2016 |
| | 4 December 2018 | Seminar | Share Buy-Back – A Regulatory Perspective |

II. BOARD COMPOSITION

The Group takes serious effort to ensure the Board comprises members with suitable academic and professional qualifications, skills, expertise and wide exposure. The Board currently comprises 8 members of whom 4 members are Independent Non-Executive Directors. All the Independent Non-Executive Directors fulfil the criteria of independence, as defined in the ACE Market Listing Requirements of Bursa Securities.

A brief profile of each Director is presented in the Profile of Directors section of this Annual Report. The composition of the members of the Board reflects a good mix of experience, backgrounds, skills and qualifications which are vital to the sustainability and growth.

Board Diversity

In FY 2018, the Board comprised two (2) female Directors out of seven Directors, representing 29% of the total Board members in accordance with the best practices of MCGG.

Key Roles of Chairman and Managing Director

There are clear roles and responsibilities between the Chairman, Managing Director, Executive Directors and Non-Executive Directors of the Board.

The Chairman ensures that decisions are taken on a sound and well-informed basis, including ensuring that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis.

The Managing Director and Executive Directors formulate strategic vision and business directions for the Group.

All Independent Directors do not participate in the daily operations and management of the Group and there are no relationships or circumstances which are likely to affect, or could appear to affect, the Independent Directors' judgment. They are pivotal in bringing impartially and scrutiny to the Board's deliberation and decision making process.

Company Secretaries

In order to ensure effective functioning of the Boards, the Company Secretaries play an advisory role to the Boards in relation to KAB's Constitutions, policies and procedures, and compliance with the relevant legislations, and regularly update the Board on new statutory and regulatory requirements relating to the discharge of their duties and responsibilities.

All Directors have access to the advice and services of the Company Secretaries in furtherance of their duties. The Company Secretaries is responsible in advising the Board on regulatory requirements and corporate governance matters to ensure that the Board discharge their duties and responsibilities effectively.

The Company Secretaries also ensure that the Boards and the Board Committees function effectively based on the Board Charter and the respective Terms of Reference ("TORs").

The Company Secretaries attend all Board meetings and ensure that the deliberations and decisions made by the Boards are accurately minuted, and the records of the proceedings of the Board meetings are properly kept.

During the FY 2018, the Company secretaries have attended relevant development and trainings programmes to enhance their ability in discharging their duties and responsibilities.

Nominating Committee

The Group places high importance to ensure the Board comprises members with suitable academic and professional qualifications, skills, expertise and wide exposure. The Nominating Committee always monitors that there is an appropriate balance of expertise and ability. In addition, the Committee also regularly assesses the effectiveness of the Board as a whole and the contribution of each individual director including Independent Non-Executive Directors.

The Nominating Committee currently comprises entirely of Independent Non-Executive Directors as follows:

Chairman

Tong Siut Moi (Independent Non-Executive Director)

Members

Ferdaus Bin Mahmood (Independent Non-Executive Chairman)

Lu Chee Leong (Independent Non-Executive Director)

The Nominating Committee is empowered to bring to the Board, recommendations as to the appointment of any new Executive, Non-Executive director or Key Senior Management, provided that the Chairman of the Nominating Committee, in developing such recommendations, consults all directors and reflects that consultation in any recommendation of the Nominating Committee brought forward to the Board. In making its recommendation, the Nominating Committee will consider the required mix of skills, knowledge, expertise, experience and other qualities, including core competencies which Directors of the Company should bring to the Board.

To ensure that the Board has an appropriate balance of expertise and ability, the Nominating Committee would regularly review the profile of the required skills and attributes. This profile is used to assess the suitability as executive or non-executive directors of candidates put forward by the directors and outside consultants. In addition, the Committee also regularly assesses the effectiveness of the Board as a whole and the contribution of each individual director including Independent Non-Executive Director. All assessments and evaluations carried out by the Nominating Committee in discharging its functions have been well documented.

Recruitment Process and Annual Assessment of Directors and Independent Directors

The Board has put in place the necessary selection criteria for the appointment of Directors. Through Board Effectiveness Evaluation, the Directors are assessed annually and the findings are consolidated in a performance report which is analysed and tabled to the Nomination Committee for review and endorsement by the Board.

All nominees and candidates to the Board are first considered by the Nominating Committee taking into consideration the mix of skills, competencies, experience, integrity, time commitment and other qualities required to effectively discharge his or her role as a director. The Nominating Committee will then endorse the nominees and candidates for approval by the Board.

On key senior management appointment, candidates are first considered by the Nominating Committee where focus is in their skills set, competencies, experience, integrity and other qualities, prior to recommendation for approval by the Board.

During the FY 2018, an annual evaluation of the Board, its committees, independent directors and each individual director was conducted on 19th March 2018.

Re-appointment of Directors of the Company are in accordance with the Company's Constitution and good corporate governance practice. The performance of each Director of the Company was appraised by other Directors based on the characteristic of integrity, governance, participation, decision, independence and strategic perspective. Thereafter, the evaluation survey questionnaires are compiled into a summary report. The report is presented to the Nominating Committee before tabling to the Board.

For the FY 2018, all the Directors met the expectations of the criteria set out in discharging their duties and responsibilities.

The performance and effectiveness of the Director and the Board were assessed individually and collectively, which include Directors' Self and Peer Evaluation, using evaluation survey questionnaires to evaluate the overall Board's performance against criteria that the Board determines are important to its success. The Board's performance and effectiveness evaluation in the FY 2018 reported that the Board continues to operate effectively.

Workforce Diversity

Our male and female employees' ratio shows a distribution of 68:32 as at 31 December 2018. Our total staff stood at 143 as at 31 December 2018.

III. Remuneration

Remuneration of Directors

The Board delegates to the Remuneration Committee the responsibility to consider and approve the remuneration arrangements of the Directors and Senior Management positions in the Group to ensure that the policy is fair and able to attract and maintain talent. The Remuneration Committee ensures that the level of remuneration for Non-Executive Directors and Independent Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.

The Remuneration Committee is guided by appropriate policies and procedures when reviewing and recommending remuneration of board and senior management.

The Remuneration Committee comprised exclusively of Independent Non-Executive Directors as follows:

Chairman

Tong Siut Moi (Independent Non-Executive Director)

Members

Lu Chee Leong (Independent Non-Executive Director)

Ferdaus Bin Mahmood (Independent Non Executive Chairman)

The remuneration of non-executive directors proposed is recommended by the Remuneration Committee before tabling to the Board for further recommendation to the Shareholders' for approval.

The amounts of remuneration paid to Directors are disclosed in the Notes to the Audited Financial Statements. The details of the nature and amount of each major element of the directors' remuneration for the FY 2018 are as follows:

| Name | | Salaries | Bonus | Fees | Benefit In kind | Others | Total |
|-----------------------------|------------------------------------|----------|---------|--------|-----------------|---------|-----------|
| DATO' LAI KENG ONN | Managing Director | 894,544 | 267,856 | 0 | 25,000 | 180,000 | 1,367,400 |
| CHOONG GAIK SENG | Executive Director | 215,503 | 89,284 | 0 | 21,250 | 21,600 | 347,637 |
| DATIN ALICIA CHAN PEY KHENG | Executive Director | 378,600 | 75,000 | 0 | 0 | 0 | 453,600 |
| GOH KOK BOON | Executive Director | 98,560 | 45,536 | 0 | 7,083 | 20,000 | 171,179 |
| FERDAUS BIN MAHMOOD | Independent Non-Executive Chairman | 0 | 0 | 60,000 | 0 | 0 | 60,000 |
| LU CHEE LEONG | Independent Non-Executive Director | 0 | 0 | 60,000 | 0 | 0 | 60,000 |
| TONG SIUT MOI | Independent Non-Executive Director | 0 | 0 | 60,000 | 0 | 0 | 60,000 |

Remarks:

1) Employer's SOCSO are not included in the above figures.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

Financial Reporting

The Board has always endeavour to provide true, fair and comprehensive financial reporting of the Group's performance in the audited financial statements and quarterly financial reports together with material disclosures in the notes to accounts. The Audit Committee assists the Board in discharging its fiduciary duties by ensuring that the audited financial statements and quarterly financial reports are prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") and ACE Market Listing Requirements of Bursa Securities.

In presenting the annual audited financial statements and quarterly announcements of results to shareholders, the Board aims to present a balance and fair assessment of the Group's financial position and prospects. The Audit Committee reviews the Group's quarterly financial results and annual audited financial statements to ensure accuracy, adequacy and completeness prior to presentation to the Board for its approval.

Compliance with Applicable Financial Reporting Standards

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

The Audit Committee assists the Board to oversee and scrutinise the process and quality of financial reporting, which includes monitoring and reviewing the integrity of the financial statements and appropriateness of the Group's accounting policies to ensure accuracy, adequacy and completeness of the report, as well as compliance with the relevant accounting standards.

Assessment of Suitability and Independence of External Auditors

The Audit Committee performed an annual assessment on the performance, suitability and independence of the external auditors as well as reviewing the non-audit services provided by the external auditors, if any, based on the 4 key areas:

- Quality of service;
- Sufficiency of resources;
- Communication and interaction; and
- Independence and objectivity

KAB has established transparent and appropriate relationship with the External Auditors through the Audit Committee. The Audit Committee had obtained an assurance from the external auditors confirming that they were, and had been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The Audit Committee is satisfied with the competence and independence of the external auditors.

The Audit Committee currently comprises entirely of Independent Non-Executive Directors. The Audit Committee is chaired by Independent Non-Executive Director, Mr Lu Chee Leong. It is an existing practice for the Audit Committee to require a former key audit partner to observe a cooling-off period of at least two (2) year before being appointed as a member of the Audit Committee and such practice was formalised and incorporated in the Terms of Reference of the Audit Committee.

The Audit Committee's terms of reference include the review of and deliberation on the Group's financial statements, the audit findings of the external auditors arising from their audit of the Group's financial statements and the audit findings and issues raised by internal audit together with the Management's responses thereon.

External Auditors, Internal Auditors, Executive Directors and members of senior management attend the meetings at the invitation of the Audit Committee.

For details on the functions, composition, membership and summary of works of the Audit Committee in the FY 2018, please refer to the Audit Committee Report in this Annual Report.

II. Risk Management and Internal Control

The Board is committed to maintain a good risk management framework and sound system of internal control within the Group. The Group has an embedded risk management framework process for the identification, evaluation, reporting, treatment, monitoring and review of the major strategic, business and operation risks within the Group.

The Audit Committee assists the Board in discharging these responsibilities by overseeing the risk management framework and advises the Board on areas of high risk encountered by the Group as well as the adequacy of compliance and controls. The Audit Committee also reviews the action plan implemented and makes relevant recommendations to the Board to manage residual risks.

The internal audit function of the Group is outsourced to an independent professional services firm to provide the Audit Committee and the Board with the assurance they require pertaining to the adequacy and effectiveness of internal control.

The details of the internal control system are set out in the Statement of Risk Management and Internal Control in this Annual Report.

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

I. Communication with Stakeholders

TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policy

The Board has set up pertinent corporate disclosure policies and exercises close monitoring of all price sensitive information required to be released to Bursa Malaysia and makes material announcements to Bursa Malaysia in a timely manner.

Dissemination of Information

The Company exercises close monitoring of all price sensitive information required to be released to Bursa Securities and makes material announcements to Bursa Securities in a timely manner. In accordance with best practices, the Board would strive to disclose price sensitive information to the public as soon as practicable through Bursa Securities, the media and the Company's website. Price sensitive information refers to any information that, on becoming generally available, would tend to have a material effect on the market price of the Company's listed shares.

Members of the Board and Senior Management with privy to price sensitive information are prohibited from dealing in the shares of the Company until such information is publicly available. This is in addition to the provisions relating to the "closed period" for dealing in the Company's shares.

In addition, the Company's website incorporates an Investor Relations section where the annual report and interim financial results would be captured. Directors' Report and Audited Financial Statements, Annual Reports, Interim Financial results together with the Company's announcements and other information about the Company are available on our website (<http://www.asastera.com>).

Communication and Engagement with Shareholders

The Company communicates with its shareholders through the timely release of financial results on a quarterly basis, annual report, press releases and announcements to Bursa Securities. Financial results and press releases are also placed on the corporate website to keep shareholders and investors informed of the Company's performance.

Shareholders, investors and members of the public who wish to contact the Company on any enquiry, comment or proposal can channel them through e-mail at asastera@asastera.com

Shareholders and investors can obtain the Company's latest announcements such as quarterly financial results at Bursa Securities' website (www.bursamalaysia.com) and the Company's website (www.asastera.com)



II. Conduct of General Meeting

Shareholders Participation at General Meeting

In addition to communicating and engaging shareholders through annual reports, annual general meetings, continuing and timely disclosures of information, the Company welcomes dialogues with shareholders and investors to discuss issues and obtain feedback.

The Notice of Annual General Meeting is issued to the shareholders together with the Annual Report 28 days before the Annual General Meeting. This would accord sufficient time for the shareholders to make the necessary arrangements to attend and participate in person or by proxy. In conjunction with this, Annual Reports are dispatched together with all relevant information supporting each proposed resolution to enable the shareholders to evaluate and vote accordingly. All Directors of the Company will be present at the Company's General Meetings to answer any questions that the shareholders may ask. The Chairman of the meeting provides time for the shareholders to ask questions for each agenda in the notice of the annual general meeting. The external auditors will also be present at the annual general meeting to answer any questions that the shareholders may ask. The shareholders will also be able to meet with the Directors and Management after the meeting while they mingle with the shareholders, proxies and corporate representatives.

Poll Voting

In line with the ACE Market Listing Requirements of Bursa Securities, all resolutions put to general meetings will be voted by poll. An independent scrutineer will be appointed to validate the votes cast at general meetings.

STATEMENT OF COMPLIANCE WITH THE RECOMMENDATIONS OF THE CODE

The Board is committed to adopt the Practices of the MCCG throughout the Group applying the highest level of integrity and ethical standards in all its business dealings.

The Board is of the opinion that for the financial year ended 31 December 2018, the Group has substantially complied to the Principles and Best Practices as set out in the Code.

This Statement is approved by the Board of Directors at the Board Meeting held on 20 March 2019.

The Board presents the Audit Committee Report to provide insights on the discharge of the Audit Committee's functions during the financial year ended 31 December 2018.

COMPOSITION

The current composition of the Audit Committee is as follows:

Chairman

Lu Chee Leong Independent Non-Executive Director

Members

Ferdaus Bin Mahmood Independent Non-Executive Chairman

Tong Siut Moi Independent Non-Executive Director

All of the members of the Audit Committee are Independent Non-Executive Directors and satisfied the test of independence and met the requirements of the Malaysian Code of Corporate Governance.

The performance of the Audit Committee and each of its members were reviewed by the Nominating Committee ("NC") on 25 February 2019 and the NC was satisfied that the Audit Committee and each of its member is able to discharge its functions, duties and responsibilities in accordance with the Terms of Reference of the Audit Committee, thereby supporting the Board in ensuring appropriate corporate governance standards within the Group.

TERMS OF REFERENCE

The terms of reference for the Audit Committee is available for reference on the Company's website at <http://www.asastera.com>

Meetings

The Audit Committee met five (5) times during the financial year 2018. The attendance of the Audit Committee members during the financial year is as follows:-

| Audit Committee Members | Attendance at the Audit Committee Meeting |
|--------------------------|---|
| Lu Chee Leong (Chairman) | 5/5 |
| Ferdaus Bin Mahmood | 5/5 |
| Tong Siut Moi | 5/5 |

The External Auditors were present at three (3) of the total meetings held in the financial year 2018. The External Auditors were encouraged to raise with the Audit Committee any matters they considered important to bring to the Audit Committee's attention. For the financial year 2018, three private sessions were held between the Audit Committee and the External Auditors without the presence of the Executive Board members and management staff.

The Chairman of the Audit Committee also sought information on the communication flow between the external auditors and the Management which was necessary to allow unrestricted access to information for the external auditors to effectively perform their duties.

Notices of the Audit Committee Meeting had been sent to the Audit Committee Members at least one (1) week in advance. The relevant meeting papers would be compiled for dissemination to the Audit Committee by email and/or hand.

All deliberations during the Audit Committee Meeting were duly minuted and tabled for confirmation at the next Meeting and subsequently presented to the Board for notation.

The Chairman of the Audit Committee presented the Audit Committee's recommendations together with the respective rationale to the Board for approval of the unaudited quarterly financial results. As and when necessary, the Chairman of the Audit Committee would convey to the Board matters of significant concern raised by the internal or external auditors.

SUMMARY OF WORKS

The summary of works undertaken by the Audit Committee during the financial year comprised the following:-

1. Overview of Financial Performance and Reporting

- Reviewed the quarterly unaudited financial results and audited financial statements of the Group including the announcements pertaining thereto, before recommending to the Board for approval and release of the Group's unaudited financial results and audited financial statements to Bursa Securities; and
- Reviewed the Group's compliance with the accounting standards and relevant regulatory requirements.

2. Oversight of External Auditors

- Reviewed Audit Planning Memorandum prepared by the External Auditors for the financial year ended 31 December 2018, entailing mainly the overview of audit approach, scope of work, auditing developments, significant risks and areas of audit focus of the Group and Company;
- Met with the external auditors thrice without the presence of the Executive Directors and Management; and
- Received and discussed with the External Auditors on the Illustrative Auditors' Report as presented by the External Auditors.
- Reviewed the proposed audit fees, authority to management to approve unaudited fees and external auditors' performance.
- Assessed and evaluated the suitability and independence of External Auditors

3. Oversight of Internal Auditors

- Reviewed and approved the annual audit plan as proposed by the internal auditors to ensure the adequacy of the scope and coverage of work;
- Reviewed the audit reports presented by the internal auditors on their findings and identifying key areas of concerns as well as highlighting recommendations for improvements and carried out follow-up audits;

4. Oversight of Risk Management and Internal Control matters / other matters

- Reviewed the adequacy and effectiveness of the risk management framework, risk register and the appropriateness of management's responses to key risk areas and proposed recommendations for improvements to be implemented.
- Reviewed the proposed Terms of Reference of the Audit Committee and recommend to the Board for approval
- Reviewed and discussed the collection of the trade receivables.
- Reviewed the Company' performance against the budget for the year 2018.
- Reviewed the solvency of the Company for recommendation of distribution of interim dividend.
- Reviewed Corporate Governance Overview Statement and Audit Committee Report.

INTERNAL AUDIT FUNCTION

1. Appointment

The Group has appointed an outsourced internal audit services provider to carry out the internal audit function, namely Talent League Sdn. Bhd., providing the Board with a reasonable assurance of adequacy of the scope, functions and resources of the internal audit function. The purpose of the internal audit function is to provide the Board, through the Audit Committee, assurance of the effectiveness of the system of internal control in the Group.

The internal audit function is independent and performs audit assignments with impartiality, proficiency and due professional care.

2. Summary of Internal Audit Works for the Financial Year 2018

Reviewed the adequacy and integrity of the system of internal controls of the processes within KAB for the review period of 1 January 2018 to 31 December 2018 for Purchasing, Project Management, Claim, Financial Reporting, Fixed Assets Management, Draughting and Technical.

The Internal Auditor is guided by the Professional Practices Framework by the Institute of Internal Auditors. Observations and findings from the audit reviews, including the recommended corrective actions were discussed with the Management. The internal audit report together with the Management's response and proposed corrective action plans were then presented to the Audit Committee for their review during the quarterly meetings. Follow up review was also conducted to ensure corrective actions have been implemented.

3. Total costs incurred for the Financial Year 2018

The fees incurred for the outsourcing of the internal audit for the financial year was RM35,200.

1. Introduction

The Board is pleased to present its Statement on Risk Management and Internal Control which outlines the nature and scope of the risk management and internal control of the Group for the financial year ended 31 December 2018. This Statement on Risk Management and Internal Control is issued in line with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad on the status of the Group's compliance with the principles and best practices relating to risk management and internal control as stipulated in the Malaysian Code of Corporate Governance ("the Code"). The Board is committed to maintaining a sound system of internal control of the Group and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the current financial year.

2. Board Responsibilities

The Board of Directors recognizes the importance of sound internal controls and risk management in safeguarding the assets of the Group. However, such systems are designed to manage rather than eliminate the business risk totally. It should be noted that any system could provide only reasonable and not absolute assurance against material misstatement or fraud.

The Group has in place an on-going process to identify, evaluate, monitor and manage any significant risks through the internal controls set out in order to attain a reasonable assurance that business objectives have been met. These controls are regularly reviewed by the Board and subject to continuous improvement.

3. Risk Management Framework

The Board has established and developed an Enterprise Risk Management ("ERM") framework to achieve the following objectives:

- communicate and disseminate across the organisation the vision, role and direction of the Group;
- identify, assess, evaluate and manage the various principal risks which affect the Group's business;
- create a risk-awareness culture and risk ownership for more effective management of risks;
- formulate a systematic process of review, tracking and reporting on keys risks identified and corresponding mitigation procedures.

A risk analysis of the Group is conducted on a regular basis including constantly reviewing the process in identifying, evaluating and putting up necessary action to assess and monitor the impacts of the risk on the operation and business. The process requires management to comprehensively identify and assess all types of risks in terms of likelihood and magnitude of impact as well as to address the adequacy and application of mechanisms in place to manage, mitigate, avoid or eliminate these risks. Significant risks identified are subsequently brought to the attention of the Board at the scheduled board meetings. This serves as the on-going process of identifying, assessing and managing risks faced by the Group and has been in place for the year under review and up to the date of approval of this statement for inclusion in the Annual Report.

The Group's risk management continues to be driven by the Executive Directors and assisted by management. The Executive Directors and Management are responsible for identifying, evaluating and monitoring of risks and taking appropriate and timely actions to manage risk. These processes are embedded and carried out as part of the Group's operating and business management processes. External and relevant professionals would be drawn on to assist and provide advices to the management team when necessary. In order to ensure the objectivity of the review of the risk management and systems of internal controls in the Group, the Audit Committee is instituted by the Board to undertake this role.

In conducting its review, the process is regularly reviewed by the Board via the Audit Committee ("AC") at the quarterly Board meeting with the assistance of the outsourced independent consulting firm (Talent League Sdn Bhd) to further review and improve the existing internal control processes within the Group. The Group will continue to focus on the key risks and corresponding controls to ensure that they are able to respond effectively to the business changes and competitive environment.

The Management further supplements the Audit Committee review on control and risk assessment when presenting the quarterly financial performance and results to the Audit Committee and the Board including pertinent explanations on the performance of the Group. With management consultation, the Audit Committee reviews and analyses the interim financial results in corroboration with management representations on operations as well as deliberates the Annual Report and audited financial statements before recommending these documents to the Board for approval.

4. Internal Control Framework

The other key elements of the Group's internal control systems are described below:

- Quarterly monitoring of operational results against the budget by the management and to be tabled for the Board's review and discussion on a quarterly basis;
- Regular and comprehensive information provided to the Board, covering financial performance and key business indicators;
- Regular updates of internal policies and procedures, to reflect changing risks or resolve operational efficiencies; and
- Regular management meeting with all key personnel of respective department to address weaknesses and improve efficiency.

The Board is of the view that there is no significant breakdown or weaknesses in the system of internal control of the Group that may have material impact against the operations of the Group for the financial year ended 31 December 2018.

5. Management with Responsibilities and Assurance

In accordance to the Bursa Securities' Guidelines, Management is responsible to the Board for identifying risks relevant to the business of the Group's objectives and strategies; implementing and maintaining sound systems of risk management and internal controls; and monitoring and reporting to the Board of significant control deficiencies and changes in risks that could significantly affect the Group's achievement of its objective and performance.

In producing this Statement, the Board has received assurance from the Managing Director and that, to the best of their knowledge that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects

6. Board Assurance And Limitation

The Board confirms that the process for identifying, evaluating and managing significant risks in the Group is on-going. For the financial year under review, there was no material losses resulting from significant control weaknesses. The Board is satisfied that the existing level of systems of internal control and risk management are effective and efficient to enable the Group to achieve its business objectives.

While, the Board wishes to reiterate that risk management and systems of internal control would be continuously improved in line with the evolving business development, it should be noted that the risk management and internal controls systems could only manage rather than eliminate risks of failure to achieve business objectives. Therefore, these systems of internal controls and risk management within the Group can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

This Statement is issued in accordance with a resolution of the Directors dated 20 March 2019.

7. Conclusion

The Board recognizes the necessity to monitor closely the adequacy and effectiveness of the Group's system of internal controls and risk management, taking into consideration the fast-changing business environment. Although the Board is of the view that the present risk management and internal control is adequately in place to safeguard the Group's assets and sufficient to detect any fraud or irregularities, the Board is on a constant watch for any improvement that may strengthen its current system from time to time.

8. Review of the Statement by the External Auditors

The external auditors have reviewed this Statement of Risk Management and Internal Control. Their review has been conducted to assess whether the Statement of Risk Management and Internal Control is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in reviewing the adequacy and integrity of the system of internal controls for the Group.

Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process that the Board has adopted in the review of the adequacy and integrity of internal control of the Group.

1. UTILISATION OF INITIAL PUBLIC OFFERING PROCEEDS

The Initial Public Offering Issue was completed with the listing of 80,000,000 ordinary shares on the ACE Market of Bursa Securities on 17 November 2017. The total proceeds received from the Initial Public Offering shares was RM20,000,000. The status of utilisation of the proceeds as at 31 December 2018 are as follows:-

| Details of utilisation | Proposed Utilisation RM'000 | Revised Proposed Utilisation RM'000 | Actual Utilisation ⁽¹⁾ RM'000 | Balance Unutilised RM'000 | Estimated timeframe for utilisation upon Listing |
|--|--------------------------------|--|---|------------------------------|--|
| Working capital | 12,100 | ⁽¹⁾⁽²⁾ 12,571 | (11,497) | 1,074 | Within 24 months |
| Capital expenditure | 2,200 | 2,200 | (1,690) | 510 | Within 18 months |
| Setting up a proposed new branch office in Johor Bahru ⁽¹⁾ and an additional office in Kuala Lumpur | 600 | ⁽¹⁾ 289 | (289) | - | Within 12 months |
| Repayment of bank borrowings | 1,600 | 1,600 | (1,600) | - | Within 12 months |
| Listing expenses | 3,500 | ⁽²⁾ 3,340 | (3,340) | - | Immediate |
| Total | 20,000 | 20,000 | (18,416) | 1,584 | |

Notes:

⁽¹⁾ We have set up the additional office in Kuala Lumpur as set out in the prospectus dated 30 October 2017. Further to our Listing, the management has decided that the Company is currently able to service and meet the requirement of our Johor Bahru clients from our headquarters located in Kuala Lumpur. As part of our prudent cost management, the management has decided not to invest in the opening of a new branch office in Johor Bahru at this juncture. However, the Company will reassess the commercial and financial viability to set up the branch office again should there be any future need and demand. As such, the proceeds allocated for the setting up of the Johor Bahru branch office has been re-allocated for working capital purposes.

⁽²⁾ The Company has fully settled the expenses incurred in relation to the Listing exercise. As such, the balance proceeds have been re-allocated for working capital purposes.

2. AUDIT AND NON-AUDIT FEES

The amount of audit fees and non-audit fees incurred for services rendered to the Company and the Group by the external auditors for the financial year ended 31 December 2018 are as follows:-

| | Company (RM) | Group (RM) |
|-----------------|----------------|----------------|
| Audit Fees | 88,000 | 95,739 |
| Non- audit fees | 20,500 | 20,500 |
| Total | 108,500 | 116,239 |

3. MATERIAL CONTRACTS

There are no material contracts that the Group entered into during the financial year which involved the interest of the Director and major shareholders.

4. CONTRACTS RELATING TO LOANS

There were no contracts relating to loans made by the Group during the financial year under review.

5. RECURRENT RELATED PARTY TRANSACTIONS (“RRPT”)

The information on RRPT for the financial year ended 31 December 2018 is set out in the audited financial statements, if any.

The Directors are required by the Companies Act, 2016 to ensure that financial statements for each financial year give a true and fair view of the financial position of the Group at the end of the financial year and the financial performance of the Group for the financial year.

In preparing the financial statements, the Directors are responsible for the adoption of suitable accounting policies that comply with the provisions of the Companies Act, 2016, the Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible to ensure that the appropriate accounting policies are consistently applied in the financial statements, and that reasonable and prudent judgements were made.

The Directors hereby confirm that suitable accounting policies have been consistently applied in the preparation of the financial statements. The Directors also confirm that there has been adequate accounting records maintained to safeguard the assets of the Group.



FINANCIAL STATEMENTS

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for the financial year ended 31 December 2018

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

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of provision of electrical and mechanical engineering services. The principal activities of the subsidiary companies are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

| | Group (RM) | Company (RM) |
|--|------------------|------------------|
| Profit for the financial year attributable to :- | | |
| Owners of the Company | 8,562,715 | 8,695,383 |
| Non-controlling interest | (5,970) | - |
| Total | 8,556,745 | 8,695,383 |

DIVIDENDS

The dividends declared or paid by the Company since the end of previous financial year were as follows:-

| | Group (RM) |
|--|------------------|
| In respect of the financial year ended 31 December 2018:- | |
| - 1st interim single-tier dividend of RM0.005 per share, paid on 6 April 2018 | 1,600,000 |
| - 2nd interim single-tier dividend of RM0.005 per share, paid on 11 October 2018 | 1,600,000 |
| | 3,200,000 |
| In respect of the financial year ending 31 December 2019:- | |
| - 1st interim single-tier dividend of RM0.005 per share, payable on 4 April 2019 | 1,600,000 |

The directors do not recommend any final dividend for the financial year ended 31 December 2018.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and were of the opinion that it was not necessary to write off any debts nor make any allowance for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would alter their opinion that it was not necessary to write off any debts nor make any allowance for doubtful debts.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain whether any current assets, other than debts, were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Group and of the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

DIRECTORS OF THE COMPANY

The directors of the Company in office at any time during the financial year and since the end of the financial year are:-

Dato' Lai Keng Onn
Choong Gaik Seng
Ferdaus Bin Mahmood
Lu Chee Leong
Tong Siut Moi
Datin Chan Pey Kheng
Goh Kok Boon

(Appointed on 01 Sept 2018)

Directors' interests

According to the register of directors' shareholding under Section 59 of the Companies Act, 2016, the interests of directors in office at the end of the financial year in the ordinary shares of the Company and its related corporations during the financial year are as follows : -

| Share capital of the Company | No. of Ordinary Shares | | | |
|---|------------------------|------------|--------------|---------------------|
| | As at 1/1/2018 | Bought | Sold | As at 31/12/2018 |
| (a) Shareholdings in which directors have direct interest in the Company : - | | | | |
| Dato' Lai Keng Onn | 196,000,000 | - | (52,000,000) | 144,000,000 |
| Choong Gaik Seng | 12,000,000 | - | - | 12,000,000 |
| Ferdaus Bin Mahmood | 100,000 | 2,500,000 | (100,000) | 2,500,000 |
| Lu Chee Leong | 100,000 | - | - | 100,000 |
| Goh Kok Boon | - | 300,000 | - | 300,000 |
| <u>Share capital of related companies</u> | | | | |
| (a) Shareholdings in which directors have direct interest in the related company, Gat Success (M) Sdn Bhd : - | | | | |
| Dato' Lai Keng Onn | - | 40,000,000 | - | 40,000,000 |
| (b) Shareholdings in which directors have direct interest in the related company, Lotus Win Sdn Bhd : - | | | | |
| Dato' Lai Keng Onn | - | 12,000,000 | - | 12,000,000 |

By virtue of Section 8 of the Companies Act, 2016, Dato' Lai Keng Onn are deemed to be interested in the shares of the subsidiary companies during the financial year to the extent the Company has interest.

None of the other directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations.

DIRECTORS' REMUNERATION

The amounts of the remuneration of the directors or past directors of the Company comprising remunerations received or receivable from the Company or any of its subsidiary companies during the financial year are disclosed in Note 29 to the financial statements.

None of the directors or past directors of the Company have received any other benefits otherwise than in cash from the Company or any of its subsidiary companies during the financial year.

No payment has been paid to or payable to any third party in respect of the services provided to the Company or any of its subsidiary companies by the directors or past directors of the Company during the financial year.

INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

The total amount of indemnity given to or insurance premium paid for the director, officer or auditor of the Group and of the Company is as follow:-

| | (RM) |
|-----------|--------|
| Directors | 11,000 |

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been the officer or auditor of the Group and of the Company.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except as disclosed in Note 29 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company or its subsidiary companies is a party, which had the object of enabling the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are disclosed in Note 43 to the financial statements.

AUDITORS

- (a) Detail of the auditors' remuneration for the Group and the Company is disclosed in Note 27 to the financial statements.
- (b) The auditors, Kreston John & Gan, Chartered Accountants, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors

Dato' Lai Keng Onn

Choong Gaik Seng

Kuala Lumpur,
Date: 28 March 2019



to members of KejuruteraanAsasteraBerhad
(Incorporated in Malaysia, Company No. 420505-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Kejuruteraan Asastera Berhad, which comprise the statements of financial position as at 31December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 48 to 115.

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 31December 2018 and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to Note 3(l) – Significant Accounting Policies and Note 24 – Revenue.

The Key Audit Matters

The Group and the Company recognise revenue from contract customers using the stage of completion method. The stage of completion is measured using the input method, which is based on the proportion that the actual contract costs incurred for the work performed to-date to the estimated total contract costs, which includes estimates and judgements by directors on costs to be incurred on the contracts.

The Group and the Company recognised revenue from contract customers of RM126,599,675 for the financial year ended 31 December 2018.

We focused on this area because there is key judgement involved in determining the following:-

- Stage of completion;
- Extent of contract costs incurred to date; and
- Estimated total contract costs.

How our audit addresses this matter

Our procedures included, amongst others:-

- Evaluated whether the accounting policy adopted by the management is consistent with the requirements of MFRS 15, Revenue from Contracts with Customers;
- Read key contracts to obtain understanding of the specific terms and conditions;
- Identified and assessed key judgements inherent in the recognition of revenue and costs arising from contracts;
- Tested the operating effectiveness of the key controls in determination of the extent of costs incurred to-date;
- Corroborated the stage of completion with the level of completion based on actual costs incurred to-date over the estimated total costs;
- Agreed, on a sample basis, costs incurred to supporting documentation; i.e. invoices from vendors;
- Agreed total budgeted revenue, on a sample basis, of material projects to supporting documentation i.e. sales contracts; and
- Assessed the related disclosures in Note 3(l) and 25 to the financial statements.

Trade receivables

Refer to Note 7 – Trade Receivables.

The Key Audit Matters

As at 31st December 2018, the Group and the Company has outstanding trade receivables of RM40,807,429. As the trade receivables represents 40% of the total assets of the Group and of the Company and is material, we consider this as a key audit matter.

How our audit addresses this matter

Our procedures included, amongst others:-

- Obtained an understanding of the Group and of the Company's control over the trade receivables collection processes and made inquiries regarding the action plans to recover the overdue amounts;
- Reviewed the ageing analysis of trade receivables and test the reliability thereof;
- Reviewed subsequent collections from trade receivables; and
- Evaluated the reasonableness on the assessment of impairment loss to be provided on the trade receivables performed by the management.

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, Management Discussion and Analysis, Corporate Governance Overview Statement, Audit Committee Report and Statement of Risk Management and Internal Control included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

Other Matters

1. The comparative figures were audited by another firm of auditors who expressed unmodified opinion on those statements on 19 March 2018.
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 contents of this report.

Kreston John & Gan
(AF 0113)
Chartered Accountants

Yong Chung Sin
Approval No: 02892/04/2020 J
Chartered Accountant

Kuala Lumpur,
Date: 28 March 2019

As at 31 December 2018

| | Note | 2018 RM |
|---|------|-----------------------|
| ASSETS | | |
| Non-current Assets | | |
| Property, plant and equipment | 4 | 7,228,966 |
| Investment properties | 5 | 2,855,765 |
| Trade receivables | 7 | 7,403,660 |
| Total Non-current Assets | | 17,488,391 |
| Current Assets | | |
| Trade receivables | 7 | 33,403,769 |
| Contract assets | 8 | 27,349,530 |
| Other receivables, deposits and prepayments | 9 | 3,500,775 |
| Deposits with licensed banks | 11 | 9,194,209 |
| Cash and bank balances | | 10,510,914 |
| Total Current Assets | | 83,959,197 |
| Total Assets | | 101,447,588 |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the Company | | |
| Share capital | 12 | 32,000,000 |
| Foreign currency translation reserves | | 62 |
| Retained profits | 13 | 16,262,166 |
| Non-controlling interest | 14 | 48,262,228 (5,480) |
| Total Equity | | 48,256,748 |
| Non-current Liabilities | | |
| Borrowings | 15 | 5,282,829 |
| Deferred tax liabilities | 21 | 77,795 |
| Trade payables | 22 | 2,465,690 |
| Total Non-current Liabilities | | 7,826,314 |
| Current Liabilities | | |
| Trade payables | 22 | 30,830,648 |
| Contract liabilities | 8 | 7,057,984 |
| Other payables and accruals | 23 | 2,468,590 |
| Borrowings | 15 | 4,528,017 |
| Current tax liabilities | | 479,287 |
| Total Current Liabilities | | 45,364,526 |
| Total Liabilities | | 53,190,840 |
| Total Equity and Liabilities | | 101,447,588 |

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

KEJURUTERAAN ASASTERA BERHAD
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for the financial year ended 31 December 2018

| | Note | 2018 RM |
|---|------|---------------|
| Revenue | 24 | 139,095,967 |
| Cost of sales | | (113,718,002) |
| Gross profit | | 25,377,965 |
| Other income | 25 | 776,355 |
| Administrative expenses | | (12,258,993) |
| Profit from operations | | 13,895,327 |
| Finance costs | 26 | (1,480,670) |
| Profit before taxation | 27 | 12,414,657 |
| Income tax expense | 30 | (3,857,912) |
| Profit for the financial year | | 8,556,745 |
| Other comprehensive income : - | | |
| - foreign currency translation differences for foreign operation | | 62 |
| Total comprehensive income for the financial year | | 8,556,807 |
| Profit for the financial year attributable to:- | | |
| Owners of the Company | | 8,562,715 |
| Non-controlling interest | | (5,970) |
| | | 8,556,745 |
| Total comprehensive income for the financial year attributable to :- | | |
| Owners of the Company | | 8,562,777 |
| Non-controlling interest | | (5,970) |
| | | 8,556,807 |
| Basic earnings per share (sen) | 31 | 2.68 |
| Diluted earnings per share (sen) | 31 | - |

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

for the financial year ended 31 December 2018

| | Non-Distributable | | Distributable | | Total RM | Non- controlling interest RM | Total equity RM |
|---|------------------------|---|---------------------------|-------------|-------------|---------------------------------------|-----------------------|
| | Share capital RM | Foreign currency translation reserves RM | Retained profits RM | Total RM | | | |
| Balance at 1 January 2018 | 1 32,000,000 | 10,899,451 | 10,899,451 | 42,899,451 | - | 1 42,899,451 | |
| Transactions with owners:- | | | | | | | |
| Dividends paid (Note 32) | - | (3,200,000) | (3,200,000) | (3,200,000) | - | (3,200,000) | |
| Issue of shares to non-controlling interest | - | - | - | - | 490 | 490 | |
| Total transactions with owners | - | (3,200,000) | (3,200,000) | (3,200,000) | 490 | (3,199,510) | |
| Profit for the financial year | - | 8,562,715 | 8,562,715 | 8,562,715 | (5,970) | 8,556,745 | |
| Other comprehensive income :- | | | | | | | |
| Foreign currency translation differences for foreign operation | - | - | - | 62 | - | 62 | |
| Total comprehensive income for the financial year | - | 8,562,715 | 8,562,715 | 8,562,777 | (5,970) | 8,556,807 | |
| Balance at 31 December 2018 | 32,000,000 | 16,262,166 | 16,262,166 | 48,262,228 | (5,480) | 48,256,748 | |

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

for the financial year ended 31 December 2018

| | Note | 2018 RM |
|---|------|--------------|
| Cash flows from operating activities | | |
| Profit before taxation | | 12,414,657 |
| Adjustments for:- | | |
| Depreciation of property, plant and equipment | | 1,135,548 |
| Depreciation of investment properties | | 55,517 |
| Fair value discount on payables | | (225,000) |
| Fair value discount on receivables | | 725,000 |
| Gain on disposal of property, plant and equipment | | (35,000) |
| Interest expenses | | 755,670 |
| Interest income | | (410,705) |
| Operating profit before working capital changes | | 14,415,687 |
| Increase in trade receivables | | (4,762,212) |
| Increase in other receivables, deposits and prepayments | | (1,857,513) |
| Increase in contract assets / liabilities | | (14,977,266) |
| Decrease in trade payables | | 12,041,367 |
| Decrease in other payables and accruals | | 1,539,121 |
| Cash generated from operations | | 6,399,184 |
| Interest paid | | (755,670) |
| Interest received | | 410,705 |
| Tax paid | | (4,609,368) |
| Net cash from operating activities | | 1,444,851 |
| Cash flows from investing activities | | |
| Proceeds from disposal of property, plant and equipment | | 35,000 |
| Purchase of property, plant and equipment | 33 | (905,194) |
| Net cash used in investing activities | | (870,194) |
| Balance carried forward | | 574,657 |

for the financial year ended 31 December 2018

| | Note | 2018 RM |
|--|------|-------------|
| Balance brought forward | | 574,657 |
| Cash flows from financing activities | | |
| Issue of shares to non-controlling interest | | 490 |
| Dividends paid | | (3,200,000) |
| Drawdown of trade finance | 35 | 627,357 |
| Fixed deposits | | |
| - pledged as securities | | (5,051,231) |
| - uplift of deposits pledged as securities | | 12,100,812 |
| Repayment of bank's factoring | 35 | (2,513,237) |
| Repayment of finance lease liabilities | 35 | (375,691) |
| Repayment of term loans | 35 | (1,855,324) |
| Net cash used in financing activities | | (266,824) |
| Net increase in cash and cash equivalents | | 307,833 |
| Cash and cash equivalents at the beginning of the financial year | | 9,073,182 |
| Effect of foreign exchange rate changes | | 62 |
| Cash and cash equivalents at the end of the financial year | 36 | 9,381,077 |

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

STATEMENT OF FINANCIAL POSITION

KEJURUTERAAN ASASTERA BERHAD
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for the financial year ended 31 December 2018

| | Note | 2018 RM | 2017 RM |
|---|------|--------------------|-------------------|
| ASSETS | | | |
| Non-current Assets | | | |
| Property, plant and equipment | 4 | 7,225,254 | 9,368,568 |
| Investment properties | 5 | 2,855,765 | - |
| Investment in subsidiary companies | 6 | 1,052 | - |
| Trade receivables | 7 | 7,403,660 | 8,090,279 |
| Total Non-current Assets | | 17,485,731 | 17,458,847 |
| Current Assets | | | |
| Trade receivables | 7 | 33,403,769 | 29,461,972 |
| Contract assets | 8 | 27,349,530 | 13,515,262 |
| Other receivables, deposits and prepayments | 9 | 3,500,775 | 1,643,262 |
| Amount due from subsidiary companies | 10 | 156,335 | - |
| Deposits with licensed banks | 11 | 9,194,209 | 16,243,790 |
| Cash and bank balances | | 10,468,343 | 11,902,017 |
| Total Current Assets | | 84,072,961 | 72,766,303 |
| Total Assets | | 101,558,692 | 90,225,150 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 12 | 32,000,000 | 32,000,000 |
| Retained profits | 13 | 16,394,834 | 10,899,451 |
| Total Equity | | 48,394,834 | 42,899,451 |
| Non-current Liabilities | | | |
| Borrowings | 15 | 5,282,829 | 5,896,544 |
| Deferred tax liabilities | 21 | 77,795 | 77,795 |
| Trade payables | 22 | 2,465,690 | 3,538,220 |
| Total Non-current Liabilities | | 7,826,314 | 9,512,559 |
| Current Liabilities | | | |
| Trade payables | 22 | 30,830,648 | 17,941,751 |
| Contract liabilities | 8 | 7,057,984 | 8,200,982 |
| Other payables and accruals | 23 | 2,441,608 | 929,469 |
| Borrowings | 15 | 4,528,017 | 9,510,195 |
| Current tax liabilities | | 479,287 | 1,230,743 |
| Total Current Liabilities | | 45,337,544 | 37,813,140 |
| Total Liabilities | | 53,163,858 | 47,325,699 |
| Total Equity and Liabilities | | 101,558,692 | 90,225,150 |

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

for the financial year ended 31 December 2018

| | Note | 2018 RM | 2017 RM |
|---|------|---------------|--------------|
| Revenue | 24 | 139,095,967 | 114,551,857 |
| Cost of sales | | (113,718,002) | (92,588,939) |
| Gross profit | | 25,377,965 | 21,962,918 |
| Other income | 25 | 776,355 | 469,841 |
| Administrative expenses | | (12,120,355) | (11,014,388) |
| Profit from operations | | 14,033,965 | 11,418,371 |
| Finance costs | 26 | (1,480,670) | (1,233,673) |
| Profit before taxation | 27 | 12,553,295 | 10,184,698 |
| Income tax expense | 30 | (3,857,912) | (3,408,925) |
| Profit for the financial year, representing total comprehensive income for the financial year | | 8,695,383 | 6,775,773 |

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

STATEMENT OF CHANGES IN EQUITY

KEJURUTERAAN ASASTERA BERHAD
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for the financial year ended 31 December 2018

| | Non-Distributable Share capital RM | Distributable Retained profits RM | Total RM |
|--|--|---|-------------|
| Balance at 1 January 2017 | 1,000,000 | 15,123,678 | 16,123,678 |
| Transactions with owners:- | | | |
| Issuance of shares pursuant to bonus issue (Note 12) | 11,000,000 | (11,000,000) | - |
| Issuance of shares (Note 12) | 20,000,000 | - | 20,000,000 |
| Total transactions with owners | 31,000,000 | (11,000,000) | 20,000,000 |
| Total comprehensive income for the financial year | - | 6,775,773 | 6,775,773 |
| Balance at 31 December 2017 | 32,000,000 | 10,899,451 | 42,899,451 |
| Transactions with owners : - Dividends paid (Note 32) | - | (3,200,000) | (3,200,000) |
| Total comprehensive income for the financial year | - | 8,695,383 | 8,695,383 |
| Balance at 31 December 2018 | 32,000,000 | 16,394,834 | 48,394,834 |

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

for the financial year ended 31 December 2018

| | Note | 2018 RM | 2017 RM |
|---|------|--------------|-------------|
| Cash flows from operating activities | | | |
| Profit before taxation | | 12,553,295 | 10,184,698 |
| Adjustments for:- | | | |
| Depreciation of property, plant and equipment | | 1,135,210 | 633,817 |
| Depreciation of investment properties | | 55,517 | - |
| Fair value discount on payables | | (225,000) | - |
| Fair value discount on receivables | | 725,000 | - |
| (Gain) /Loss on disposal of property, plant and equipment | | (35,000) | 14,001 |
| Interest expenses | | 755,670 | 1,233,673 |
| Interest income | | (410,705) | (292,715) |
| Listing expenses | | - | 3,422,486 |
| Operating profit before working capital changes | | 14,553,987 | 15,195,960 |
| Increase in trade receivables | | (4,567,848) | (2,767,908) |
| Increase in other receivables, deposits and prepayments | | (2,051,877) | (372,861) |
| Increase in amount due from subsidiary companies | | (156,335) | - |
| Increase in contract assets / liabilities | | (14,977,266) | (1,637,689) |
| Decrease /(Increase) in trade payables | | 12,041,367 | (4,615,561) |
| Decrease in other payables and accruals | | 1,512,139 | 158,705 |
| Cash generated from operations | | 6,354,167 | 5,960,646 |
| Interest paid | | (755,670) | (1,233,673) |
| Interest received | | 410,705 | 292,715 |
| Tax paid | | (4,609,368) | (3,016,583) |
| Net cash from operating activities | | 1,399,834 | 2,003,105 |
| Cash flows from investing activities | | | |
| Acquisition of subsidiary | | (1,052) | - |
| Proceeds from disposal of property, plant and equipment | | 35,000 | - |
| Purchase of property, plant and equipment | 33 | (901,144) | (3,265,572) |
| Net cash used in investing activities | | (867,196) | (3,265,572) |
| Balance carried forward | | 532,638 | (1,262,467) |

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

for the financial year ended 31 December 2018

| | Note | 2018 RM | 2017 RM |
|--|------|-------------|--------------|
| Balance brought forward | | 532,638 | (1,262,467) |
| Cash flows from financing activities | | | |
| Dividends paid | | (3,200,000) | - |
| Drawdown of term loans | | - | 5,567,168 |
| Drawdown of trade finance | 35 | 627,357 | - |
| Fixed deposits | | | |
| - pledged as securities | | (5,051,231) | (12,130,706) |
| - uplift of deposits pledged as securities | | 12,100,812 | - |
| Payment of listing expenses | | - | (3,422,486) |
| Proceeds from issuance of shares | | | 20,000,000 |
| Repayment of bank's factoring | 35 | (2,513,237) | (1,041,232) |
| Repayment of finance lease liabilities | 35 | (375,691) | (313,884) |
| Repayment of term loans | 35 | (1,855,324) | (3,617,916) |
| Net cash from /(used in) financing activities | | (267,314) | 5,040,944 |
| Net increase in cash and cash equivalents | | 265,324 | 3,778,477 |
| Cash and cash equivalents at the beginning of the financial year | | 9,073,182 | 5,294,705 |
| Cash and cash equivalents at the end of the financial year | 36 | 9,338,506 | 9,073,182 |

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

31 December 2018

1. GENERAL INFORMATION

Kejuruteraan Asastera Berhad is a public limited liability company, incorporated and domiciled in Malaysia and listed on the ACE Market of Bursa Malaysia Securities Berhad.

The addresses of the principal place of business and registered office of the Company are as follows : -

| | | |
|-----------------------------|---|--|
| Principal place of business | : | No. 18, Jalan Radin Bagus 9 Bandar Baru Seri Petaling 57000 Kuala Lumpur |
| Registered office | : | Unit 30-01, Level 30, Tower A Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur |

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2018 comprise the Company and its subsidiary companies (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2018 do not included other entities.

The Company is principally engaged in the business of provision of electrical and mechanical engineering services. The principal activities of the subsidiary companies are set out in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 28 March 2019

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation
- Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- MFRS 16, Leases
- Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 119, Employee Benefits – Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
- IC Interpretation 23, Uncertainty over Income Tax Treatments

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 2, Share-Based Payment
- Amendment to MFRS 3, Business Combinations
- Amendments to MFRS 6, Exploration for and Evaluation of Mineral Resources
- Amendment to MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 101, Presentation of Financial Statements
- Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to MFRS 134, Interim Financial Reporting
- Amendment to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets
- Amendment to MFRS 138, Intangible Assets
- Amendment to IC Interpretation 12, Service Concession Arrangements
- Amendment to IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
- Amendment to IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine
- Amendment to IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
- Amendments to IC Interpretation 132, Intangible Assets – Web Site Costs

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, Insurance Contracts

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The Group and the Company plan to apply the above mentioned accounting standards, amendments and interpretations:-

- from the annual period beginning on 1 January 2019 for those accounting standards, amendments or interpretations that are applicable to the Group and the Company and effective for annual periods beginning on or after 1 January 2019;
- from the annual period beginning on 1 January 2020 for those accounting standards, amendments or interpretations that are applicable to the Group and the Company and effective for annual periods beginning on or after 1 January 2020; and
- from the annual period beginning on 1 January 2021 for those accounting standards, amendments or interpretations that are applicable to the Group and the Company and effective for annual periods beginning on or after 1 January 2021.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned below:-

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 17, Insurance Contracts

MFRS 17 replaces the existing standard on Insurance Contracts, MFRS 4. Earlier application is permitted provided the entities have applied MFRS 9, Financial Instruments and MFRS 15, Revenue from Contracts with Customers on or before the date of initial application of MFRS 17.

Amendments to MFRS 3, Business Combinations and MFRS 11, Joint Arrangements

The amendments clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to MFRS 11, Joint Arrangement clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interest in that business.

Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that:-

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and
- gains and losses resulting from transactions involving the sale or contribution of assets to an associate of a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group and the Company.

Amendments to MFRS 112, Income Taxes

The amendments clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

Amendments to MFRS 123, Borrowing Costs

The amendments clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

The Group and the Company are assessing the financial impact that may arise from the adoption of MFRS 16, MFRS 17, amendments to MFRS 3 and MFRS 11, amendments to MFRS 10 and MFRS 128, amendments to MFRS 112 and amendments to MFRS 123.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3 to the financial statements.

c) Functional and presentation currency

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