www.kelington-group.com

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

ANNUAL REPORT 2009

KELINGTON GROUP BERHAD (501386-P)

We Engineer Solutions

annual report 2009

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Corporate Information

BOARD OF DIRECTORS

Gan Hung Keng
Chairman/Chief Executive Officer

Ong Weng Leong
Executive Director/Chief Operating Officer

Hsu, Chung-Kuang
Non-Independent Non-Executive Director

Lai, Cheng-Che
Non-Independent Non-Executive Director

Chan Thian Kiat
Independent Non-Executive Director

Tan Chuan Yong
Independent Non-Executive Director

AUDIT COMMITTEE

Chan Thian Kiat
Chairman
Independent Non-Executive Director

Tan Chuan Yong
Member
Independent Non-Executive Director

Lai, Cheng-Che
Member
Non-Independent Non-Executive Director

REMUNERATION COMMITTEE

Ong Weng Leong
Chairman
Executive Director/Chief Operating Officer

Chan Thian Kiat
Member
Independent Non-Executive Director

Hsu Chung-Kuang
Member
Non-Independent Non-Executive Director

NOMINATION COMMITTEE

Lai Cheng-Che
Chairman
Non-Independent Non-Executive Director

Chan Thian Kiat
Member
Independent Non-Executive Director

Tan Chuan Yong
Member
Independent Non-Executive Director

COMPANY SECRETARY

Lim Ming Toong
(MAICSA 7000281)

REGISTERED OFFICE

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

MANAGEMENT OFFICE

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

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
(378993-D)
Level 26, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : +603-2721 2222
Fax : +603-2721 2530

AUDITORS

Messrs. Crowe Horwath
(Formerly known as Messrs. Horwath)
[AF 1018]
Chartered Accountants
Level 16, Tower C
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : +603-2166 0000
Fax : +603-2166 1000

PRINCIPAL BANKER

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

SPONSOR

Kenanga Investment Bank Berhad
(15678-H)
801, 8th Floor
Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : +603-2027 5555
Fax : +603-2164 6690

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
ACE Market
Date of Listing : 25.11.2009
Stock Name : KGB
Stock Code : 0151

Corporate Structure

KELINGTON GROUP BERHAD
(Incorporated in Malaysia)

KELINGTON GROUP BERHAD (TAIWAN) BRANCH
(Registered as branch office in Taiwan)

100% **KELINGTON TECHNOLOGIES SDN. BHD.**
(Incorporated in Malaysia)

100% **KELINGTON ENGINEERING (S) PTE. LTD.**
(Incorporated in Singapore)

100% **KELINGTON ENGINEERING (SHANGHAI) Co., LTD.**
(Incorporated in the People's Republic of China)

100% **KELINGTON TRADING (SHANGHAI) Co., LTD.**
(Incorporated in the People's Republic of China)

Profile of Directors

IR. GAN HUNG KENG
aged 46, Malaysian
Chairman, Chief Executive Officer ("CEO"), Non-Independent

Company founder. Executive Director and Chairman of the Company since 14 February 2000 and was appointed as the Managing Director on 22 November 2004 and assumed the role of CEO with effect from 1 September 2009. As the CEO, he is responsible for the overall strategic direction and management function of the Group and in particular, the Group's new ventures. He graduated with a Bachelor of Chemical & Process Engineering degree from Universiti Kebangsaan Malaysia, Malaysia. He is also a Professional Engineer on the Board of Engineers, Malaysia.

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

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

Ir. Gan Hung Keng is a corporate representative of Palace Star Sdn. Bhd. ("Palace Star"), a substantial shareholder of the Company. He is also a Director of a few of the Group's subsidiary companies.

ONG WENG LEONG
aged 42, Malaysian
Chief Operating Officer ("COO"), Non-Independent

He has been a Director of the Company since 22 November 2004. He was appointed as the General Manager on 1 August 2005 and assumed the role of COO with effect from 1 September 2009. As the COO, he is responsible for the management of the day-to-day functions and operations of the Group in Taiwan and China. He is also the Chairman of the Remuneration Committee. He graduated in 1992 with a Bachelor of Chemical Engineering degree from Universiti Teknologi Malaysia, Malaysia. He also received a Master in Business Administration from the University of Bath, United Kingdom in 2002.

He began taking up managerial roles in 1996 while at MOX as the Production Manager after which he became the Operations Manager from 1998 to 2000, responsible for managing plant operations located in the central and east coast region. Later in 2000, he was promoted to National Engineering Manager at MOX which he carried out for 3 years until 2004 where he was promoted to the National Sales Manager (Electronics) at MOX. Soon after that, he joined the Company in 2005 as the General Manager.

Throughout more than ten (10) years at MOX and more than four (4) years at KGB in management roles, he has acquired expertise in detailed designing of all gas system ranging from gas production plants to the supply stations of customers and engineering construction management of industrial gas related projects.

Ong Weng Leong is a corporate representative of Palace Star, a substantial shareholder of the Company. He is also a Director of a few of the Group's subsidiary companies.

Profile of Directors
cont'd

HSU, CHUNG-KUANG
aged 53, Taiwanese
Non-Independent Non-Executive Director

He was appointed as a Director of the Company on 22 November 2004. He is also a member of the Remuneration Committee. He graduated with a major in industrial management from the Tamsui Oxford College (currently known as Tamsui Oxford University College) in Taiwan in 1978. He has previously held the positions of Plant Manager, Exports Manager and Procurement Manager in various companies, involving in, amongst others, furniture manufacturing and the trading of pulp and paper related products. He joined the Lien Hwa Industrial Corp. group of companies in 1990 and is currently holding the position of Assistant Vice President of Procurement in United Industrial Gases Co., Ltd. ("UIGC").

Hsu, Chung-Kuang is a corporate representative of Allied Moral Investments Limited ("Allied Moral"), a substantial shareholder of the Company. He does not have any family relationship with any major shareholders of the Company.

LAI, CHENG-CHE
aged 56, Taiwanese
Non-Independent Non-Executive Director

He was appointed as a Director of the Company on 22 November 2004. He is also the Chairman of the Nomination Committee and a member of the Audit Committee. He graduated with a major in Accounting from the National Cheng Kung University in Taiwan in 1976. He was previously involved in various managerial positions in multinational companies such as IBM Taiwan Corp. and Sampo Corp. from 1978 to 1985. Subsequently in 1986, he joined BOCLH Industrial Gases Co., Ltd ("BOCLH") group of companies and is currently holding the position of Vice President-Finance of UIGC, a company involved in the provision of bulk gases. He has more than 20 years of experience in the financial and planning management support for industrial gases-related field.

Lai, Cheng-Che is a Director of both Allied Moral and Sky Walker Group Limited ("Sky Walker"), the substantial shareholders of the Company and also a Director of two other subsidary companies of BOCLH, namely Confederate Technology Corporation and UIGC. Lai, Cheng-Che has indirect interest in the Company through his spouse's, Lin Hsiu-Fen, shareholdings in Allied Moral. Lai, Cheng-Che is a corporate representative of Sky Walker, a substantial shareholder of the Company.

Profile of Directors
cont'd

CHAN THIAN KIAT
aged 54, Malaysian
Independent Non-Executive Director

He was appointed as the Independent Non-Executive Director in the Company on 11 September 2009. He is the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees. He graduated with a Bachelor of Commerce degree from the University of Melbourne, Australia. He is also a fellow member of CPA Australia and an Associate of the Institute of Chartered Secretaries and Administrators (ACIS).

He has held various positions at Bank of America Malaysia Berhad during his 17-year tenure before joining BA Associates Sdn Bhd ("BA Associates") as a Principal and KGB as a Director. He left Bank of America Malaysia Berhad as the Principal, Head of Corporate Finance which he held from 1997 to 2001. His responsibilities at Bank of America Malaysia Berhad included providing financial solutions to clients from treasury products, cross-currency swaps, to equity derivatives, various hedging instruments, foreign currency denominated debts, cross-border leasing, project financing as well as mergers and acquisitions. At BA Associates, he provides corporate finance consultancy services, assist clients in debt and equity capital raising, and advising in mergers and acquisitions. He is also a Director of a few private limited companies.

Mr. Chan does not have any family relationship with any major shareholders of the Company.

TAN CHUAN YONG
aged 54, Malaysian
Independent Non-Executive Director

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

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

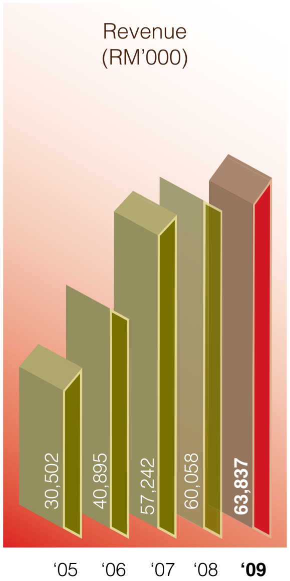
Mr. Tan does not have any family relationship with any major shareholders of the Company.

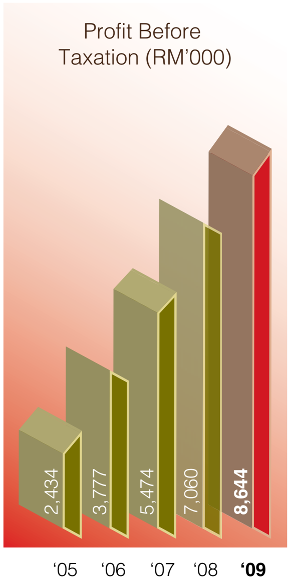
Notes:-

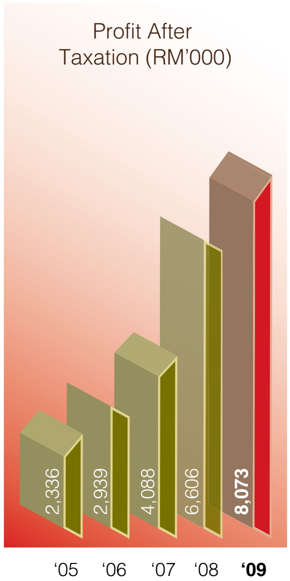
(1) None of the Directors have any family relationship with any other Directors.
(2) None of the Directors have any conflict of interest involving the Company save as disclosed above and all the Directors have had no convictions for offences other than traffic offences in the past ten years.
(3) The details of the Directors' shareholding are set out in the Analysis of Shareholdings in page 77 of the Annual Report.

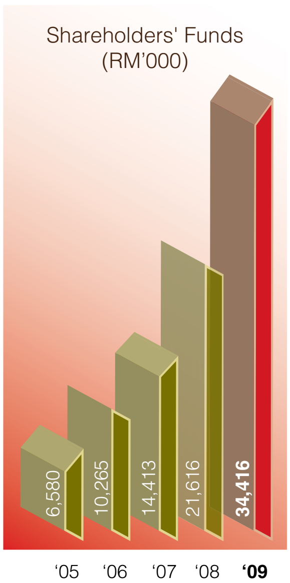
Financial Highlights

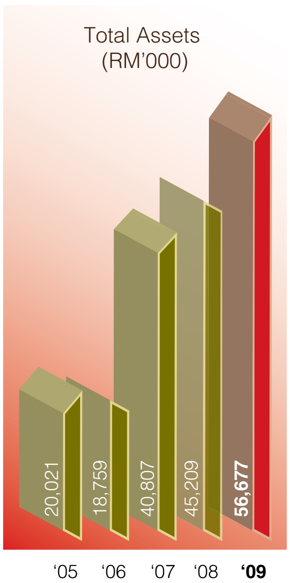
	2005	2006	2007	2008	2009
Revenue (RM'000)	30,502	40,895	57,242	60,058	**63,837**
Profit Before Taxation (RM'000)	2,434	3,777	5,474	7,060	**8,644**
Profit After Taxation (RM'000)	2,336	2,939	4,088	6,606	**8,073**
Shareholders' Funds (RM'000)	6,580	10,265	14,413	21,616	**34,416**
Total Assets (RM'000)	20,021	18,759	40,807	45,209	**56,677**
Number of Ordinary Share ('000)	6,500	6,500	6,500	6,500	**74,710**
Net Assets Per Share (RM)	1.01	1.58	2.22	3.33	**0.46**











Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of Kelington Group Berhad ("KGB") for the financial year ended 31 December 2009. This edition marks the 1st year that KGB has been listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") since our listing in November 2009.

Chairman's Statement

OVERVIEW

The financial year ended 31 December 2009 ("FY09") has been a trying year for Kelington and it's subsidiaries ("The Group"). The Group started the year with concerns that our business will be affected by the economic downturn from the global financial crisis. This crisis is unprecedented as the financial meltdown of leading global economies has seen tentacles of the crisis reaching out and impacting all economies across the globe, including areas where the Group are in operation.

These challenging business conditions have caused us to undertake various measures in cost saving exercises as well as re-engineering our business approaches and processes to improve our operational efficiencies.

I am pleased to report that, notwithstanding the external circumstances, these measures has helped the Group to deliver its objectives, and for the 2009 financial year, we manage to continue to record a growth in both consolidated revenue and profits.

Going forward, with the improved outlook of high-technology and emerging sectors such as light emitting diodes ("LED"), pharmaceuticals, biosciences and solar panels in the year 2010 as relative to the year 2009, the Group is well positioned to ride on this anticipated recovery in these sectors, in particular China and Taiwan.

OVERVIEW OF OPERATIONS

The Group has taken several key measures with a view to increase our operational efficiencies to counter the impact of the global financial crisis on the group earning in particular from the semiconductor industry. Three major areas were identified:

a. Expand the Group's market base.
b. Expand our engineering service base.
c. Increase focus on other emerging sectors such as Solar Cell.

By end of December 2009, all these measures helped the Group to achieve its objective. In Kelington Engineering (S) Pte. Ltd., our operations in Singapore contributed 14.4% of the Group total revenue. This is a new income source as previously there was no income contribution from the Singapore operations. Our expansion into Process Plant Installation works notably Air Separation Plant at Ann Joo Steel and Air Separation Plant at Petronas Refinery Melaka has generated a contribution of 19.2% over the Group's total revenue. Meanwhile, the contribution from our projects in Solar Cell has resulted in an increase of contribution in this sector to 16.8% over Group's total revenue as compared to the year 2008 of 11.1%.

Chairman's Statement
cont'd

On 25th November 2009, the Group was listed on the ACE Market of Bursa Securities. Of the RM5.146 million from the total proceeds, we have utilised RM1,842 million as of FY09. From the balance of RM3.304 million which will brought forward to 2010, RM2.610 million is reserved for working capital while the rest is for Capital expenditure and R&D expenses. By 25 November 2010, any unutilised proceeds for R&D expenses and capital expenditure will be transferred to working capital expenditure.

FINANCIAL PERFORMANCE

Despite the prevailing economic turmoil, the Group continued to achieve another year of remarkable growth of 22.2% in net profit to RM 8.073 million for the FY09 against RM6.606 million recorded in the previous financial year.

The growth was mainly attributed to the positive measures undertaken by the Group in increasing our operational efficiencies. Income from our new market base in Singapore as well as from our new service sector of process plant projects contribute to top and bottom line of our growth.

Against this backdrop, the Group continued to turn in record profits for FY09. Pre-tax profit registered at RM8.644 million represented an increase of 22.4% over the previous record pre-tax profit of RM7.060 million achieved in FY08, whilst revenue grew by 6.3% to RM63.837 million from RM60.058 million achieved in FY08. The higher profit margin despite lower revenue growth was mainly driven by projects with higher margins.

Net profit for the Group would have been higher if not for the RM1.428 million listing expenses charged during the fourth quarter of the year ("4Q09") as a result of adoption of new FRSIC Consensus 13 "Expenses Permitted to be Written Off Against the Share Premium Account under Section 60 of the Companies Act, 1965" developed by the Financial Reporting Standards Implementation Committee ("FRSIC") and issued by the Malaysian Institute of Accountants ("MIA" or "Institute") on 1 September 2009.

Total assets of the Group increased by 25.4% from RM45.209 million as at 31 December 2008 to RM56.677 million as at FY09, a reflection of the Group's increase in asset base. In line with the strong financial performance for the year, net asset also rose by 59.2% to RM34.416 million from RM21.616 million.

DIVIDENDS

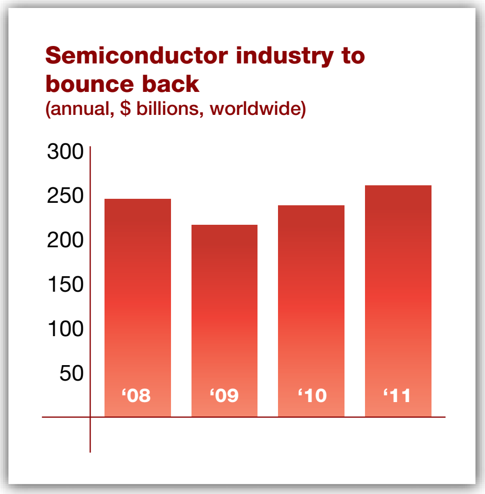
In recognition of the strong performance of the Group, the Board has recommended a final tax exempt dividend of 3.0 sen per ordinary share of 10.0 sen each amounting to RM2.241 million, in respect of the FY09 subject to the approval of the shareholders at the forthcoming Tenth Annual General Meeting.

As the Group was just listed in November 2009, the Board has yet to fix a dividend policy. However, the Board recognise the positive significant of dividend payout to our shareholders. It will be the policy of the Group that a reasonable balance dividend payment and setting aside funds for future investment and business growth be practiced. Subject to approval by the shareholders, the Board is committed to set and put forward a dividend policy for approval in the coming year.

FUTURE PROSPECTS

The outlook for Semiconductor sector for year 2010 is expected to be better as compared to year 2009. The Semiconductor Industry Association ("SIA")* in their annual forecast for 2009-2011 released in November 2009, projected an increase of 10.2% in year 2010 and 8.2% in year 2011.

Figure 1: Worldwide Semiconductor Market Forecast



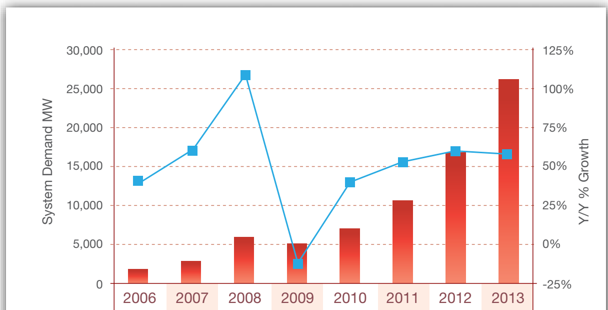
Source: SIA, November 2009

Chairman's Statement

cont'd

At the same time, in another emerging sector namely Solar Cell, DisplaySearch** is expecting a growth of 38% in Solar Cell demand in year 2010 and 51% in year 2011 (Y/Y % Growth) in their report release in December 2009.

Figure 2: Solar Cell End Market Demand



	2006	2007	2008	2009	2010	2011	2012	2013
Demand	1,818	2,896	6,006	5,169	7,140	10,753	16,975	26,491
Y/Y %	38%	59%	107%	-14%	38%	51%	58%	56%

Source: DisplaySearch Q4'09 Quarterly PV Cell Capacity Database & Trends Report, December 2009

Both forecasts, if materialised will have positive impact to the Group business as we strive to serve the high-technology industries which include both Semiconductor and Solar Cell, apart from other emerging industries such as Flat Panel Display, LED and biosciences sectors.

Baring any foreseen circumstances, we believe the Group to continue to forge ahead on the back of the expected recovery in all these sectors.

Going forward, the Group will continue to focus on its core business in its engineering capabilities to serve the high-technology industries. However, the Group will also start to look into merger and acquisitions with potential company(s) which will bring synergy and benefit to the Group.

IN APPRECIATION

I would like to take this opportunity to welcome Mr. Chan Thian Kiat and Mr. Tan Chuan Yong as our new Independent Non-Executive Directors to the Board.

My sincere appreciation and gratitude to all our existing shareholders, investment analysts, bankers and fund managers for your continuous support and confidence in the Group, our valuable customers, suppliers, business associates, and friends for their support of our products and services.

I would also like to thank our fellow Directors for their valuable advice, guidance and support rendered to the Group. I am fully confident that their wisdom and experience will benefit and bring the Group to greater heights.

Last but not least, on behalf of the Board, I wish to express our deepest appreciation to the management and staff for their dedication, commitment and untiring contributions to ensure that 2009 is another successful year for the Group.

Thank you.

IR. GAN HUNG KENG, RAYMOND
Chairman/Chief Executive Officer
Kelington Group Berhad
27 April 2010

Note:

* *SIA is the premier trade association representing the U.S. semiconductor industry.*

** *Displaysearch is a global market research and consulting firm specializing in the display supply chain and providing trend information.*

Event Highlights

Prospectus Launching

Listing day

Event Highlights
cont'd

Team building 2009 Club Med, Cherating Beach

2009 Annual Dinner

Skytrex

Statement on Corporate Governance

INTRODUCTION

The Board of Directors of KGB ("the Board") appreciates the importance of embedding good corporate governance practices in the management of the Company. The Board also believes that through good corporate governance practices, long term values will be generated not only to the shareholders of the Company but also to other stakeholders. Therefore, the Board is committed to implement the Principles and Best Practices as set out in Part 1 and Part 2 of the Malaysia Code On Corporate Governance 2007 ("the Code") with reference to the Corporate Governance Guide ("the Guide") issued by Bursa Securities.

A THE BOARD

The Company is led and controlled by an effective Board which has the overall responsibility to protect and enhance shareholder value. The Board is responsible, amongst others, for establishing and communicating the strategic direction and corporate values of the Group, and supervising its affairs to ensure its success within a framework of acceptable risks and effective control and in compliance with relevant laws, regulations, guidelines and directives in the territories in which it operates. The Board reviews management performance and ensures that the necessary financial and human resources are available to meet the Group's objectives. The Board is also responsible for succession planning, including appointing and fixing the remuneration of, and where appropriate, replacing senior management.

Board Structure

The Board consisted of 6 members comprising an Executive Chairman, an Executive Director, two Non-Independent Non-Executive Directors and two Independent Non-Executive Directors. Due to the strong Non-Executive and Independent components of the Board, the role of Chairman and Managing Director has not been divided and both functions continue to be held by the same person. Jointly with the Executive Director, the Chairman cum Managing Director are accountable to the Board over the operations and development of the Company.

Board Meeting

The Board meets at least five times a year to deliberate on a variety of matters, including the quarterly financial results, major investment decisions, business plans and the overall direction of the Company. Additional meetings may be convened on an ad-hoc basis when urgent and important decisions are required to be made in between the scheduled meeting. As the Company was only listed on the ACE Market on 25 November 2009, the Board has met once during FY09 to approve the 3rd quarter financial results for FY09. The detailed attendance record is tabulated as below:

No	Directors	Type	Meeting Attendance
1	Gan Hung Keng	Executive Chairman	1/1
2	Ong Weng Leong	Executive Director	1/1
3	Lai, Cheng-Che	Non-Independent Non-Executive Director	1/1
4	Hsu, Chung-Kuang	Non-Independent Non-Executive Director	1/1
5	Chan Thian Kiat	Independent Non-Executive Director	1/1
6	Tan Chuan Yong	Independent Non-Executive Director	1/1

Supply of Information

The Directors have full and unrestricted access to all information pertaining to the Company's business and affairs to enable them to discharge their responsibilities. Prior to the Board meetings, the Directors are provided with the agenda together with the Board papers on issues to be discussed. A record of the Board's deliberation of issues discussed and conclusion reached are captured in the minutes of the meeting by the company secretary.

Statement on Corporate Governance
cont'd

A THE BOARD *cont'd*

Appointment and re-election of Directors

The Board has set up a Nomination Committee to be responsible for identifying and recommending suitable candidates for Board membership. The Board will have the ultimate responsibility and final decision on the appointment. During FY09, two new Independent Directors were appointed to the Board, in line with the Listing Requirements which requires at least 1/3 of the Board to be independent. Under Article 72 of the Company's the Articles of Association, the newly appointed Directors shall retire at the next AGM and be eligible for re-election.

According to Article 69 of the Articles of Association of the Company one-third of the Board members shall retire from office at the Annual General Meeting ("AGM") and shall be eligible for re-election at the same AGM. Each Director shall retire from office once in every 3 (three) years, but shall be eligible for re-election.

All Directors are required to submit themselves for re-election at intervals of not more than 3 years. The Articles of Association also state that one-third of the Board members shall retire from office at the AGM and shall be eligible for re-election.

Directors' training

As at the date of this statement, all Directors (save for Tan Chuan Yong) have attended the Mandatory Accreditation Programme ("MAP") as prescribed by Bursa Securities during the year 2009. While Tan Chuan Yong had already attended the MAP training in 2005, he had not attended any training during the year 2009 due to time constraint and a tight work schedule. The Company will continue to identify suitable training for the Directors to equip and update themselves with the necessary knowledge in discharging their duty and responsibilities as Directors.

B DIRECTORS' REMUNERATION

The Board has set up a Remuneration Committee to be responsible for recommending the remuneration framework for Executive and Non-Executive Directors. The Directors' remuneration package is linked to the experience, scope of responsibility, seniority, performance and industrial practices. The remuneration of Executive Directors consists of basic salary and bonus whereby the Non-Executive Directors receive fixed director fees and other emoluments.

Details of the Directors' remuneration in aggregate for FY09 are tabulated as below:

	Salary & Bonus	Director Fees	Other Emoluments
Executive Directors	1,189,341	-	-
Non-Executive Directors	-	425,500	-

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

Range of Remuneration (RM)	Executive Directors	Non-Executive Directors
50,000 and below	-	2
50,001 to 150,000	-	2
550,001 to 600,000	2	-

Statement on Corporate Governance
cont'd

C SHAREHOLDERS AND INVESTORS

The Company values dialogues with the investors and is constantly striving to improve the communication with the public. The Board believes that an effective investor relation is essential in enhancing shareholders' value and therefore ensures that shareholders are kept well informed of major development of the Company. Such information is disseminated via the Company's Annual Report, various disclosures and announcements to Bursa Securities and the Company's web site.

The Board also embarked on an Investor Relation program which will include briefing for investment analysts, institutional shareholders and investors on the prospects of the Company.

The AGM is the principal forum for dialogue between the Company and the shareholders. The Board provides the opportunity for shareholders to raise questions pertaining issues in the Annual Report, approve the resolutions being proposed and the business of the Company in general. The Board takes the opportunity to present a comprehensive review of the progress and performance of the Company, and provides answers to the questions raised by the shareholders during the meeting.

D ACCOUNTABILITY AND AUDIT

Audit Committee

The Board has in place the Audit Committee, which consists of three Non-Executive Directors (majority, including the chairman of the Audit Committee, being independent) in compliance with the Code and Bursa Securities' ACE Market Listing Requirements. The Audit Committee meets every quarter to review the Company's quarterly financial results, the recurrent related party transaction and deliberate on findings of the external and internal auditors. As for FY09, the Audit Committee met once to review the 2nd and 3rd quarter results of the Company before it was released for announcement to Bursa Securities and the public.

Financial Reporting

The Board is committed to provide a balanced, clear and meaningful assessment of the financial performance and prospects of the Company via all disclosures and announcements made. The Board is assisted by the Audit Committee to oversee the process and quality of the financial reporting, includes reviewing and monitoring the integrity of the financial statements and the appropriateness of the Company's accounting policies to ensure compliance with the relevant accounting standards.

Statement of Directors' Responsibilities

The Directors are required by the Companies Act, 1965 (the "Act") to prepare financial statements for each financial year which gives a true and fair view of the financial position of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year.

The Directors are of the opinion that the Group uses the appropriate accounting policies that are consistently applied and supported by reasonable as well as prudent judgments and estimates, and that the financial statements have been prepared in accordance with Financial Reporting Standards in Malaysia, the provisions of the Act and the Bursa Securities' ACE Market Listing Requirements.

The Directors are satisfied that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company and which enable proper financial statements to be prepared. They have also taken necessary steps to ensure that appropriate systems are in place to safeguard the assets of the Group, and to detect and prevent fraud as well as other irregularities. The systems, by their nature can only provide reasonable and not absolute assurance against material misstatements, loss and fraud.

Statement on Corporate Governance
cont'd

D ACCOUNTABILITY AND AUDIT *cont'd*

Internal Control

The Board has overall responsibility for maintaining a system of internal control and risk management that provide a reasonable assurance of effective and efficient operations, and compliance with the relevant laws and regulations, as well as with internal procedures and guidelines. The Statement on Internal Control as included on page of 21 this Annual Report provides the overview of the internal control framework adopted by the Company during FY09.

Relationship with Auditors

The Board has established a formal and transparent arrangement for maintaining an appropriate relationship with the external auditors. The Audit Committee has been explicitly accorded with access to communicate directly with both the internal and external auditors, and the details of such communications are minuted.

Compliance with Best Practices

Save for the explanation provided under Directors Training above for the departure from the Best Practices as set out in Part 2 of the Code ("Best Practices", the Board believes that all material aspects of the Best Practices have been complied with during FY09.

Audit Committee Report

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee was formed on 11th September 2009 and since then, for 2009, it has held one meeting on 20th November 2009 for FY09. The Composition of the Audit Committee and attendance at the meeting are as follow:-

Name	Designation	No of Meetings Held	No of Meetings Attended
Chan Thian Kiat	Chairman, Independent Non-Executive Director	1	1
Tan Chuan Yong	Member, Independent Non-Executive Director	1	1
Lai, Cheng-Che	Member, Non-Independent Non-Executive Director	1	1

The major terms of reference for the Audit Committee include reviewing the financial statements of the Group before submission to the Board, recommendations of the external auditors, reviewing the results and scope of the audit and other services provided by the external auditors. In addition, the Audit Committee reviews and evaluates the Group's internal audit and control functions. The Audit Committee is also responsible for the assessment of financial risks and matters relating to related party transactions and conflict of interests. The Audit Committee may obtain advice from independent parties and other professionals in the performance of its duties.

TERMS OF REFERENCE

1. Composition

The Audit Committee shall be appointed from amongst the Board and shall comprise no fewer than three (3) members; a majority of whom, including the Chairman, shall be independent directors and all members should be non-executive directors. At least one (1) member must be a member of the Malaysian Institute of Accountants or possess such other qualifications and/or experience as approved by the Bursa Malaysia Securities Berhad.

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

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

2. Chairman

The Chairman shall be an independent director. In the event of the chairman's absence, the meeting shall be chaired by an independent director.

The Chairman should engage on a continuous basis with senior management, such as the chief executive officer, the chief operating officer, the group financial controller, the internal auditors and the external auditors in order to be kept informed of matters affecting the company.

3. Secretary

The Company Secretary shall be the Secretary of the Committee and shall be responsible, in consultation with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings and for circulating them to the Audit Committee Members. The Committee Members may inspect the minutes of meetings at the Registered Office or such other place as may be determined by the Audit Committee.

Audit Committee Report
cont'd

TERMS OF REFERENCE *cont'd*

4. Meetings

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

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

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

The external auditors and internal auditors shall have the right to appear at any meeting of the Audit Committee and shall appear before the Committee when required to do so by the Committee. The external auditors may also request a meeting if they consider it necessary.

5. Rights

The Audit Committee shall:

(a) have the authority to investigate any matter within its terms of reference;

(b) have the resources which are required to perform its duties;

(c) have full and unrestricted access to any information pertaining to the Group;

(d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;

(e) have the right to obtain independent professional or other advice at the Company's expense;

(f) have the right to convene meetings with the external auditors, excluding the presence of the executive board members, at least twice a year and whenever deemed necessary;

(g) promptly report to Bursa Securities, or such other name(s) as may be adopted by Bursa Securities, matters which have not been satisfactorily resolved by the Board of Directors resulting in a breach of the listing requirements;

(h) have the right to pass resolutions by a simple majority vote from the Committee and that the Chairman shall have the casting vote should a tie arise;

(i) meet as and when required on a reasonable notice;

(j) the Chairman shall call for a meeting upon the request of the External Auditors.

6. Duties

(a) To review with the external auditors on:

- the audit plan, its scope and nature;
- the audit report;
- the results of their evaluation of the accounting policies and systems of internal accounting controls within the Group; and
- the assistance given by the officers of the Company to external auditors, including any difficulties or disputes with Management encountered during the audit.

Audit Committee Report
cont'd

TERMS OF REFERENCE *cont'd*

6. Duties *cont'd*

(b) To review the adequacy of the scope, functions and resources of the internal audit function.

(c) To recommend such measures as to be taken by the Board on the effectiveness of the system of internal control and risk management practices of the Group.

(d) To review the internal audit programme, processes the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.

(e) To review with management:

- audit reports and management letter issued by the external auditors and the implementation of audit recommendations;
- interim financial information; and
- the assistance given by the officers of the Company to external auditors.

(f) To discuss problems and reservations arising from interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary).

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

(h) To review the quarterly reports on consolidated results and annual financial statements prior to submission to the Board, focusing particularly on:

- changes in or implementation of major accounting policy and practices;
- significant and/or unusual matters arising from the audit;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements.

(i) To consider the appointment and/or re-appointment of auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as auditors to the board.

(j) To verify the allocation of options pursuant to a share scheme for employees as being in compliance with the criteria for allocation of options under the share scheme, at the end of each financial year.

SUMMARY OF ACTIVITIES

In 2009, the Audit Committee carried out its duties in accordance with the terms of reference of the Audit Committee.

The activities of the Audit Committee for FY09 are summarized as follows:

- Reviewed the quarterly financial statements of the Company and the Group, focusing particularly on significant changes to accounting policies and practices, adjustments arising from the audits, compliance with accounting standards and other legal requirements;

- Reviewed the Company's process of monitoring potential recurrent related party transactions entered into by the Company, its subsidiaries and the Group;

Audit Committee Report
cont'd

SUMMARY OF ACTIVITIES *cont'd*

- Reviewed the internal audit plans and adequacy of coverage;
- Reviewed the external auditors' audit plan, nature and scope of the audit plan, audit report, evaluation of internal controls and co-ordination of the external auditors; and
- Reviewed the external auditors' findings arising from audits and in particular, responses by management as regards appropriate action being taken.

As set out in Kelington's Prospectus dated 30 October 2009, the Company had entered into recurrent related party transactions of a revenue or trading nature which are necessary for the Company's day-to-day operations ("RRPTs"). In accordance to Bursa Securities' ACE Market Listing Requirements, the Company is required to seek shareholders' mandate for such RRPTs which is subject to annual renewal.

The Company had submitted an application to Bursa Securities for an extension of time from 25 November 2009 to the forthcoming Annual General Meeting for the Company to seek shareholders' ratification for the aforementioned RRPTs. The application was approved by Bursa Securities vide its letter dated 4 December 2009.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

During the financial year, the Company has evaluated its options in setting an internal audit function subsequent to its listing on the ACE Market of Bursa Securities. Upon deciding on the appropriate option, subsequent to the financial year end the Company has outsourced its internal audit function to a professional services firm to assist the Audit Committee in discharging its duties and responsibilities in respect of reviewing the adequacy and effectives of the Group's risk management and internal control systems.

As at the date of this annual report, the Audit Committee has approved the following activities, which has been planned by the outsourced professional services firm for the financial year ending 31 December 2010:

- Risk assessment of the Group;
- Development of an annual audit plan that focuses on controls managing the principal risks of the Group;
- Scheduled internal audit visits on key subsidiaries of the Group;
- Proposed followed-up visit on Management's agreed upon action plans subsequent to each internal audit visit.

Statement on Internal Control

The Malaysian Code on Corporate Governance requires that the board of directors of public listed company to identify significant risks and maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Paragraph 1.2, Guidance Note 11 of the Bursa Securities's ACE Market Listing Requirements ("Listing Requirements") requires directors of public listed companies to include a statement in the annual report on its state of internal control as a group. Pursuant to this, the Board is pleased to provide its Statement on Internal Control as a group, which has been prepared in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies. The statement below outlines the nature and scope of the internal controls of the Group during the financial year.

BOARD RESPONSIBILITY

The Board recognises its overall responsibility in maintaining a sound system of internal control and the need to regularly review its adequacy and integrity. Such system covers not only financial controls but also operational and compliance controls. In view of the limitations inherent in any system of internal control, the system of internal controls put in place by Management can only manage risk within tolerable levels, rather than eliminate the risk of failure to achieve business objectives. Hence, such system by its nature can only provide reasonable and not absolute assurance against material misstatement, error or losses.

RISK MANAGEMENT FRAMEWORK

The Board acknowledges that the Group's business activities involve some degree of risk that may affect the achievement of its business objectives and an effective risk management framework should be an integral part of the Group's daily operations. It is the responsible of key management and Heads of Department to identify, evaluate and manage risks faced by the Group on an ongoing basis within defined parameters. The deliberation of risks and related mitigating responses are carried out at the periodic management meetings attended by the Executive Directors and key management staff. Significant risks are communicated to the Board at their scheduled meetings.

The abovementioned practices and initiatives by the Management serve as an on-going process adopted by the Group to identify, evaluate and manage risks faced by the Group.

INTERNAL AUDIT FUNCTION

The responsibility for reviewing the adequacy and integrity of the internal control system has been delegated by the Board to the Audit Committee. In turn, the Audit Committee assesses the adequacy and integrity of the internal control system through independent reviews performed by the internal audit function which is outsourced to a professional service provider firm. The total cost incurred for the internal audit function is RM39,800 for FY09.

During the financial year, an internal control review on the Group's systems of internal control was completed. Although a number of internal control weaknesses were identified and subsequently addressed by the management, none of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

1. The Group has a well defined organisation structure with clear lines of accountability to provide a sound framework within the organisation in facilitating proper decision making at the appropriate authority levels of Management including matters that require Board's approval.

2. The Executive Directors are closely involved in the running of the business and operations of the Group and they report to the Board on significant changes in the business and external environment, which affect the operations of the Group at large.

Statement on Internal Control

cont'd

OTHER KEY ELEMENTS OF INTERNAL CONTROL *cont'd*

3. Management meetings are conducted regularly with the Executive Directors, Senior Management and/or Head of Departments in attendance.

4. A comprehensive business planning and budgeting process which establishes plans and targets for the Group, is performed on a periodic basis. The business planning process of the Group determines business objectives, examines strengths, weaknesses, opportunities, threats and key business risks of the Group.

5. Established internal policies and procedures for key business units within the Group.

CONCLUSION

The Board is committed towards operating a sound system of internal control and effective risk management practices throughout the Group. The Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. As such, the Board will, when necessary, put in place appropriate action plans to rectify any potential weaknesses or further enhance the system of internal control.

This statement was approved by the Board on 27 April 2010.

Additional Compliance Information

UTILIZATION OF PROCEEDS

As at 31 December 2009, the status of utilisation of proceeds from the public offering of approximately RM5.15 million following the listing of the entire issued and paid-up share capital of Kelington Group Berhad on the ACE Market of Bursa Securities on 25 November 2009 (“Listing”) is as follows:

Descriptions IPO Proceeds	Time frame for Utilization from the Date of Listing	Proposed Utilization RM’000	Actual Utilization RM’000	Balance RM’000
R&D expenses	Within 1 year	250	-	250
Capital expenditure	Within 1 year	500	(56)	444
Working capital	Within 1 year	2,641	(31)	2,610
Estimated listing expenses	Within 1 month	1,755	(1,755)	-
		5,146	(1,842)	3,304

SHARE BUYBACKS

During the financial year under review, the Company had not implemented any such share buyback schemes.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year under review, the Company has not issued any options, warrants or convertible securities.

AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

During the financial year under review, the Company did not sponsor any such programme.

IMPOSITION OF SANCTIONS AND/OR PENALTIES

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

NON-AUDIT FEES

The amount of non-audit fees paid to the external auditors is RM82,000 for FY09 for the purpose of acting as Reporting Accountants for the Listing.

VARIATION IN RESULTS

There were no variations of 10% or more between the audited results and unaudited results of the Group for FY09.

REVALUATION POLICY ON LANDED PROPERTIES

The Company has a revaluation policy on landed properties in place. During FY09, there was no revaluation carried out on any of its landed properties by the Company.

The Group’s policy is to conduct a review of the value of its landed properties at the Board’s discretion. As the Group does not have any revalued properties as at the financial year end, any impairment to the carrying amounts of the landed properties will be recognised in profit or loss. Thus, the value of the landed properties is stated at cost less accumulated depreciation and impairment losses.

Additional Compliance Information
cont'd

LIST OF PROPERTIES

The list of properties is not included in this annual report as the value of the Company's property is less than 5.0% of the Group's total assets.

MATERIAL CONTRACTS

Except for what is disclosed in the Related Party Transaction as stated below, there were no other material contracts entered into by the Group involving directors' and substantial shareholders' interests either still subsisting as at 31 December 2009 or entered into since the end of the previous financial year.

RELATED PARTY TRANSACTION

Bursa Securities had, on 4 December 2009, granted the Company an extension of time from having to procure the shareholders' mandate on the RRPT entered into/to be entered into by KGB from 25 November 2009, the date of listing of the entire issued and paid-up share capital of KGB on the ACE Market of Bursa Securities to the date of the forthcoming Tenth AGM and to ratify such RRPTs at the general meeting. This is to enable the Company to reduce substantial administrative time, inconvenience and expenses in convening such general meeting on the ad-hoc basis. The details of the RRPTs to be tabled for shareholders' ratification are disclosed on Section 2.1.2 (I) of Circular dated 10 May 2010.

PROFIT ESTIMATE, FORECAST OR PROJECTION

The Group did not issue any profit forecast or profit estimate previously or for FY09 in any public document hence this information is not applicable.

PROFIT GUARANTEES

There were no profit guarantees given by the Company for FY09.

CORPORATE SOCIAL RESPONSIBILITIES

The Company recognizes our role as a responsible corporate citizen and has therefore intensified our corporate social responsibilities ("CSR") initiatives throughout FY09.

For the community, the Company offers industrial training to the undergraduates from local universities and colleges so that they could gain valuable industrial experience. The Company has also participated in the Bank Negara Malaysia ("BNM") Graduate Programme 500 to accept graduates under this scheme to receive training in our workplace.

For the underprivileged, the Company has sponsored the Ti-Ratana Annual Charity Golf 2009, organized by the Ti-Ratana Welfare Society, which is a non-profitable, non-racial and non-religious charitable welfare organization which manages homes for orphans, elderly and infirm senior citizens plus a shelter for abused women and unwed mothers.

For the employees, the Company places strong emphasis on personal development and had been sending them to various training courses to equip them with the necessary knowledge and skills. In September 2009, the Company organized a company trip to the Clud Med Beach Resort at Cherating, with the purpose of rewarding them for their contribution to the Company, and to enhance the team spirit and relationship among them. Apart from that, the Company regularly organizes sports and social activities among the employees to create a pleasant work environment and to encourage work life balance among them.

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Directors' Report

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of providing engineering services and general trading. The principal activities of the subsidiaries 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

	The Group RM	The Company RM
Profit after taxation for the financial year	8,072,520	91,207
Attributable to:		
Equity holders of the Company	8,072,520	91,207

DIVIDENDS

No dividend was paid since the end of the previous financial year.

The directors recommend the payment of a final tax-exempt dividend of 3 sen per ordinary share amounting to RM2,241,300 in respect of the current financial year. The proposed dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year, the Company

(a) increased its authorised share capital from RM5,000,000 to RM25,000,000 by the creation of 20,000,000 new ordinary shares of RM1 each. Pursuant to a share split, the Company sub-divided its 25,000,000 ordinary shares of RM1 each into 250,000,000 ordinary shares of RM0.10 each;

(b) increased its issued and paid-up share capital from RM5,000,000 to RM7,471,000 by:

    (i) a bonus issue of 1,500,000 new ordinary shares of RM1 each on the basis of approximately 3 bonus shares for every 10 existing ordinary shares held. The bonus shares were issued by the capitalisation of RM599,000 from the share premium account and RM901,000 from the retained profits account;

    (ii) the sub-division of 6,500,000 ordinary shares of RM1 each into 65,000,000 ordinary shares of RM0.10 each; and

Directors' Report
cont'd

ISSUES OF SHARES AND DEBENTURES *cont'd*

(b) increased its issued and paid-up share capital from RM5,000,000 to RM7,471,000 by: *cont'd*

(iii) the issuance of 9,710,000 new ordinary shares of RM0.10 each at an issue price of RM0.53 per share pursuant to the public issue in conjunction with the flotation exercise of the Company on the Ace Market of Bursa Malaysia Securities Berhad.

All the new ordinary shares issued during the financial year rank pari passu in all respects with the existing shares of the Company; and

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

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

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 satisfied themselves that no known bad debts and that adequate allowance had been made for doubtful debts.

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

The contingent liability is disclosed in Note 39 to the financial statements. At the date of this report, there does not exist:-

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

(ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

Directors' Report
cont'd

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 financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS

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

GAN HUNG KENG
HSU, CHUNG-KUANG
LAI, CHENG-CHE
ONG WENG LEONG
CHAN THIAN KIAT *(Appointed on 11 September 2009)*
TAN CHUAN YONG *(Appointed on 11 September 2009)*

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1.00 Each			
	At 1.1.2009	**Allotment**	**Sold**	**At 11.9.2009**
INDIRECT INTERESTS				
GAN HUNG KENG	3,502,500	1,050,750	-	4,553,250
ONG WENG LEONG	3,502,500	1,050,750	-	4,553,250
LAI, CHENG-CHE	748,500	224,550	-	973,050

	Number of Ordinary Shares of RM0.10 Each*			
	At 11.9.2009	**Allotment**	**Sold**	**At 31.12.2009**
INDIRECT INTERESTS				
GAN HUNG KENG	45,532,500	-	(5,795,375)	39,737,125
ONG WENG LEONG	45,532,500	-	(5,795,375)	39,737,125
LAI, CHENG-CHE	9,730,500	-	(3,842,275)	5,888,225

* *Ordinary shares of RM1.00 each converted to ordinary shares of RM0.10 each on 11 September 2009.*

Directors' Report
cont'd

DIRECTORS' INTERESTS *cont'd*

By virtue of their interests in the Company, Gan Hung Keng, Ong Weng Leong and Lai, Cheng-Che are deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interest, in accordance with Section 6A of the Companies Act, 1965.

The other directors holding office at the end of the financial year did not have any interests in shares in the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Group or the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 36 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 40 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Horwath (formerly known as Messrs. Horwath), have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
27 April 2010

Gan Hung Keng **Ong Weng Leong**

Statement by Directors

We, Gan Hung Keng and Ong Weng Leong, being two of the directors of Kelington Group Berhad, state that, in the opinion of the directors, the financial statements set out on pages 33 to 75 are drawn up in accordance with Financial Reporting Standards in Malaysia and the provisions of the Companies Act 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2009 and of their results and cash flows for the financial year ended on that date.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
27 April 2010

Gan Hung Keng

Ong Weng Leong

Statutory Declaration

I, Gan Hung Keng, I/C No. 640223-06-5385 being the director primarily responsible for the financial management of Kelington Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 33 to 75 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Gan Hung Keng, I/C No. 640223-06-5385
at Kuala Lumpur in the Federal Territory
on this 27 April 2010

Gan Hung Keng

Before me
Mohd Radzi Bin Yasin (No. W 327)
Commissioner for Oaths

Independent Auditors' Report
to the members of Kelington Group Berhad
(Incorporated in Malaysia) Company No : 501386 - P

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Kelington Group Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 33 to 75.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary of which we have acted as auditors has been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Independent Auditors' Report
to the members of Kelington Group Berhad
(Incorporated in Malaysia) Company No : 501386 - P
cont'd

OTHER MATTERS

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

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Lee Kok Wai
Approval No: 2760/06/10 (J)
Chartered Accountant

Kuala Lumpur
27 April 2010

Balance Sheets
at 31 December 2009

	Note	The Group 2009 RM	The Group 2008 RM	The Company 2009 RM	The Company 2008 RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	6	-	-	1,265,275	781,680
Property, plant and equipment	7	6,131,310	5,217,824	3,649,527	3,988,665
Goodwill on consolidation		199,402	199,402	-	-
Development costs	8	200,710	93,941	200,710	93,941
		6,531,422	5,511,167	5,115,512	4,864,286
CURRENT ASSETS					
Amount owing by contract customers	9	7,781,105	7,749,037	2,703,029	3,848,259
Inventories	10	1,387,258	-	-	-
Trade receivables	11	12,086,816	10,075,175	3,623,038	5,209,139
Other receivables, deposits and prepayments	12	750,518	1,175,923	203,236	935,569
Amount owing by subsidiaries	13	-	-	13,764	266,168
Fixed deposits with licensed banks	14	12,123,046	11,306,525	3,447,634	4,454,697
Cash and bank balances	15	16,017,275	9,391,334	9,781,129	3,573,133
		50,146,018	39,697,994	19,771,830	18,286,965
TOTAL ASSETS		56,677,440	45,209,161	24,887,342	23,151,251
EQUITY AND LIABILITIES					
EQUITY					
Share capital	16	7,471,000	5,000,000	7,471,000	5,000,000
Share premium	17	3,816,334	599,000	3,816,334	599,000
Capital reserve	18	2,400,616	420,616	-	-
Exchange fluctuation reserve	19	458,021	518,002	(6,788)	(24,112)
Retained profits	20	20,269,763	15,078,243	6,810,889	7,620,682
TOTAL EQUITY		34,415,734	21,615,861	18,091,435	13,195,570
NON-CURRENT LIABILITIES					
Deferred tax liabilities	21	355,180	812,004	156,806	686,225
Long-term borrowings	22	1,154,682	847,731	770,672	847,731
		1,509,862	1,659,735	927,478	1,533,956

Balance Sheets
at 31 December 2009
cont'd

		The Group		The Company	
		2009	2008	2009	2008
	Note	RM	RM	RM	RM
CURRENT LIABILITIES					
Amount owing to contract customers	9	4,461,392	10,049,678	-	1,321,899
Trade payables	25	12,652,555	8,852,020	4,332,762	5,888,610
Other payables and accruals	26	2,570,939	2,737,857	1,061,503	945,747
Provision for taxation		896,843	231,299	400,627	202,758
Short-term borrowings	27	170,115	62,711	73,537	62,711
		20,751,844	21,933,565	5,868,429	8,421,725
TOTAL LIABILITIES		22,261,706	23,593,300	6,795,907	9,955,681
TOTAL EQUITY AND LIABILITIES		56,677,440	45,209,161	24,887,342	23,151,251

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

Income Statements
for the financial year ended 31 December 2009

		The Group		The Company	
		2009	2008	2009	2008
	Note	RM	RM	RM	RM
REVENUE	28	63,837,208	60,057,901	20,198,108	31,305,202
COST OF SALES		(47,718,374)	(47,685,489)	(16,591,788)	(25,869,106)
GROSS PROFIT		16,118,834	12,372,412	3,606,320	5,436,096
OTHER INCOME		545,636	474,162	1,800,264	2,293,576
		16,664,470	12,846,574	5,406,584	7,729,672
SELLING AND DISTRIBUTION EXPENSES		(410,210)	(402,368)	(194,037)	(217,662)
ADMINISTRATIVE EXPENSES		(5,792,374)	(4,912,785)	(3,415,611)	(3,053,664)
OTHER EXPENSES	29	(1,722,024)	(392,424)	(1,587,465)	(309,551)
PROFIT FROM OPERATIONS		8,739,862	7,138,997	209,471	4,148,795
FINANCE COSTS		(95,501)	(79,108)	(74,224)	(79,108)
PROFIT BEFORE TAXATION	30	8,644,361	7,059,889	135,247	4,069,687
INCOME TAX EXPENSE	32	(571,841)	(453,872)	(44,040)	(303,964)
PROFIT AFTER TAXATION		8,072,520	6,606,017	91,207	3,765,723
ATTRIBUTABLE TO:-					
Equity holders of the Company		8,072,520	6,606,017	91,207	3,765,723
EARNING PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
- Basic	33	0.12	1.02		
- Diluted	33	Not applicable	Not applicable		

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

Statements of Changes in Equity

for the financial year ended 31 December 2009

	Attributable to Equity Holders of the Parent					
		Non-Distributable			Distributable	
	Share Capital	Share Premium	Capital Reserve	Exchange Fluctuation Reserve	Retained Profits	Total Equity
	RM	RM	RM	RM	RM	RM
THE GROUP						
Balance at 1.1.2008	5,000,000	599,000	420,616	(79,215)	8,472,226	14,412,627
Transfer						
Currency exchange translation differences#	-	-	-	597,217	-	597,217
Profit after taxation	-	-	-	-	6,606,017	6,606,017
Balance at 31.12.2008/1.1.2009	5,000,000	599,000	420,616	518,002	15,078,243	21,615,861
Bonus issue	1,500,000	(599,000)	-	-	(901,000)	-
Shares issued pursuant to the public issue	971,000	4,175,300	-	-	-	5,146,300
Listing expenses*	-	(358,966)	-	-	-	(358,966)
Bonus shares issued by a subsidiary	-	-	1,980,000	-	(1,980,000)	-
Currency exchange translation differences#	-	-	-	(59,981)	-	(59,981)
Profit after taxation	-	-	-	-	8,072,520	8,072,520
Balance at 31.12.2009	7,471,000	3,816,334	2,400,616	458,021	20,269,763	34,415,734

\# - *Represents net gain not recognised in the income statements.*

* - *Represent expenses not recognised in the income statements.*

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

Statements of Changes in Equity
for the financial year ended 31 December 2009
cont'd

	← Non-Distributable		→	Distributable	
	Share Capital RM	Share Premium RM	Exchange Fluctuation Reserve RM	Retained Profits RM	Total Equity RM
THE COMPANY					
Balance at 1.1.2008	5,000,000	599,000	(53,509)	3,854,959	9,400,450
Transfer					
Currency exchange translation differences#	-	-	29,397	-	29,397
Profit after taxation	-	-	-	3,765,723	3,765,723
Balance at 31.12.2008/1.1.2009	5,000,000	599,000	(24,112)	7,620,682	13,195,570
Bonus Issue	1,500,000	(599,000)	-	(901,000)	-
Shares issued pursuant to the public issue	971,000	4,175,300	-	-	5,146,300
Listing expenses*	-	(358,966)	-	-	(358,966)
Currency exchange translation differences#	-	-	17,324	-	17,324
Profit after taxation	-	-	-	91,207	91,207
Balance at 31.12.2009	7,471,000	3,816,334	(6,788)	6,810,889	18,091,435

\# - *Represents net gain not recognised in the income statements.*
* - *Represent expenses not recognised in the income statements.*

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

Cash Flow Statements

for the financial year ended 31 December 2009

		The Group		The Company	
		2009	2008	2009	2008
	Note	RM	RM	RM	RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit before taxation		8,644,361	7,059,889	135,247	4,069,687
Adjustments for:-					
Allowance for doubtful debts		22,143	28,964	22,143	28,964
Bad debts written off		-	35,715	-	35,715
Depreciation of property, plant and equipment		830,840	577,924	390,605	396,428
Equipment written off		1,241	16,496	-	16,496
Interest expense		82,073	79,108	46,268	79,108
Writeback of allowance for doubtful debts		(36,228)	(42,411)	(36,228)	(42,411)
Unrealised gain on foreign exchange		-	(50,836)	-	(50,836)
Dividend income		-	-	(1,500,000)	(1,891,329)
Interest income		(271,064)	(183,618)	(66,214)	(111,781)
Operating profit/(loss) before working capital changes		9,273,366	7,521,231	(1,008,179)	2,530,041
Increase in inventories		(1,387,258)	-	-	-
(Increase)/Decrease in amount owing by contract customers		(62,706)	(642,551)	1,160,700	937,146
(Increase)/Decrease in trade and other receivables		(1,545,757)	6,152,802	2,373,029	6,731,954
(Decrease)/Increase in amount owing to contract customers		(5,587,943)	5,424,506	(1,323,392)	(3,171,372)
Increase/(Decrease) in trade and other payables		3,619,471	(6,381,101)	(1,544,786)	(7,369,580)
CASH FROM/(FOR) OPERATIONS		4,309,173	12,074,887	(342,628)	(341,811)
Income tax paid		(366,097)	(654,727)	(318,479)	(381,483)
Interest paid		(82,073)	(79,108)	(46,268)	(79,108)
Interest received		271,064	183,618	66,214	111,781
NET CASH FROM/(FOR) OPERATING ACTIVITIES CARRIED FORWARD		4,132,067	11,524,670	(641,161)	(690,621)

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

Cash Flow Statements

for the financial year ended 31 December 2009

cont'd

		The Group		The Company	
		2009	2008	2009	2008
	Note	RM	RM	RM	RM
NET CASH FROM/(FOR) OPERATING ACTIVITIES BROUGHT FORWARD		4,132,067	11,524,670	(641,161)	(690,621)
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES					
Purchase of plant and equipment	34	(1,214,407)	(951,040)	(48,542)	(115,784)
Development costs paid		(106,769)	-	(106,769)	-
Dividend received		-	-	1,500,000	1,891,329
Listing expenses		(358,966)	-	(358,966)	-
Proceeds from issuance of shares		5,146,300	-	5,146,300	-
Additional investment in a subsidiary		-	-	(483,595)	-
Repayment from subsidiaries		-	-	252,404	125,972
NET CASH FROM/(FOR) INVESTING ACTIVITIES		3,466,158	(951,040)	5,900,832	1,901,517
CASH FLOWS FOR FINANCING ACTIVITIES					
Net repayment of bills payable		-	(1,885,207)	-	(1,885,207)
Repayment of hire purchase obligations		(53,412)	(83,056)	-	(81,734)
Repayment of term loan		(66,233)	(67,283)	(66,233)	(67,283)
NET CASH FOR FINANCING ACTIVITIES		(119,645)	(2,035,546)	(66,233)	(2,034,224)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		7,478,580	8,538,084	5,193,438	(823,328)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(36,118)	394,945	7,495	25,379
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		20,697,859	11,764,830	8,027,830	8,825,779
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	35	28,140,321	20,697,859	13,228,763	8,027,830

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

Notes to the Financial Statements
for the financial year ended 31 December 2009

1. GENERAL INFORMATION

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

Registered office	:	10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur.
Principal place of business	:	3, Jalan Astaka U8/83, Seksyen 8, Bukit Jelutong Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 27 April 2010.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of providing engineering services and general trading. The principal activities of the subsidiaries 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.

3. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its market, credit, liquidity and cash flow risks. The policies in respect of the major areas of treasury activities are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign exchange risk on sales, purchases, cash and bank balances and investments that are denominated in foreign currencies, substantially denominated in Chinese Renminbi, United States Dollar and New Taiwan Dollar.

Foreign currency exposure is monitored closely and kept at an acceptable level.

(ii) Interest Rate Risk

The Group obtains financing through banking and hire purchase facilities. Its policy is to obtain the most favourable interest rates available.

Surplus funds are placed with licensed financial institutions at the most favourable interest rates.

Information relating to the Group's borrowings are disclosed in their respective notes.

(iii) Price Risk

The Group does not have any quoted investments and hence is not exposed to price risks.

Notes to the Financial Statements
for the financial year ended 31 December 2009
cont'd

3. FINANCIAL RISK MANAGEMENT POLICIES *cont'd*

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet reduced by the effects of any netting arrangements with counterparties.

The Group's concentration of credit risk is in respect of the amounts owing by four customers which made up 45% of the total receivables at the balance sheet date.

The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

(c) Liquidity and Cash Flow Risks

The Group's exposure to liquidity and cash flow risks arises mainly from business activities.

It practises prudent liquidity risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

4. BASIS OF PREPARATION

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

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

FRSs/IC Interpretations	Effective date
Revised FRS 1 (2010) First-time Adoption of Financial Reporting Standards	1 July 2010
Revised FRS 3 (2010) Business Combinations	1 July 2010
FRS 4 Insurance Contracts	1 January 2010
FRS 7 Financial Instruments: Disclosures	1 January 2010
FRS 8 Operating Segments	1 July 2009
Revised FRS 101 (2009) Presentation of Financial Statements	1 January 2010
Revised FRS 123 (2009) Borrowing Costs	1 January 2010
Revised FRS 127 (2010) Consolidated and Separate Financial Statements	1 July 2010
Revised FRS 139 (2010) Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1 and FRS 127: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendment to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 2: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 2: Scope of FRS 2 and Revised FRS 3 (2010)	1 July 2010

Notes to the Financial Statements

for the financial year ended 31 December 2009
cont'd

4. BASIS OF PREPARATION *cont'd*

FRSs/IC Interpretations *cont'd*	**Effective date**
Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010
Amendments to FRS 7, FRS 139 and IC Interpretation 9	1 January 2010
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 132: Classification of Rights Issues and the Transitional Provision In Relation To Compound Instruments	1 January 2010/ 1 March 2010
Amendments to FRS 138: Consequential Amendments Arising from Revised FRS 3 (2010)	1 July 2010
IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10 Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 13 Customer Loyalty Programmes	1 January 2010
IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and Revised FRS 3 (2010)	1 July 2010
Annual Improvements to FRSs (2009)	1 January 2010

The above FRSs, IC Interpretations and amendments are not relevant to the Group's operations except as follows:

The revised FRS 3 (2010) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

The Group considers financial guarantee contracts entered into to be insurance arrangements and accounts for them under FRS 4. In this respect, the Group treats the guarantee contract as a contingent liability until such a time as it becomes probable that the Group will be required to make a payment under the guarantee. The adoption of FRS 4 is expected to have no material impact on the financial statements of the Group.

The possible impacts of FRS 7 (including the subsequent amendments) and the revised FRS 139 (2010) on the financial statements upon their initial applications are not disclosed by virtue of the exemptions given in these standards.

FRS 8 replaces FRS 114_{2004} Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the Group.

Notes to the Financial Statements

for the financial year ended 31 December 2009
cont'd

4. BASIS OF PREPARATION *cont'd*

The revised FRS 101 (2009) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. The adoption of this revised standard will only impact the form and content of the presentation of the Group's financial statements in the next financial year.

The revised FRS 127 (2010) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Group will apply the major changes of the revised FRS 127 (2010) prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

Amendments to FRS 1 and FRS 127 remove the definition of "cost method' currently set out in FRS 127, and instead require an investor to recognise all dividend from subsidiaries, jointly controlled entities or associates as income in its separate financial statements. In addition, FRS 127 has also been amended to deal with situations where a parent reorganises its group by establishing a new entity as its new parent. Under this circumstance, the new parent shall measure the cost of its investment in the original parent at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the reorganisation date. The amendments will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Company for the current financial year but may impact the accounting for future transactions or arrangements.

IC Interpretation 9 requires embedded derivatives to be separated from the host contract and accounted for as a derivative on the basis of the conditions that existed at the later of the date the entity first became a party to the contract. The possible impacts of IC Interpretation 9 on the financial statements upon its initial application are not disclosed by virtue of the exemptions given under the revised FRS 139 (2010).

IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation is expected to have no material impact on the financial statements of the Group upon its initial application.

Amendments to IC Interpretation 9 are a consequential amendment from the revised FRS 3 (2010). These amendments are expected to have no material impact on the financial statements of the Group upon its initial application.

Annual Improvements to FRSs (2009) contain amendments to 21 accounting standards that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

Notes to the Financial Statements
for the financial year ended 31 December 2009
cont'd

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates and Judgements

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

(i) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Income Taxes

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

(iii) Impairment of Assets

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

(iv) Amortisation of Development Costs

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

(v) Construction Contracts

Construction contracts accounting requires reliable estimation of the costs to complete the contract and reliable estimation of the stage of completion.

- *Contract Revenue*

  Construction contracts accounting requires that variation claims and incentive payments only be recognised as contract revenue to the extent that it is probable that they will be accepted by the customers. As the approval process often takes some time, a judgement is required to be made of its probability and revenue recognised accordingly.

Notes to the Financial Statements
for the financial year ended 31 December 2009
cont'd

5. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Critical Accounting Estimates and Judgements *cont'd*

(v) Construction Contracts *cont'd*

- *Contract Costs*

Using experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract, management estimates the profitability of the contract on an individual basis at any particular time.

(vi) Allowance for Doubtful Debts of Receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(vii) Allowance for Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(b) Financial Instruments

(i) Financial Instruments Recognised in the Balance Sheet

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

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

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

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

(ii) Financial Instruments Not Recognised in the Balance Sheet

The Group is a party to financial instruments such as foreign currency contracts. These instruments are not recognised in the financial statements on inception.

The Group enters into foreign currency forward contracts to protect the Group from movements in exchange rate by establishing the rate at which a foreign currency asset or liability will be settled.

Exchange gains and losses arising from contracts entered into as hedges of anticipated future transactions are deferred until the date of such transactions, at which time they are included in the measurement of such transactions.

Notes to the Financial Statements

for the financial year ended 31 December 2009

cont'd

5. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(b) Financial Instruments *cont'd*

(iii) Fair Value Estimation for Disclosure Purposes

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year period are assumed to approximate their fair values.

(c) Functional and Foreign Currencies

(i) Functional and Presentation Currency

The functional currency of each of the Group's entity is the currency of the primary economic environment in which that entity operates.

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

(ii) Transactions and Balances

Transactions in foreign currencies are converted into RM at the approximate rates of exchange ruling at the transaction dates. Transactions in foreign currency are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the balance sheet date are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are taken to the income statement.

(iii) Foreign Operations

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:-

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for the income statement are translated at the average exchange rates for the year; and
- all resulting exchange differences are recognised as a separate component of equity, as a foreign currency translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statements as part of the gain or loss on sale.

(d) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2009.

A subsidiary is defined as a company in which the parent company has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities.

Notes to the Financial Statements
for the financial year ended 31 December 2009
cont'd

5. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(d) Basis of Consolidation *cont'd*

All subsidiaries are consolidated using purchase method. Under purchase method, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair value of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interests in the consolidated balance sheet consist of the minorities' share of fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition and the minorities' share of movements in the acquiree's equity.

Minority interests are presented in the consolidated balance sheet of the Group within equity, separately from the Company's equity holders, and are separately disclosed in the consolidated income statement of the Group.

(e) Goodwill on Consolidation

Goodwill on consolidation represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable net assets of the subsidiaries at the date of acquisition.

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in a subsequent period.

If, after reassessments, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised immediately in the consolidated income statement.

(f) Investments in Subsidiaries

Investments in subsidiaries are stated at cost in the balance sheet of the Company, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

(g) Intangible Assets

Research and Development Expenditure

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

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

(i) its ability to measure reliably the expenditure attributable to the asset under development;

(ii) the product or process is technically and commercially feasible;

Notes to the Financial Statements

for the financial year ended 31 December 2009

cont'd

5. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(g) Intangible Assets *cont'd*

Research and Development Expenditure *cont'd*

(iii) its future economic benefits are probable;

(iv) its ability to use or sell the developed asset; and

(v) the availability of adequate technical, financial and other resources to complete the asset under development.

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

The development expenditure is amortised on a straight-line method over a period of 5 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

(h) Property, Plant and Equipment

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

Depreciation or amortisation is calculated under the straight line method to write off the cost of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

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

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

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

(i) Impairment of Assets

The carrying amounts of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' net selling price and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is charged to the income statement immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

Notes to the Financial Statements
for the financial year ended 31 December 2009
cont'd

5. **SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

(i) Impairment of Assets *cont'd*

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(j) Assets Under Finance Leases and Hire Purchase

Leases of equipment where substantially all the benefits and risks of ownership are transferred to the Group are classified as finance leases.

Equipment acquired under finance lease and hire purchase are capitalised in the financial statements.

Each lease or hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding outstanding obligations due under the finance lease and hire purchase after deducting finance charges are included as liabilities in the financial statements.

Finance charges are allocated to the income statement over the period of the respective lease and hire purchase agreements.

Equipment acquired under finance leases and hire purchase are depreciated over the useful lives of the assets. If there is no reasonable certainty that the ownership will be transferred to the Group, the assets are depreciated over the shorter of the lease terms and their useful lives.

(k) Amounts Due from/to Contract Customers

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

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes the cost of materials, labour and an appropriate proportion of production overheads.

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

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items.

(m) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

Notes to the Financial Statements

for the financial year ended 31 December 2009

cont'd

5. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(n) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(o) Interest-bearing Borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

All borrowing costs are charged to the income statement as expenses in the period in which they are incurred.

(p) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as liabilities when approved appropriation.

(q) Cash and Cash Equivalents

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

(r) Employee Benefits

(i) Short-term Benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

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

(s) Income Taxes

Income taxes for the year comprise current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the balance sheet date.

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

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

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

Notes to the Financial Statements
for the financial year ended 31 December 2009
cont'd

5. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(s) Income Taxes *cont'd*

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

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(t) Related Parties

A party is related to an entity if:-

(i) directly, or indirectly through one or more intermediaries, the party:-
  (a) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  (b) has an interest in the entity that gives it significant influence over the entity; or
  (c) has joint control over the entity;
(ii) the party is an associate of the entity;
(iii) the party is a joint venture in which the entity is a venturer;
(iv) the party is a member of the key management personnel of the entity or its parent;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

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

(u) Contingent Liabilities

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

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

(v) Segmental Information

Segment revenue and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of property, plant and equipment (net of accumulated depreciation or amortisation, where applicable), other investments, intangible assets, inventories, receivables, fixed deposits with licensed banks and cash and bank balances.

Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets do not include income tax assets, whilst segment liabilities do not include income tax liabilities.

Notes to the Financial Statements
for the financial year ended 31 December 2009
cont'd

5. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(v) Segmental Information *cont'd*

Segment revenue, expenses and results include transfers between segments. The prices charged on intersegment transactions are based on normal commercial terms. These transfers are eliminated on consolidation.

(w) Revenue Recognition

(i) Contracts

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

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

(ii) Sale of Goods

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of sales tax, returns and trade discounts.

(iii) Rental Income

Rental income is recognised on an accrual basis.

6. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2009	**2008**
	RM	**RM**
Unquoted shares, at cost	1,265,275	781,680

Details of the subsidiaries, are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2009	**2008**	
Kelington Engineering (Shanghai) Co. Ltd. ("KES") **	The People's Republic of China	100%	100%	Provision of engineering services.
Kelington Technologies Sdn. Bhd. ("KTSB")	Malaysia	100%	100%	Provision of engineering services.
Kelington Engineering (S) Pte. Ltd. **	Singapore	100%	100%	Provision of engineering services.

** *- Not audited by Messrs. Crowe Horwath.*

Notes to the Financial Statements
for the financial year ended 31 December 2009
cont'd

7. PROPERTY, PLANT AND EQUIPMENT

	At 1.1.2009	Additions	Written Off	Exchange Fluctuation Differences	Depreciation Charge	At 31.12.2009
	RM	RM	RM	RM	RM	RM
The Group						
NET BOOK VALUE						
Freehold land	1,300,000	-	-	-	-	1,300,000
Building	1,232,000	-	-	-	(28,000)	1,204,000
Motor vehicles	164,432	597,176	-	(62)	(97,649)	663,897
Office and computer equipment	301,343	128,023	(786)	(333)	(107,304)	320,943
Tools and equipment	2,024,844	932,233	(455)	(2,862)	(543,634)	2,410,126
Furniture, fittings and renovation	195,205	90,975	-	417	(54,253)	232,344
	5,217,824	1,748,407	(1,241)	(2,840)	(830,840)	6,131,310

	At 1.1.2008	Additions	Written Off	Exchange Fluctuation Differences	Depreciation Charge	At 31.12.2008
	RM	RM	RM	RM	RM	RM
NET BOOK VALUE						
Freehold land	1,300,000	-	-	-	-	1,300,000
Building	1,260,000	-	-	-	(28,000)	1,232,000
Motor vehicles	96,596	100,836	-	(406)	(32,594)	164,432
Office and computer equipment	308,754	71,359	(3)	11,140	(89,907)	301,343
Tools and equipment	1,639,842	740,273	(16,493)	47,848	(386,626)	2,024,844
Furniture, fittings and renovation	197,146	38,572	-	284	(40,797)	195,205
	4,802,338	951,040	(16,496)	58,866	(577,924)	5,217,824

Notes to the Financial Statements
for the financial year ended 31 December 2009
cont'd

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

	At Cost RM	Accumulated Depreciation RM	Net Book Value RM
The Group			
At 31.12.2009			
Freehold land	1,300,000	-	1,300,000
Building	1,400,000	(196,000)	1,204,000
Motor vehicles	890,722	(226,825)	663,897
Office and computer equipment	778,827	(457,884)	320,943
Tools and equipment	4,273,212	(1,863,086)	2,410,126
Furniture, fittings and renovation	595,371	(363,027)	232,344
	9,238,132	(3,106,822)	6,131,310
At 31.12.2008			
Freehold land	1,300,000	-	1,300,000
Building	1,400,000	(168,000)	1,232,000
Motor vehicles	294,029	(129,597)	164,432
Office and computer equipment	660,420	(359,077)	301,343
Tools and equipment	3,354,510	(1,329,666)	2,024,844
Furniture, fittings and renovation	504,576	(309,371)	195,205
	7,513,535	(2,295,711)	5,217,824

Notes to the Financial Statements
for the financial year ended 31 December 2009
cont'd

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

	At 1.1.2009 RM	Additions RM	Depreciation Charge RM	Written Off RM	Exchange Fluctuation Differences RM	At 31.12.2009 RM
The Company						
NET BOOK VALUE						
Freehold land	1,300,000	-	-	-	-	1,300,000
Building	1,232,000	-	(28,000)	-	-	1,204,000
Motor vehicle	106,802	-	(25,194)	-	269	81,877
Office and computer equipment	169,563	5,319	(54,180)	-	216	120,918
Tools and equipment	985,093	12,248	(234,977)	-	2,024	764,388
Furniture, fittings and renovation	195,207	30,975	(48,254)		416	178,344
	3,988,665	48,542	(390,605)	-	2,925	3,649,527

	At 1.1.2008 RM	Additions RM	Depreciation Charge RM	Written Off RM	Exchange Fluctuation Differences RM	At 31.12.2008 RM
NET BOOK VALUE						
Freehold land	1,300,000	-	-	-	-	1,300,000
Building	1,260,000	-	(28,000)	-		1,232,000
Motor vehicle	96,596	34,848	(24,658)	-	16	106,802
Office and computer equipment	203,747	25,468	(60,223)	(3)	574	169,563
Tools and equipment	1,219,582	16,896	(242,750)	(16,493)	7,858	985,093
Furniture, fittings and renovation	197,146	38,572	(40,797)	-	286	195,207
	4,277,071	115,784	(396,428)	(16,496)	8,734	3,988,665

Notes to the Financial Statements

for the financial year ended 31 December 2009

cont'd

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

	At Cost RM	Accumulated Depreciation RM	Net Book Value RM
The Company			
At 31.12.2009			
Freehold land	1,300,000	-	1,300,000
Building	1,400,000	(196,000)	1,204,000
Motor vehicle	228,338	(146,461)	81,877
Office and computer equipment	457,853	(336,935)	120,918
Tools and equipment	2,140,298	(1,375,910)	764,388
Furniture, fittings and renovation	475,179	(296,835)	178,344
	6,001,668	(2,352,141)	3,649,527
At 31.12.2008			
Freehold land	1,300,000	-	1,300,000
Building	1,400,000	(168,000)	1,232,000
Motor vehicle	228,041	(121,239)	106,802
Office and computer equipment	452,200	(282,637)	169,563
Tools and equipment	2,124,453	(1,139,360)	985,093
Furniture, fittings and renovation	443,664	(248,457)	195,207
	5,948,358	(1,959,693)	3,988,665

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

Certain motor vehicles of the Group with a net book value of RM537,458 (2008 - Nil) were acquired under hire purchase terms.

8. DEVELOPMENT COSTS

Development costs comprise direct expenses and related overheads incurred for the development of new and existing products and services used in the ultra high purity hazardous gas and chemical systems.

There was no amortisation of development costs as the new products have yet to be completed and/or put into commercial sale.

Notes to the Financial Statements

for the financial year ended 31 December 2009

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9. AMOUNTS DUE BY/(TO) CONTRACT CUSTOMERS

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Contract costs incurred	53,409,046	58,165,751	16,704,395	28,341,544
Attributable profits	21,574,161	16,106,565	7,899,060	7,480,959
	74,983,207	74,272,316	24,603,455	35,822,503
Progress billings	(71,663,494)	(76,572,957)	(21,900,426)	(33,296,143)
	3,319,713	(2,300,641)	2,703,029	2,526,360
Amount owing by contract customers	7,781,105	7,749,037	2,703,029	3,848,259
Amount owing to contract customers	(4,461,392)	(10,049,678)	-	(1,321,899)
	3,319,713	(2,300,641)	2,703,029	2,526,360

10. INVENTORIES

	The Group	
	2009	2008
	RM	RM
At cost:-		
Materials for contracts	1,387,258	-

None of the inventories was stated at net realisable value at the balance sheet date.

11. TRADE RECEIVABLES

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Trade receivables	12,121,218	10,123,213	3,657,440	5,257,177
Allowance for doubtful debts				
At 1 January	(48,038)	(59,819)	(48,038)	(59,819)
Allowance during the financial year	(22,143)	(28,964)	(22,143)	(28,964)
Writeback during the financial year	36,228	42,411	36,228	42,411
Effect of foreign exchange translation	(449)	(1,666)	(449)	(1,666)
At 31 December	(34,402)	(48,038)	(34,402)	(48,038)
	12,086,816	10,075,175	3,623,038	5,209,139

Notes to the Financial Statements

for the financial year ended 31 December 2009
cont'd

11. TRADE RECEIVABLES *cont'd*

The Group's normal trade credit terms range from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

The foreign currency exposure profile of the trade receivables is as follows:-

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
New Taiwan Dollar	3,405,789	4,755,808	3,405,789	4,755,808
Chinese Renminbi	3,925,698	968,933	-	-
Singapore Dollar	1,616,150	-	-	-
United States Dollar	22,250	4,982	22,250	4,982
	8,969,887	5,729,723	3,428,039	4,760,790

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The foreign currency exposure profile of other receivables, deposits and prepayments is as follows:-

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
New Taiwan Dollar	177,040	50,087	177,040	50,087
Chinese Renminbi	401,328	225,304	-	-
	578,368	275,391	177,040	50,087

13. AMOUNT OWING BY SUBSIDIARIES

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

14. FIXED DEPOSITS WITH LICENSED BANKS

	The Group		The Company	
	2009	2008	2009	2008
Effective interest rate (%)	2.0	2.9	2.1	3.1
Average maturity (days)	30 - 365	30 - 365	210 - 365	210 - 365

Notes to the Financial Statements
for the financial year ended 31 December 2009
cont'd

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

Certain fixed deposits amounting to RM1,271,747 (2008 - RM1,407,439) have been pledged to a licensed bank for banking facilities granted to the Group and the Company.

The foreign currency exposure profile of the fixed deposits with the licensed banks in the previous financial year was as follows:-

	The Group/The Company	
	2009	2008
	RM	RM
New Taiwan Dollar	-	527,800

15. CASH AND BANK BALANCES

The foreign currency exposure profile of the cash and bank balances is as follows:-

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
New Taiwan Dollar	2,451,433	873,683	2,451,433	873,683
Chinese Renminbi	2,159,178	2,289,146	-	-
Singapore Dollar	1,353,824	37,693	1,588	1,588
United States Dollar	640,811	865,092	608,326	865,092
	6,605,246	4,065,614	3,061,347	1,740,363

16. SHARE CAPITAL

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

	2009			2008		
	Par Value	Number of Shares	Share Capital	Par Value	Number of Shares	Share Capital
	RM		RM	RM		RM
ORDINARY SHARES						
At 1 January	1.00	5,000,000	5,000,000	1.00	5,000,000	5,000,000
Increase during the year	1.00	20,000,000	20,000,000	-	-	-
		25,000,000	25,000,000		5,000,000	5,000,000
Sub-division of the par value of ordinary shares of RM1.00 each into RM0.10 each	0.10	250,000,000	-	-	-	-
At 31 December	0.10	250,000,000	25,000,000	1.00	5,000,000	5,000,000

Notes to the Financial Statements

for the financial year ended 31 December 2009
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16. SHARE CAPITAL *cont'd*

The movements in the issued and paid-up share capital of the Company are as follows:- *cont'd*

	2009			2008		
	Par Value RM	**Number of Shares**	**Share Capital RM**	**Par Value RM**	**Number of Shares**	**Share Capital RM**
ORDINARY SHARES						
At 1 January	1.00	5,000,000	5,000,000	1.00	5,000,000	5,000,000
Issuance of ordinary shares pursuant to:-						
Bonus issue	1.00	1,500,000	1,500,000	-	-	-
Total number of shares in issue	1.00	6,500,000	6,500,000	1.00	5,000,000	5,000,000
Sub-division of the par value of ordinary shares of RM1.00 each into RM0.10 each	0.10	65,000,000	-	-	-	-
Shares issued pursuant to the public issue	0.10	9,710,000	971,000	-	-	-
At 31 December	0.10	74,710,000	7,471,000	1.00	5,000,000	5,000,000

During the financial year, the Company

(a) increased its authorised share capital from RM5,000,000 to RM25,000,000 by the creation of 20,000,000 new ordinary shares of RM1 each. Pursuant to a share split, the Company sub-divided its 25,000,000 ordinary shares of RM1 each into 250,000,000 ordinary shares of RM0.10 each;

(b) increased its issued and paid-up share capital from RM5,000,000 to RM7,471,000 by:

(i) a bonus issue of 1,500,000 new ordinary shares of RM1 each on the basis of approximately 3 bonus shares for every 10 existing ordinary shares held. The bonus shares were issued by the capitalisation of RM599,000 from the share premium account and RM901,000 from the retained profits account;

(ii) the sub-division of 6,500,000 ordinary shares of RM1 each into 65,000,000 ordinary shares of RM0.10 each; and

(iii) the issuance of 9,710,000 new ordinary shares of RM0.10 each at an issue price of RM0.53 per share pursuant to the public issue in conjunction with the flotation exercise of the Company on the Ace Market of Bursa Malaysia Securities Berhad.

All the new ordinary shares issued during the financial year rank pari passu in all respects with the existing shares of the Company.

17. SHARE PREMIUM

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

Notes to the Financial Statements
for the financial year ended 31 December 2009
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18. CAPITAL RESERVE

	The Group 2009 RM	The Group 2008 RM
At 1 January	420,616	420,616
Bonus shares issued by a subsidiary	1,980,000	-
At 31 December	2,400,616	420,616

19. EXCHANGE FLUCTUATION RESERVE

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

20. RETAINED PROFITS

Subject to agreement with the tax authorities, at the balance sheet date, the Company has:-

(a) tax-exempt income of approximately RM3,562,000 (2008 - RM1,671,000) available for the purpose of paying tax-exempt dividends; and

(b) tax credits under Section 108 of Income Tax Act, 1967 to frank the payment of dividends of approximately RM5,137,881 (2008 - RM4,874,000) out of its retained profits.

The balance of the retained profits, if distributed as dividends, will be taxed at the statutory tax rate.

At the balance sheet date, the Company has not elected for the single tier tax system. When the tax credit balance is fully utilised, or by 31 December 2013 at the latest, the Company will automatically move to the single tier tax system. Under the single tier tax system, tax on the Company's profits is a final tax, and dividends distributed to the shareholders will be exempted from tax.

21. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2009 RM	2008 RM	2009 RM	2008 RM
At 1 January	812,004	460,291	686,225	453,291
Recognised in income statements (Note 32)	(459,667)	349,777	(533,666)	230,998
Effect of foreign exchange	2,843	1,936	4,247	1,936
At 31 December	355,180	812,004	156,806	686,225

Notes to the Financial Statements

for the financial year ended 31 December 2009
cont'd

21. DEFERRED TAX LIABILITIES *cont'd*

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
The components of the deferred tax liabilities are as follows:-				
Accelerated capital allowances	176,000	188,000	95,000	188,000
Amounts owing by contract customers	177,158	611,331	59,784	485,552
Unrealised gain on foreign exchange	2,022	12,673	2,022	12,673
	355,180	812,004	156,806	686,225

22. LONG-TERM BORROWINGS

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Hire purchase payables (Note 23)	384,010	-	-	-
Term loan (Note 24)	770,672	847,731	770,672	847,731
	1,154,682	847,731	770,672	847,731

23. HIRE PURCHASE PAYABLES

	The Group	
	2009	2008
	RM	RM
Minimum hire purchase payments:		
- not later than one year	124,176	-
- later than one year but not later than five years	124,176	-
- after five years	310,335	-
	558,687	-
Future finance charges	(78,099)	-
Present value of hire purchase payables	480,588	-

Notes to the Financial Statements
for the financial year ended 31 December 2009
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23. HIRE PURCHASE PAYABLES *cont'd*

	The Group 2009 RM	The Group 2008 RM
Current:		
- not later than one year (Note 27)	96,578	-
Non-current (Note 22):		
- later than one year but not later than five years	103,407	-
- after five years	280,603	-
	384,010	-
	480,588	-

The hire purchase payables bore a weighted average effective interest rate of 5.7% (2008 - Nil) per annum at the balance sheet date.

24. TERM LOAN

	The Group/The Company 2009 RM	The Group/The Company 2008 RM
Current portion:		
- repayable within one year (Note 27)	73,537	62,711
Non-current portion (Note 22):		
- repayable between one and two years	77,956	63,329
- repayable between two and five years	263,118	219,024
- repayable after five years	429,598	565,378
	770,672	847,731
	844,209	910,442

Notes to the Financial Statements

for the financial year ended 31 December 2009
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24. TERM LOAN *cont'd*

Details of the repayment terms are as follows:-

Term Loan	Number of Monthly Instalments	Monthly Instalment Amount	Commencement Date of Repayment	Amount Outstanding 2009	2008
		RM		RM	RM
1	12	8,277	September 2009		
	12	9,403	September 2009		
	122	10,081	September 2010	844,209	910,442

The weighted average effective interest rate per annum at balance sheet date for the term loan was as follows:-

	The Group/The Company 2009	2008
	%	%
Term loan	5.85	4.00

The term loan is secured by:-

(i) legal charges over the freehold land and building of the Company;

(ii) a lien over certain fixed deposits of the Company; and

(iii) a joint and several guarantee of certain directors of the Company.

25. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 60 days.

The foreign currency exposure profile of the trade payables is as follows:-

	The Group 2009	2008	The Company 2009	2008
	RM	RM	RM	RM
New Taiwan Dollar	3,662,357	3,351,905	3,662,357	3,351,905
Chinese Renminbi	3,403,364	1,005,222	-	-
Euro	31,660	-	-	-
Singapore Dollar	1,186,933	508,189	-	-
United States Dollar	1,910,794	1,935,827	644,625	1,846,472
	10,195,108	6,801,143	4,306,982	5,198,377

Notes to the Financial Statements

for the financial year ended 31 December 2009

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26. OTHER PAYABLES AND ACCRUALS

The foreign currency exposure profile of other payables and accruals is as follows:-

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
New Taiwan Dollar	154,890	258,128	154,890	258,128
Chinese Renminbi	702,968	1,356,237	-	-
	857,858	1,614,365	154,890	258,128

Included in other payables and accruals of the Group is an amount of RM370,181 (2008 - RM701,299) being advances received from contract customers.

27. SHORT-TERM BORROWINGS

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Hire purchase payables (Note 23)	96,578	-	-	-
Term loan (Note 24)	73,537	62,711	73,537	62,711
	170,115	62,711	73,537	62,711

28. REVENUE

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Contract revenue	60,038,918	60,057,901	20,198,108	31,305,202
Sale of goods	3,798,290	-	-	-
	63,837,208	60,057,901	20,198,108	31,305,202

29. OTHER EXPENSES

Included in other expenses of the Group and of the Company are listing expenses amounting to RM1,427,626.

Notes to the Financial Statements

for the financial year ended 31 December 2009

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30. PROFIT BEFORE TAXATION

In addition to those disclosed in Note 29 to the financial statements, profit before taxation is arrived at after charging/ (crediting):-

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Allowance for doubtful debts	22,143	28,964	31,000	28,964
Auditors' remuneration:				
- Statutory audit				
Crowe Horwath	54,000	31,000	39,000	26,000
Affiliate of Crowe Horwath	13,886	13,767	13,886	13,767
Other auditors	29,235	15,183	-	-
- Other services				
Crowe Horwath	97,000	12,900	92,000	8,400
Other auditors	4,368	946	-	-
Bad debts written off	-	35,715	-	35,715
Contract expenses	47,718,374	47,685,489	16,591,788	25,869,106
Depreciation of property, plant and equipment	830,840	577,924	390,605	396,428
Directors' fee	429,456	908,310	425,500	608,310
Directors' non-fee emoluments	1,170,984	635,594	1,170,984	635,594
Equipment written off	1,241	16,496	-	16,496
Interest expense:				
- bank overdrafts	888	1,255	888	1,255
- hire purchase	8,746	8,437	70	8,437
- term loan	44,016	36,618	44,016	36,618
- others	28,423	32,798	1,294	32,798
Rental expenses	535,757	337,142	213,225	115,821
Staff costs	4,856,684	3,110,895	1,657,709	1,120,732
(Gain)/Loss on foreign exchange:-				
- realised	(101,070)	145,534	(104,328)	58,452
- unrealised	-	(50,836)	-	(50,836)
Dividend income	-	-	(1,500,000)	(1,891,329)
Interest income	(271,064)	(183,618)	(66,214)	(111,781)
Rental income	(58,500)	(66,500)	(58,500)	(66,500)
Writeback of allowance for doubtful debts	(36,228)	(42,411)	(36,228)	(42,411)

Notes to the Financial Statements
for the financial year ended 31 December 2009
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31. DIRECTORS' REMUNERATION

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Directors of the Company				
- Executive:				
- Fee	3,956	908,310	-	608,310
- Salaries and other emoluments	1,170,984	635,594	1,170,984	635,594
	1,174,940	1,543,904	1,170,984	1,243,904
- Non-executive:				
- Fee	425,500	-	425,500	-
	1,600,440	1,543,904	1,596,484	1,243,904

The number of directors of the Company whose total remuneration received from the Group during the financial year fell within the following bands is analysed below:-

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Executive directors:				
- RM550,001 - RM600,000	2	-	2	-
- RM650,001 - RM700,000	-	-	-	2
- RM750,001 - RM800,000	-	2	-	-
Non-executive directors:				
- < RM50,000	2	-	2	-
- RM200,001 - RM250,000	2	-	2	-

32. INCOME TAX EXPENSE

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Current tax				
- Malaysian tax	261,000	346,000	213,000	334,000
- Foreign tax	890,793	252,031	484,991	49,902
	1,151,793	598,031	697,991	383,902
- Overprovision in the previous financial year				
- Malaysian tax	(120,285)	(493,936)	(120,285)	(310,936)
	1,031,508	104,095	577,706	72,966

Notes to the Financial Statements

for the financial year ended 31 December 2009

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32. INCOME TAX EXPENSE *cont'd*

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Deferred tax (Note 21):				
- relating to origination and reversal of temporary differences	(380,667)	406,777	(447,666)	287,998
- overprovision in the previous financial year	(79,000)	(57,000)	(86,000)	(57,000)
	(459,667)	349,777	(533,666)	230,998
	571,841	453,872	44,040	303,964

During the current financial year, the statutory tax rate was reduced from 26% to 25%, as announced in the Malaysian Budget 2008.

As gazetted in the Finance Act 2009, the subsidiaries of the Company incorporated in Malaysia will no longer enjoy the preferential tax rate of 20% on its chargeable income of up to RM500,000 effective from year of assessment 2009 as the Company has a paid-up share capital exceeding RM2,500,000.

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rates to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Profit before taxation	8,644,361	7,059,889	135,247	4,069,687
Tax at Malaysian statutory tax rate of 25% (2008 - 26%)	2,161,090	1,835,571	33,812	1,058,119
Tax effects of:-				
Differential in tax rates	(116,831)	(16,887)	(1,068)	(12,382)
Non-deductible expenses	661,086	619,501	608,343	89,753
Tax-exempt income	(1,934,219)	(1,461,531)	(390,762)	(491,746)
Overprovision in the previous financial year				
- current tax	(120,285)	(493,936)	(120,285)	(310,936)
- deferred tax	(79,000)	(57,000)	(86,000)	(57,000)
Deferred tax assets not recognised during the financial year	-	28,154	-	28,156
	571,841	453,872	44,040	303,964

Notes to the Financial Statements
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33. EARNINGS PER SHARE

The basic earnings per share is arrived at by dividing the Group's profit attributable to shareholders of RM8,072,520 (2008 - RM6,606,017) by the weighted average number of ordinary shares in issue during the financial year of approximately 66,117,315 (2008 – 6,500,000).

The fully diluted earnings per share for the Group is not presented as there were no dilutive potential ordinary shares during the financial year.

34. PURCHASE OF PLANT AND EQUIPMENT

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Cost of plant and equipment purchased	1,748,407	951,040	48,542	115,784
Amount financed through hire purchase	(534,000)	-	-	-
Cash disbursed for purchase of plant and equipment	1,214,407	951,040	48,542	115,784

35. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statements, cash and cash equivalents comprise the following:-

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Fixed deposits with licensed banks (Note 14)	12,123,046	11,306,525	3,447,634	4,454,697
Cash and bank balances	16,017,275	9,391,334	9,781,129	3,573,133
	28,140,321	20,697,859	13,228,763	8,027,830

36. RELATED PARTY DISCLOSURES

(a) Identities of related parties

(i) the Company has controlling related party relationships with its subsidiaries as disclosed in Note 6 to the financial statements;

(ii) the directors who are the key management personnel; and

(iii) entities controlled by certain key management personnel, directors and/or substantial shareholders.

Notes to the Financial Statements

for the financial year ended 31 December 2009
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36. RELATED PARTY DISCLOSURES *cont'd*

(b) In addition to the information detailed elsewhere in the financial statements, the Group and the Company carried out the following transactions with the related parties during the financial year:

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Entities in which certain directors are key management personnel				
- Progress billings	5,871,413	8,332,365	5,871,413	8,332,365
- Purchases	12,898	2,312,387	12,898	2,312,387
A related party of the entities in which certain directors are key management personnel				
- Progress billings	6,765,774	16,514,127	-	9,567,831
- Purchases	169,246	60,249	169,246	60,249
Entities in which certain directors are shareholders				
- Sales	232,438	-	232,438	-
- Purchases	827,455	1,216,860	330,084	661,055
- Rental income	58,500	66,500	58,500	66,500

(c) Key management personnel compensation

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Short-term employee benefits	1,938,215	2,121,130	1,776,345	1,729,639

(d) Outstanding balances

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Entities controlled by the key management personnel as included in:				
- trade receivables	2,742,280	1,127,362	2,742,280	1,127,362
- other payables and accruals	12,860	-	12,860	-

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for the financial year ended 31 December 2009

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36. RELATED PARTY DISCLOSURES *cont'd*

(d) Outstanding balances *cont'd*

	The Group		The Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
A related party of the entities in which certain directors are key management personnel as included in:				
- trade receivables	1,356,138	482,708	-	-
- other payables	33,014	353,096	-	-
Entities in which certain directors are shareholders as included in:				
- trade receivables	2,195	-	2,195	-
- other receivables, deposits and prepayments	-	5,740	-	5,740
- trade payables	400	77,114	400	7,475
- other payables and accruals	-	7,600	-	7,600

The normal trade credit terms granted by/to the Group and the Company range from 30 to 60 days.

The non-trade balances due by/to the related parties are unsecured, interest-free and are repayable on demand. The amounts owing are to be settled in cash.

37. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of foreign currency balances at the balance sheet date are as follows:-

	The Group/The Company	
	2009	2008
	RM	RM
Euro	4.92	-
New Taiwan Dollar	0.10	0.10
Chinese Renminbi	0.50	0.51
Singapore Dollar	2.44	2.41
United States Dollar	3.42	3.46

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38. SEGMENTAL INFORMATION

By Business Segments

Segmental reporting by business segment is not presented as the Group is principally involved in engineering services.

By Geographical Segments

In presenting the information on the basis of geographical segments, segment revenue are based on the geographical location of customers. The carrying value of segment assets and capital additions are based on the geographical location of the assets.

2009	Malaysia	Singapore	Taiwan	The People's Republic of China	Others	Eliminations	Group
	RM	RM	RM	RM	RM	RM	RM
REVENUE							
External sales	30,572,585	9,211,677	8,933,730	14,597,070	590,304	(68,158)	63,837,208
RESULTS							
Segment results	6,052,967	1,550,048	263,323	1,815,127	273,299	(1,499,394)	8,455,370
Interest expense	(68,474)	-	(13,599)	-	-	-	(82,073)
Interest income	256,156	-	2,160	12,748	-	-	271,064
Profit before taxation							8,644,361
Income tax expense							(571,841)
Profit after taxation							8,072,520
OTHER INFORMATION							
Segment assets	37,244,314	3,149,819	7,176,163	10,776,306	-	(1,669,162)	56,677,440
Unallocated corporate assets							-
Consolidated total assets							56,677,440
Segment liabilities	11,923,014	1,250,638	4,336,111	4,106,334	-	(606,414)	21,009,683
Unallocated corporate liabilities							1,252,023
Consolidated total liabilities							22,261,706

Notes to the Financial Statements

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38. SEGMENTAL INFORMATION *cont'd*

By Geographical Segments *cont'd*

2009	Malaysia	Singapore	Taiwan	The People's Republic of China	Others	Eliminations	Group
	RM	RM	RM	RM	RM	RM	RM
Capital expenditure	1,639,588	15,292	16,102	77,425	-	-	1,748,407
Allowance for doubtful debts	-	-	22,143	-			22,143
Depreciation charge	496,941	3,042	85,852	245,005	-	-	830,840
Equipment written off	-	-	-	1,241	-	-	1,241

2008	Malaysia	Singapore	Taiwan	The People's Republic of China	Others	Eliminations	Group
REVENUE							
External sales	22,291,965	-	16,620,053	20,490,950	723,091	(68,158)	60,057,901
RESULTS							
Segment results	4,280,359	(19,016)	1,264,964	3,173,686	183,556	(1,928,170)	6,955,379
Interest expense	(57,977)	-	(21,131)	-	-	-	(79,108)
Interest income	162,758	-	4,139	16,721	-	-	183,618
Profit before taxation							7,059,889
Income tax expense							(453,872)
Profit after taxation							6,606,017
OTHER INFORMATION							
Segment assets	30,278,770	36,105	7,860,574	8,439,156	-	(1,405,444)	45,209,161
Unallocated corporate assets							-
Consolidated total assets							45,209,161
Segment liabilities	15,495,962	79,438	5,207,397	2,593,760	-	(826,560)	22,549,997
Unallocated corporate liabilities							1,043,303
Consolidated total liabilities							23,593,300

Notes to the Financial Statements
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cont'd

38. SEGMENTAL INFORMATION *cont'd*

By Geographical Segments *cont'd*

2008	Malaysia	Singapore	Taiwan	The People's Republic of China	Others	Eliminations	Group
	RM	RM	RM	RM	RM	RM	RM
Capital expenditure	210,166	-	98,122	642,752	-	-	951,040
Allowance for doubtful debts	-	-	28,964	-	-	-	28,964
Bad debts written off	-	-	35,715	-	-	-	35,715
Depreciation charge	332,330	-	86,981	158,613	-	-	577,924
Equipment written off	3	-	16,493	-	-	-	16,496

39. CONTINGENT LIABILITY - UNSECURED

	The Group/The Company	
	2009	2008
	RM	RM
Performance bond granted to contract customers	809,000	909,000

40. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year:

(a) the subsidiary of the Company, KTSB increased its issued and paid-up share capital from RM20,000 to RM2,000,000 by a bonus issue of 1,980,000 ordinary shares of RM1 each in the ratio of 99 bonus shares for every 1 existing ordinary share held. The bonus shares were issued by the capitalisation from the retained profits. The new shares issued rank pari passu in all respects with the existing shares of KTSB;

(b) the subsidiary of the Company, Kelington Engineering (S) Pte. Ltd. increased its issued and paid-up share capital from SGD2 to SGD200,000 by the allotment of 199,998 new ordinary shares of SGD1.00 each for the purpose of working capital. The allotment of shares was fully subscribed by the Company;

(c) KES incorporated a wholly-owned subsidiary, Kelington Trading (Shanghai) Co., Ltd., during the financial year with an issued and paid-up capital of RMB1,000,000; and

(d) In conjunction with the listing scheme, the Company completed the public issue during the financial year. The entire issued and paid-up capital of the Company was listed on the Ace Market of Bursa Malaysia Securities Berhad on 25 November 2009.

41. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

Notes to the Financial Statements
for the financial year ended 31 December 2009
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41. FAIR VALUES OF FINANCIAL INSTRUMENTS *cont'd*

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:-

(a) Bank Balances, Short-term Borrowings and Other Short-Term Receivables/Payables

The carrying amounts approximated their fair values due to the relatively short-term maturity of these instruments.

(b) Long Term Bank Loans and Hire Purchase Payables

The carrying amounts approximated their fair values of the instruments. The fair values of the long term bank loans and hire purchase payables are determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date.

(c) Contingent Liability

The net fair value of the contingent liability is estimated to be minimal as the Company is expected to fulfill its obligations to complete the project within the stipulated time frame.

(d) Foreign Currency Forward Contracts

Foreign exchange forward contracts are entered into to manage exposure to fluctuations in foreign currency rate on specific transactions.

In the previous financial year, the Group and the Company had entered into forward foreign exchange contracts with the following notional amounts, fair values and maturities:-

		The Group/The Company	
	Currency	National Amount	At Fair Value RM
As at 31 December 2008			
Forward used to hedge payables			
- within one year	USD	400,000	75,000

There was no forward foreign exchange contract entered into during the financial year.

42. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with the presentation of the current financial year:-

	The Group	
	As Restated	As Previously Reported
Income statements (Extract):-		
Selling and distribution expenses	402,368	224,374
Administrative expenses	4,912,785	5,112,814
Other expenses	392,424	370,389

Analysis of Shareholdings
as at 15 April 2010

ANALYSIS OF SHAREHOLDINGS AS AT 15 APRIL 2010

Authorised Share Capital	:	RM25,000,000
Issued and Paid-Up Share Capital	:	RM7,471,000
Class of Shares	:	Ordinary Shares of RM0.10 each
Voting rights	:	One Vote per shareholder on a show of hands or one vote per ordinary share on a poll

DISTRIBUTION OF SHAREHOLDINGS

Size of Holding	No. of Shareholders	%	No. of Shares	%
Less than 100	6	1.60	300	0
100 - 1,000	160	42.67	146,600	0
1,001 - 10,000	99	26.40	658,500	1
10,001 - 100,000	83	22.13	2,952,800	4
100,001 - less than 5% of issued shares	23	6.13	15,701,800	21
% 5 and above of issued shares	4	1.07	55,250,000	74
Total	**375**	**100.00**	**74,710,000**	**100**

THIRTY LARGEST SHAREHOLDERS
(without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares	% #
1	Palace Star Sdn. Bhd.	27,731,275	37.12
2	Palace Star Sdn. Bhd.	12,005,850	16.07
3	Sky Walker Group Limited	9,624,650	12.88
4	Allied Moral Investments Limited	5,888,225	7.88
5	An-Jih Co., Ltd.	3,730,000	4.99
6	Hantech Venture Capital Corporation	3,728,000	4.99
7	Malaysia Venture Capital Management Berhad	3,198,000	4.28
8	Hung, Ta-Mu	800,000	1.07
9	Loy Boon Chen	650,000	0.87
10	Lew You Sen	500,000	0.67
11	Leong Ee Nung	404,000	0.54
12	Sin Huat Hing Farm Sdn. Bhd.	300,000	0.40
13	Tan Tong Kai	280,000	0.37
14	Chang Tian Kwang	230,000	0.31

Analysis of Shareholdings
as at 15 April 2010
cont'd

THIRTY LARGEST SHAREHOLDERS *cont'd*
(without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares	% #
15	Grandworth Group Ltd.	225,700	0.30
16	Ong Teik Hoe	189,000	0.25
17	Wan Siew Chuan	180,000	0.24
18	Wong Yin Kee	170,000	0.23
19	Goh Seow Khong	150,000	0.20
20	Lau Peng Lee	143,000	0.19
21	Tan Kim Kiok	137,100	0.18
22	Yeoh Khoon Cheng	130,000	0.17
23	Soo Wei Keong	125,000	0.17
24	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Wong Ting Hiong*	111,000	0.15
25	Hdm Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Ng Chee Seng*	110,000	0.15
26	Ecml Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Lim Ta Wai*	107,000	0.14
27	Poh Moon Leong	104,000	0.14
28	Lau Cher Kwang	100,000	0.13
29	Lim Wei Chen	100,000	0.13
30	Chin Yet Foong	90,000	0.12
	Total	**71,241,800**	**95.36**

DIRECTORS' SHAREHOLDINGS
(as per Register of Directors' Shareholdings)

	No. of Share Held			
Name	**Direct**	**% #**	**Indirect**	**% #**
Gan Hung Keng	-	-	39,737,125 (1)	53.19
Ong Weng Leong	-	-	39,737,125 (1)	53.19
Hsu, Chung-Kuang	-	-	-	-
Lai, Cheng-Che	-	-	5,888,225 (2)	7.88
Chan Thian Kiat	-	-	-	-
Tan Chuan Yong	-	-	-	-

Analysis of Shareholdings
as at 15 April 2010
cont'd

SUBSTANTIAL SHAREHOLDERS
(as per Register of Substantial Shareholders)

	No. of Share Held			
Name	**Direct**	**% #**	**Indirect**	**% #**
Palace Star Sdn. Bhd.	39,737,125	53.19	-	-
Sky Walker Group Limited	9,624,650	12.88	-	-
Allied Moral Investments Limited	5,888,225	7.88	-	-
Gan Hung Keng	-	-	39,737,125 (1)	53.19
Ong Weng Leong	-	-	39,737,125 (1)	53.19
Lai, Cheng-Che	-	-	5,888,225 (2)	7.88

Notes:
(1) Deemed interests under Section 6A of the Companies Act, 1965 by virtue of their direct Interest in Palace Star Sdn. Bhd.
(2) Deemed interests under Section 6A of the Companies Act, 1965 by virtue of his spouse's, Lin Hsiu-Fen, 15.5% direct shareholding interest in Allied Moral.
Based on issued and paid up share capital of the Company of RM7,471,000.00 comprising 74,710,000 ordinary shares of RM0.10 per share.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting of KELINGTON GROUP BERHAD ("Company" or "KGB") will be held at Intan Room, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Thursday, 3 June 2010 at 9.30 a.m. for the following purposes:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2009 together with the Reports of the Directors and Auditors thereon. *Please refer to Note A*

2. To re-elect Ong Weng Leong who is retiring in accordance with Article 69 of the Articles of Association of the Company. *Ordinary Resolution 1*

3. To re-elect the following Directors who are retiring in accordance with Article 74 of the Articles of Association of the Company:

   i) Chan Thian Kiat *Ordinary Resolution 2*
   ii) Tan Chuan Yong *Ordinary Resolution 3*

4. To approve the payment of Directors' fees of RM25,500 for the financial year ended 31 December 2009. *Ordinary Resolution 4*

5. To declare a final tax-exempt dividend of 3 sen per ordinary share of RM0.10 each for the financial year ended 31 December 2009. *Ordinary Resolution 5*

6. To re-appoint Messrs Crowe Horwath (formerly known as Messrs Horwath) as Auditors and to authorise the Directors to fix their remuneration. *Ordinary Resolution 6*

Special Business

7. To consider and, if thought fit, to pass the following Ordinary Resolutions with or without modifications:-

   a. **Proposed Shareholders' Ratification for Recurrent Related Party Transactions of a Revenue or Trading Nature during the Ratification Period**

   "THAT, the specified recurrent transactions of a revenue or trading nature entered into by the Company and its subsidiaries with specified class of the Related Parties as stated in Section 2.1.2 (I) of the Circular to Shareholders dated 10 May 2010 from the date of the listing of the Company, i.e. 25 November 2009 up to the date of the Annual General Meeting, be and is hereby approved, confirmed and ratified." *Ordinary Resolution 7*

   b. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature from the date of the forthcoming Tenth Annual General Meeting up to the conclusion of the next Annual General Meeting ("Proposed Shareholders' Mandate")**

   "THAT, subject to the Bursa Malaysia Securities Berhad's ("Bursa Securities") ACE Market Listing Requirement, approval be and is hereby given for the Proposed Shareholders' Mandate for the Company to enter into recurrent related party transactions of a revenue or trading nature with the Related Parties as specified in Section 2.1.2 (II) of the Circular to Shareholders dated 10 May 2010;

Notice of Annual General Meeting
cont'd

provided that such transactions are :

(i) recurrent transactions of a revenue or trading nature;
(ii) necessary for the Company's day-to-day operations;
(iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
(iv) not to the detriment of minority shareholders

(the "Mandate");

That such authority shall commence upon the passing of this resolution and shall continue to be in force until:-

(i) the conclusion of the next Annual General Meeting of the Company following the Annual General Meeting at which the Mandate was passed, at which time it will lapse, unless the authority is renewed by a resolution passed at the meeting;

(ii) the expiration of the period within which the next Annual General Meeting is required to be held pursuant to Section 143(1) of the Companies Act, 1965 but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965; or

(iii) revoked or varied by resolution passed by the shareholders in a general meeting

whichever is the earlier;

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required), as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate." *Ordinary Resolution 8*

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of Members at the Tenth Annual General Meeting to be held on 3 June 2010, a final tax-exempt dividend of 3 sen per ordinary share of RM0.10 each for the financial year ended 31 December 2009, if approved, will be paid on Monday, 12 July 2010 to Depositors whose names appear in the Record of Depositors of the Company on Monday, 14 June 2010.

A depositor shall qualify for entitlement to the dividend only in respect of:

a) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on Monday, 14 June 2010 in respect of transfers; and

b) Securities bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

By Order of the Board

LIM MING TOONG (MAICSA 7000281)
Company Secretary

Kuala Lumpur
10 May 2010

Notice of Annual General Meeting
cont'd

NOTES:

(A) This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act 1965 does not require a formal approval of the shareholders and hence, is not put forward for voting.

1) A member entitled to attend and vote at the meeting may appoint another person as his proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. A proxy shall be entitled to vote on show of hand or on a poll.

2) A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. The appointment of two proxies shall be invalid unless the appointor specifies the proportion of his holdings to be represented by each proxy.

3) The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

4) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company at 10th Floor Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time for holding of the meeting or adjourned meeting.

Explanatory Note to Special Business:

a. ***Proposed Shareholders' Ratification of Recurrent Related Party Transactions of a Revenue or Trading Nature***

The Ordinary Resolution No. 7, if passed, will allow the Company and its subsidiaries to ratify recurrent related party transactions that had been entered into during the period from 25 November 2009 to the date of the forthcoming Annual General Meeting.

b. ***Proposed Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature from the date of the forthcoming Tenth Annual General Meeting up to the conclusion of the next Annual General Meeting ("Proposed Shareholders' Mandate")***

The Ordinary Resolution No. 8, if passed, will allow the Company and its subsidiaries to enter into recurrent related party transactions provided that such transactions are in the ordinary course of business and undertaken at arms' length, on normal commercial terms of the Company and its subsidiaries which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

The Proposed Shareholders' Mandate would eliminate the need to convene separate general meetings from time to time to seek shareholders' approval as and when potential recurrent related party transactions arise, thereby reducing substantially administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Company and its subsidiaries.

Further information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders of the Company which is despatched together with the 2009 Annual Report of the Company.

Statement Accompanying the Notice of Annual General Meeting

Pursuant to Rule 8.29 of the Listing Requirements of
Bursa Malaysia Securities Berhad for the ACE Market

1. **Directors standing for re-election:**

   The Directors who are standing for re-election at the Tenth Annual General Meeting of the Company to be held at Intan Room, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Thursday, 3 June 2010 at 9.30 a.m are as follows:

   (a) Article 69 of the Company's Articles of Association:

      i. Ong Weng Leong

   (b) Article 74 of the Company's Articles of Association:

      i. Chan Thian Kiat
      ii. Tan Chuan Yong

2. The details of the above Directors who are standing for re-election are set out in the Directors' Profile appearing on pages 4 to 6 of this Annual Report and their attendance of Board Meetings are set out on page 13 of this Annual Report.

3. **Shareholdings of Directors who are standing for re-election**

   Shareholdings of Directors who are standing for re-election are set out in the Analysis of Shareholdings on page 77 of this Annual Report.

KELINGTON GROUP BERHAD
(501386-P)
(Incorporated in Malaysia)

Proxy Form

Number of Shares Held

* I/We ____

of ____

being a Member(s) of KELINGTON GROUP BERHAD (501386-P), hereby appoint #THE CHAIRMAN OF THE MEETING

or ______________________ of ______________________

______________________ or failing him/her ______________________ of

______________________ as *my/our

proxy to vote for *me/us on *my/our behalf at the Tenth Annual General Meeting of the Company to be held at Intan Room, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Thursday, 3 June 2010 at 9.30 a.m or at any adjournment thereof and to vote as indicated below:

	Ordinary Resolution	For	Against
1	To re-elect Ong Weng Leong as Director		
2	To re-elect Chan Thian Kiat as Director		
3	To re-elect Tan Chuan Yong as Director		
4	To approve the Directors' fees		
5	To approve Final Dividend		
6	To re-appoint Messrs Crowe Horwath (formerly known as Messrs Horwath) as Auditors of the Company		
	Special Business		
7	Proposed Shareholders' Ratification for Recurrent Related Party Transactions of a Revenue or Trading Nature during the Ratification Period		
8	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature		

Mark either box if you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two proxies and wish them to vote differently this should be specified.

If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "The Chairman of the Meeting" and insert the name(s) of the person(s) desired.

* *Delete if not applicable.*

Signed this............ day of 2010

....
Signature/Common Seal of Shareholder

Notes:

(1) *A proxy may but need not be a member of the Company. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.*

(2) *To be valid, this form, duly completed must be deposited at the Registered Office of the Company not less than forty eight (48) hours before the time for holding the meeting PROVIDED THAT in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, PROVIDED ALWAYS that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).*

(3) *A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Act are complied with.*

(4) *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

(5) *If the appointor is a corporation, this form must be executed under its common seal or under the hand of an attorney duly authorised.*

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP

The Company Secretary

KELINGTON GROUP BERHAD (501386-P)
3, Jalan Astaka U8/83, Seksyen U8
Bukit Jelutong Industrial Park
40150 Shah Alam
Selangor Darul Ehsan

1st Fold Here