www.kelington-group.com

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

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

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KELINGTON GROUP BERHAD (501386-P)

Annual Report 2011

We Engineer Solutions

KELINGTON GROUP BERHAD (501386-P)

Annual Report 2011

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About Us

Established in 2000, Kelington Group Berhad (”KGB”) is a leading provider of end-to-end engineering solutions for Ultra High Purity (“UHP”) gas and chemical delivery systems ranging from system design and installation, gas and chemical delivery equipment, quality assurance and control services and maintenance services.

KGB’s comprehensive solutions are widely used in wafer foundries and plants across a wide spectrum of industries which require high standards of contamination control.

Industrial Gas - Underground Piping

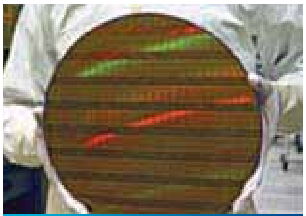
Chemical Distribution System

Gas Plant Construction

Specialty Gas Delivery System

Our customers are from these industries:

Industrial Gases



Wafer Fabrication

Solar Energy

Flat Panel Display

LED

Pharmaceutical

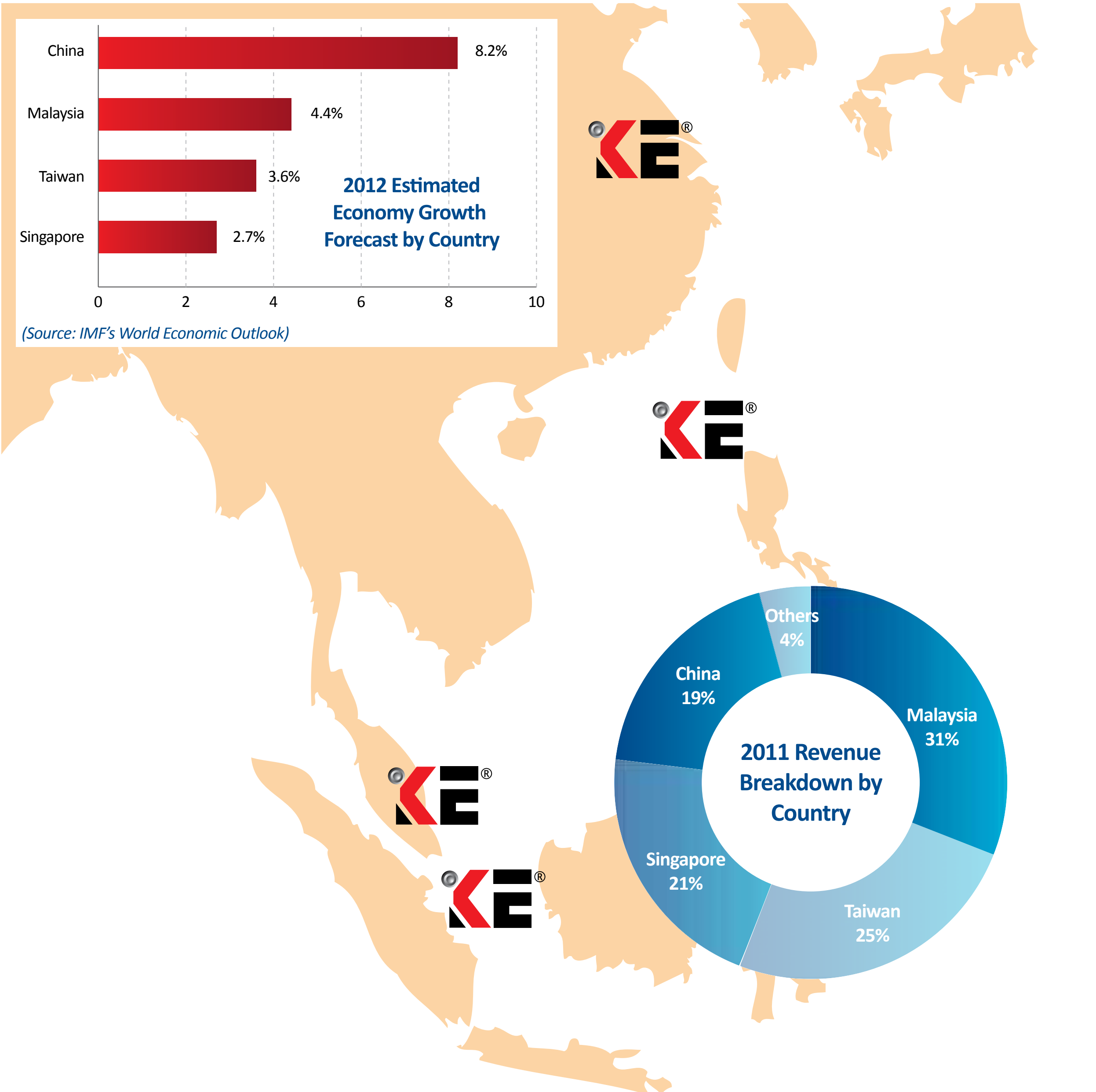
Biotechnology

Medical

Our expertise is crucial to the customers:

UHP gases and chemicals exhibit dangerous characteristics and are crucial components in the manufacturing process of our customers. At KGB, we have the technical know-how in the proper management of these components which ensure high safety standards and enhanced manufacturing yields.

Our Key Markets



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

Tan Chuan Yong
Chairman
Independent Non-Executive Director

Ong Weng Leong
Member
Executive Director/Chief Operating Officer

Chan Thian Kiat
Member
Independent Non-Executive Director

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

NOMINATION COMMITTEE

Tan Chuan Yong
Chairman
Independent Non-Executive Director

Chan Thian Kiat
Member
Independent Non-Executive Director

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

OPTION COMMITTEE

Gan Hung Keng
Chairman
Chairman/Chief Executive Officer

Ong Weng Leong
Member
Executive Director/Chief Operating Officer

Tan Chuan Yong
Member
Independent Non-Executive Director

COMPANY SECRETARIES

Lai Chee Wah
(MAICSA 7031124)

Pang Chia Tyng
(MAICSA 7034545)

REGISTERED OFFICE

10th Floor, Menara Hap Seng
No. 1 & 3 Jalan P. Ramlee
50250 Kuala Lumpur
Tel : +603-2382 4288
Fax : +603-2382 4170/71/72

MANAGEMENT OFFICE

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

SHARE REGISTRAR

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

AUDITORS

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

PRINCIPAL BANKER

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

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Date of Transfer Listing from ACE Market to Main Market of Bursa Malaysia Securities Berhad:
27 January 2012
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 (SHANGHAI) CO., LTD.
  (Incorporated in the People's Republic of China)
  - 100% KELINGTON TRADING (SHANGHAI) CO., LTD.
    (Incorporated in the People's Republic of China)
- 100% KELINGTON ENGINEERING (S) PTE. LTD.
  (Incorporated in Singapore)
  - 100% PURITEC TECHNOLOGIES (S) PTE. LTD.
    (Incorporated in Singapore)
    - 100% PURITEC TECHNOLOGIES (M) SDN. BHD.
      (formerly known as Milestone Master Sdn. Bhd.)
      (Incorporated in Malaysia)

Profile of Directors

IR. GAN HUNG KENG
aged 48, 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 is also the Chairman of the Option Committee. He graduated with a Bachelor of Chemical & Process Engineering degree from Universiti Kebangsaan Malaysia, Malaysia. He is also a Professional Engineer on the Board of Engineers, Malaysia.

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

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

Ir. Gan 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 44, Malaysian
Executive Director/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 member of the Remuneration Committee and Option Committee. He graduated in 1992 with a Bachelor of Chemical Engineering degree from Universiti Teknologi Malaysia, Malaysia. He also received a Master in Business Administration from the University of Bath, United Kingdom in 2002.

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

Throughout more than ten (10) years at MOX and more than 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 55, 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").

LAI, CHENG-CHE

aged 58, Taiwanese
Non-Independent Non-Executive Director

He was appointed as a Director of the Company on 22 November 2004. He is also the member of the Nomination Committee and 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 BOC Lien Hwa 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 Sky Walker Group Limited ("Sky Walker"), the substantial shareholders of the Company and also a Director of two (2) other subsidiary companies of BOCLH, namely Confederate Technology Co., Ltd and UIGC. 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 56, 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. At BA Associates, he provides corporate finance consultancy services, assist clients indebt and equity capital raising, and advising in mergers and acquisitions. He is also a Director of a few private limited companies.

TAN CHUAN YONG
aged 56, 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 Nomination Committee and Remuneration Committee. He is also a member of the Audit Committee and Option Committee. He holds a Barrister-at-Law from the Honourable Society of Lincoln's Inn. He was admitted to the English Bar in 1982 and the Malaysian Bar in 1983. He is currently an Advocate & Solicitor and practising as a Partner in Messrs Tan Chuan Yong & S.M. Chan, Advocates & Solicitors. He has been a member of the Malaysian Bar since 1983. He is also a Notary Public.

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

Notes to Directors' Profile:

Family Relationship
None of the Directors have any family relationship with any other Directors.

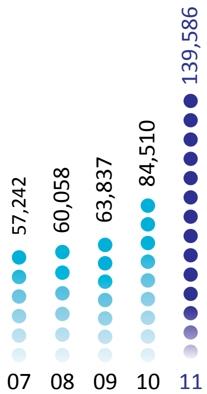
Conviction of Offences
None of the Directors have been convicted for any offences (other than traffic offences) within the past ten (10) years.

Conflict of Interest
None of the Directors have any conflict of interest involving the Company save as disclosed above and its subsidiaries.

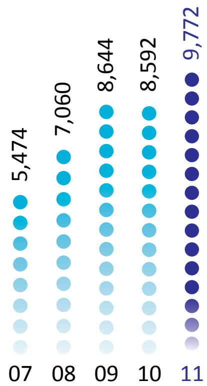
Attendance at Board Meetings
The details of attendance of the Directors at the Board Meetings are set out on page 14 of this Annual Report.

Shareholdings
The details of Directors' shareholding are set out in the Analysis of Shareholding in page 97 of this Annual Report.

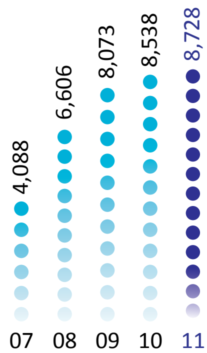
Financial Highlights



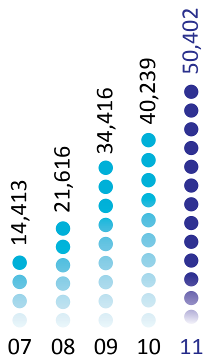
Revenue
(RM'000)



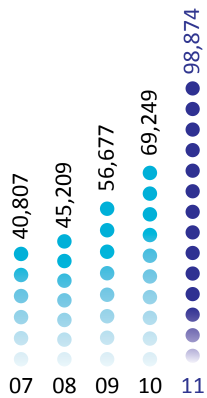
Profit Before Taxation
(RM'000)



Profit After Taxation
(RM'000)



Shareholders' Funds
(RM'000)



Total Assets
(RM'000)

	2007	2008	2009	2010	2011
Revenue (RM'000)	57,242	60,058	63,837	84,510	139,586
Profit before taxation (RM'000)	5,474	7,060	8,644	8,592	9,772
Profit after taxation (RM'000)	4,088	6,606	8,073	8,538	8,728
Shareholders' Funds (RM'000)	14,413	21,616	34,416	40,239	50,402
Total Assets (RM'000)	40,807	45,209	56,677	69,249	98,874
Number of Ordinary share ('000)	6,500	6,500	74,710	74,710	79,110
Net Assets Per Share (RM)	2.22	3.33	0.46	0.54	0.64

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am excited to present the Annual Report of Kelington Group Berhad ('KGB' or 'the Group') for the financial year ended ('FYE') 31 December 2011. As you know, KGB is now a Main Market listed entity and this signifies another significant milestone in our corporate roadmap.

OVERVIEW

Two (2) years ago, we began a journey as a public listed company on the ACE Market of Bursa Securities. The management had our eyes set on becoming a Main Market listed entity to further raise our corporate profile and have access to a wider range of capital market instruments. In January 2012, this aspiration became a reality. Moving forward, the Group will continuously strive to be better and deliver value to our shareholders.

ECONOMICS OVERVIEW

The global economy was volatile throughout 2011 attributable to the debt crisis in Europe, geopolitical developments in the Middle East and North Africa region, and the disruptive impact of natural disasters on the global manufacturing production.

Despite a challenging international economic environment, emerging economies in Asia Pacific (ex-Japan) continued to drive the economic growth in this region. The Malaysian economy recorded a steady growth of 5.1% in 2011 underpinned by the expansion in domestic activity and firm regional demand.

For Year 2012, Malaysia's economy is projected to experience a steady growth of 4-5%* on the back of a resilient domestic demand and higher capital expenditure by both the Government and non-financial public enterprises.

The countries we are operating in are also expected to do well namely, Singapore which projected its economy to grow by 2.7%* in 2012 while its manufacturing sector is expected to expand 3.1%*.

China, one of the world's largest economy powerhouses expects its economy to ease slightly compared to previous years but remains optimistic of a growth above 8%* in 2012 and 2013 supported by favourable medium-term growth prospects, strong domestic investment by its government and local companies, and the Chinese government's proactive fiscal policy.

Being an export driven economy, Taiwan was impacted by the global economic uncertainty which disrupted the Country's supply chain. However, economists believe Taiwan will emerge from its shallow technical recession and its economy in 2012 is forecasted to grow by 3.6%* backed by easing supply chain disruptions and tech product launches.

*(*Source: IMF's World Economic Outlook)*

OPERATIONAL REVIEW

Since our listing in 2009, we have showcased our growth potential as well as unlocked more shareholder value. Within 15 months, the Company successfully transferred its entire issued and paid-up share capital to the Main Market of Bursa Securities on 27 January 2012.

Year 2011 was exciting. Despite a challenging international economic landscape, we continued to secure jobs from our existing customers whom expanded their capacities and manufacturing bases and registered commendable growth in all the countries we have operations in.

The revenue of our Singapore operations soared 160% to RM29.0 million from RM11.2 million in 2010, while Taiwan's revenue rose 117% to RM34.5 million from RM15.9 million recorded in the previous year. As for China, its revenue rose 55% to RM25.9 million from RM16.7 million in 2010 while Malaysia's revenue grew 8% to RM43.8 million in 2011 from RM40.7 million in 2010.

The Malaysian market remains our main revenue driver in 2011 contributing approximately 31% to the Group. Revenue contributions breakdown from Taiwan and China were 25% and 19% respectively. Contribution from Singapore jumped to 21% from 13% recorded in 2010. We anticipate more contribution from Singapore this year attributable to the acquisition of Singapore-based Puritec Technologies (S) Pte. Ltd. ('Puritec') in February 2012. The acquisition enhances KGB's offerings and enables the Group to tap into additional income stream, which is in the design and installation of delivery systems for exhaust. By acquiring Puritec, which already has a ready market, KGB is well poised to gain a bigger market share in Singapore.

Our commitment in providing the best value proposition and our persistent pursuit to excellence has also won us new customers in 2011. KGB successfully penetrated the Vietnam market with our first project with Vietnam Glass Industries Ltd. We also penetrated the Bio-science industry, first of such customer for KGB from Singapore-based International Flavors & Fragrances, a leading creator and manufacturer of flavours and fragrance.

We will continue to focus on providing our customers with end-to-end delivery systems for Ultra High Purity ('UHP') gas, chemical, exhaust and others to facilitate our customers' need for high standards of contamination control which, lead to improved device performance and enhance the overall manufacturing yield.

FINANCIAL PERFORMANCE

The Group's 2011 revenue rose to RM139.6 million from RM84.5 million, an increase of 65.2% while net profit increased 2.2% to RM8.7 million from RM8.5 million in the previous corresponding year. For 2011, our expenses increased in line with our expansion to Singapore as well as expenses incurred on corporate exercises and Employees' Share Option Scheme ('ESOS').

We are pleased to note that over the past 7 years, KGB has delivered compounded annual revenue growth rate in excess of 40%.

Equally important is the strength of our balance sheet. The Group's total assets rose to RM98.9 million from RM69.2 million, while our shareholders funds attributable to equity holders improved to RM50.4 million from RM40.2 million recorded last year. Net assets per share also rose further to 64 sen.

KGB is in a net cash position. As at 31 December 2011, the Group's cash and bank balances remain strong at RM25.2 million.

Chairman's Statement

cont'd

DIVIDEND

The Board and the shareholders have approved and paid a final tax exempt dividend of 3.0 sen per ordinary share of 10.0 sen each amounting to RM2.4 million in 2011. This dividend was paid in respect to the performance of Year 2010.

In line with the commendable performance in 2011, the Board has proposed a final tax exempt dividend of 4.0 sen per share pending shareholders' approval at the forthcoming Annual General Meeting.

To further enhance shareholder value, the Group has in Year 2012 adopted a dividend policy to distribute 25% of our annual net profit with effect from the FYE 31 December 2011.

FUTURE PROSPECTS

KGB's UHP gas and chemical delivery systems are deployed in thriving industries namely but not limited to wafer fabrication, flat panel display ('FPD') manufacturing, solar energy, Light Emitting Diode ('LED') and storage media.

The growth of these industries is driven by constant reinvestment and capital expenditure in the light of rapid technology developments. Shorter life cycles are inevitable in the advent of technology, which will greatly benefit KGB.

For instance, The World Semiconductor Trade Statistics ('WSTS') forecasts the worldwide semiconductor market to grow by a healthier 2.6% to RM976.5 billion in 2012 followed by 5.8% growth to RM1.0 trillion in 2013. This has a positive impact on the wafer fabrication industry as wafer is an integral component of the semiconductor, FPD, solar energy, LED and storage media industries.

Equally strong on growth trajectory is the global FPD which is expected to grow from RM350.8 billion in 2010 to approximately RM468.3 billion in 2014 according to a recent report published by market researcher, Frost & Sullivan.

Another growth area for the Group going forward is the renewable energy ('RE') industry. In recent years, RE has become an increasingly attractive source of alternative energy to oil. With the increasing global effort to reduce carbon emissions and increase in the adoption of RE, the usage of solar energy is expected to increase exponentially.

Malaysia is fast becoming a hub for solar cell manufacturing with foreign direct investment ('FDI') of approximately RM20.8 billion in solar manufacturing companies in 2012 and 2013. This is good news for UHP gas and chemical delivery systems players like KGB.

In addition, our government through its Entry Point Project ('EPP') is committed to build up RE and solar power capacity in the Country. By Year 2020, solar power is expected to contribute a minimum of 220MW as per the target set by the National Renewable Energy Policy.

Our strong financial track record places us in a solid position to take advantage of the prospective opportunities in these growing industries.

ACKNOWLEDGEMENTS

I would like to take the opportunity to express my heartfelt gratitude to our Board of Directors and employees for the professionalism and dedication shown, which took the Group to new heights, and have set KGB well for the future. I sincerely thank them for all their contributions to our Group's ongoing success.

My gratitude is also extended to our customers, suppliers, business associates, government and relevant authorities, professionals in the financial community, members of the media, investors, shareholders and all our friends. I would like to thank them all for their support. Going forward, we will continue to nurture and enhance the partnerships we have fortified throughout our journey.

Thank you.

IR. GAN HUNG KENG, RAYMOND
Chairman

Corporate Highlights

Corporate Social Responsibility

KGB - 11th Annual General Meeting

KGB Taiwan - Company's Trip

KE Malaysia - 2011 Annual Dinner

KE Singapore - 2011 Annual Dinner

KE Malaysia - Company's Trip

Statement on Corporate Governance

INTRODUCTION

The Board of Directors ("the Board") of Kelington Group Berhad ("the Company") recognises the importance of adopting a good corporate governance culture in the organisation. The Board also took cognizant of the fact that appropriate standard of corporate governance will generate long term values to the shareholders of the Company as well as other stakeholders. Therefore, the Board is committed to implement the Principles and 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 Malaysia Securities Berhad ('Bursa Securities").

A. THE BOARD

The Board provides the leadership and control of the Company, and 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 Company, as well as development and control of the Company. The Board approves key corporate announcements including the quarterly financial results, major capital expenditures and budget. 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.

To ensure more effective control, the Board has formed and delegated certain responsibilities to the respective Committees of the Board, which operate within clearly defined terms of reference. The Board Committees consist of Audit Committee, Nomination Committee, Remuneration Committee and Option Committee. The members of the various Board Committees are set out on Page 4 of this Annual Report.

Composition of the Board

The Board currently consists of six (6) members, comprising one (1) Executive Chairman, one (1) Executive Director, two (2) Non-Independent Non-Executive Directors and two (2) Independent Non-Executive Directors.

The Independent Non-Executive Directors make up one-third (1/3) of the board membership. The Company has thus complied with Paragraph 15.02 of the Main Market Listing Requirements ("MMLR") of Bursa Securities.

Due to the strong Non-Executive and Independent components of the Board, the roles of Chairman and Chief Executive Director have not been separated and both functions continue to be held by the same person. Jointly with the Executive Director cum Chief Operating Officer, the Executive Chairman cum Chief Executive Officer is accountable to the Board over the daily management and development of the Company.

Board Meeting

The Board meets at least five (5) times a year to deliberate on a variety of matters, including the review of the quarterly financial results, annual budget approval, business plans approval and the discussion of the overall direction of the Company. Additional meetings may be convened on as and when necessary, to review and make urgent and important decisions. During the financial year ended 31 December 2011, the Board had convened five (5) meetings and the detailed attendance record is tabulated as below:

Directors	Meetings attendanceance
Gan Hung Keng	4/5
Ong Weng Leong	4/5
Lai, Cheng-Che	4/5
Hsu, Chung-Kuang	3/5
Chan Thian Kiat	5/5
Tan Chuan Yong	5/5

Statement on Corporate Governance
cont'd

A. THE BOARD *cont'd*

Supply of Information

Board meeting are scheduled in advance at the beginning of the new financial year to enable Directors to plan ahead and fit the meeting dates into their own schedule. The meeting materials will be provided to all Board members one (1) week in advance so that the Directors have ample time to study and seeks for further clarification if required. All the Directors have full and unlimited access to all information within the Company, to seek independent advice from third party professionals and access to advise and services of the Company Secretaries.

Appointment and re-election of Directors

The Board had established a Nomination Committee to be responsible for identifying and recommending suitable candidates for Board membership and also for assessing the performance of the Directors on an on-going basis. The Board will have the ultimate responsibility and final decision on the appointment.

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

The Directors of the Company who are seeking re-election at the Twelfth AGM of the Company to be held on 25 June 2012 are contained in the Notice of AGM.

The Board has delegated certain responsibilities to several Board Committees, which operates within clearly defined terms of reference. The Chairman of the various Committees will report to the Board the outcome of the Committee meetings and such reports are incorporated in the minutes of the Board meetings. The various Committees are as below:

Audit Committee

The Audit Committee was established on 11 September 2009. Its role and function is to assist the Board in overseeing the Group's activities within its clearly defined terms of reference. Best Practices Part 2 and Part 4 of the Code and Paragraph 15.12 of MMLR spell out the duties of an Audit Committee. The scope of duties of the Audit Committee includes primarily the duties detailed therein. Pursuant to Paragraph 15.15 of MMLR, the Audit Committee Report for the year under review can be found on pages 21, 22 and 23 of this Annual Report which also contain other information as required under the Code.

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

The Board has full access to both internal and external auditors and receives reports on all audits performed via this Committee.

Nomination Committee

This Committee was established on 11 September 2009. Its role is to assist the Board of Directors in their responsibilities in nominating new nominees to the Board of Directors. The Nomination Committee shall also assess the performance of the Directors of the Company on an on-going basis.

Statement on Corporate Governance
cont'd

A. THE BOARD *cont'd*

Nomination Committee *cont'd*

The Nomination Committee comprised of the following members:

Chairman
Tan Chuan Yong (Independent Non-Executive Director) – (appointed as Chairman of the Nomination Committee with effect from 12 October 2011)

Members
Chan Thian Kiat (Independent Non-Executive Director)
Lai Cheng-Che (Non-Independent Non-Executive Director) – (re-designated from Chairman to member of the Nomination Committee with effect from 12 October 2011)

The duties and responsibilities of the Nomination Committee are as follows:

a. To recommend to the Board, candidates for directorships. In making its recommendations, to consider the candidates' skills, knowledge, expertise and experience; professionalism; integrity; and in the case of candidate for the position of independent non-executive directors, to evaluate the candidates' ability to discharge such responsibilities/functions as expected from independent non-executive directors.

b. To recommend Directors to sit on respective Board committees.

c. To administer the annual assessment of Directors, including a review of the skill, qualification and competencies of the Board as a whole, the committees of the board and for assessing the contribution of each individual director, including independent non-executive directors, as well as the chief executive officer. All assessments and evaluations carried out to be properly documented.

d. To identify suitable orientation, educational and training programmes for continuous development of Directors.

Remuneration Committee

The Remuneration Committee was established on 11 September 2009. Its role is to assist the Board of Directors in their responsibilities in assessing the remuneration packages of the Executive Directors.

The members of the Remuneration Committee are as follows:

Chairman
Tan Chuan Yong (Independent Non-Executive Director) – (appointed as Chairman of the Remuneration Committee with effect from 12 October 2011)

Members
Ong Weng Leong (Chief Operating Officer) – (re-designated from Chairman to member of the Remuneration Committee with effect from 12 October 2011)
Chan Thian Kiat (Independent Non-Executive Director)
Hsu Chung-Kuang (Non-Independent Non-Executive Director)

The duties and responsibilities of the Remuneration Committee are as follows:

a. To recommend to and advise the Board of Directors the remuneration and terms of conditions (and where appropriate, severance payments) of the Executive Directors (including Executive Chairman and Managing Director).

A. THE BOARD *cont'd*

Remuneration Committee *cont'd*

b. To establish a formal and transparent procedure for developing policy on remuneration packages of individual directors, taking into consideration the following:

- In case of executive directors, the component parts of remuneration should be structured so as to link rewards to corporate and individual performance.

- In the case of non-executive directors, the level of remuneration should reflect the experience and level of responsibility undertaken by the non-executive concerned.

c. Where possible, and to allow it to meet its duties, the Remuneration Committee should seek comparative information on remuneration and conditions of service in comparable organisations, within and without sectors of industry.

d. When considering severance payments, the Remuneration Committee should bear in mind that it must represent the public interest and avoid any inappropriate use of public funds. Care should be taken to avoid determining a severance package that public opinion might deem to be excessive.

e. To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time.

Option Committee

The Company, with approval of the shareholders in its Extraordinary General Meeting ("EGM") held on 26 October 2010, had established the Employees' Share Option Scheme ("ESOS") and the Scheme was officially implemented in 28 March 2011.

The Option Committee established by the Board on 21 September 2010 continued to oversee the administration as well as to ensure proper implementation of the ESOS according to the By-laws of the Scheme. Currently the Option Committee consists of:-

<u>Chairman</u>
Gan Hung Keng (Chairman/Chief Executive Officer)

<u>Members</u>
Ong Weng Leong (Chief Operating Officer)
Tan Chuan Yong (Independent Non-Executive Director)

Directors' Training

The Board acknowledges the importance of constantly updating itself on the industry's direction and development. They are provided with the opportunity for training and update from time to time, particularly on relevant new laws and regulations, financial reporting, risk management and investor relations to equip themselves with the knowledge to effectively discharge their duties as Directors.

All Directors have completed the Mandatory Accreditation Programme as prescribed by Bursa Securities. They were also constantly given in-house briefings by the Company Secretaries on the various amendments to the Listing Requirements of Bursa Securities.

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

Statement on Corporate Governance
cont'd

A. THE BOARD *cont'd*

Directors' Training *cont'd*

During the financial year ended 31 December 2011, the Directors have attended the following training, seminars conferences and exhibitions which they considered vital in keeping abreast with changes in laws and regulation, business environment, and corporate government development:-

No.	Name of Director	Course Attended	Date
1.	Gan Hung Keng	• Seminar on Management Liability Exposures in Today's Business Environment • Amendments to Bursa Securities MMLR in Relation to Disclosure and other Obligations. And Corporate Disclosure Guide.	• 19 May 2011 • 30 September 2011
2.	Ong Weng Leong	• Seminar on Management Liability Exposures in Today's Business Environment • Amendments to Bursa Securities MMLR in Relation to Disclosure and other Obligations. And Corporate Disclosure Guide.	• 19 May 2011 • 31 October 2011
3.	Chan Thian Kiat	• Seminar on Management Liability Exposures in Today's Business Environment • Amendments to Bursa Securities MMLR in Relation to Disclosure and other Obligations. And Corporate Disclosure Guide.	• 19 May 2011 • 30 September 2011

Save for the above disclosed, due to relevant suitable programmes coinciding with Mr Tan Chuan Yong, Mr Lai, Cheng-Che and Mr Hsu, Chung-Kuang's respective official engagements, they have kept abreast with corporate and regulatory updates through updates and notices disseminated by Bursa Securities and also by reading professional journals.

B. DIRECTORS' REMUNERATION

The Board has established a Remuneration Committee to be responsible for recommending the remuneration framework for 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. The Executive Directors are also provided with company cars.

Details of the Directors' remuneration in aggregate for the financial year ended 31 December 2011 are tabulated as below:

	Salary	Bonus	Director Fees	Benefits in Kind
Executive Directors	692,012	500,000	-	30,000
Non-Executive Directors	-	-	102,000	-

B. DIRECTORS' REMUNERATION *cont'd*

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

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

C. SHAREHOLDERS AND INVESTORS

The Company recognises the importance of timely dissemination of information to shareholders and other interested parties to ensure that they are well informed of the latest development of the Company. Such information is communicated via the Company's Annual Report, various disclosures and announcements to Bursa Securities, circulars and press releases and the Company's web site.

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 put in place the Audit Committee, which consists of three (3) Non-Executive Directors (majority, including the chairman of the Audit Committee, being independent) in compliance with the Code and MMLR of Bursa Securities. The Audit Committee meets every quarter to review the Company's quarterly financial results, present the findings to the Board and recommendation for the Board to approve the results. The Audit Committee also reviewed the related party transactions and deliberated on findings of the external and internal auditors.

For the financial year ended 31 December 2011, the Audit Committee had met five (5) times to review and approve all the quarterly results and Audited Financial Statements of the Company, among others, before it was released for announcement to Bursa Securities and the public.

Statement on Corporate Governance
cont'd

D. ACCOUNTABILITY AND AUDIT *cont'd*

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

Internal Control

The Board acknowledges its overall responsibility to maintain a reasonably sound system of internal control and risk management system to safeguard the shareholders' investment and the Company's interests. The Statement on Internal Control as included on pages 24 and 25 of this Annual Report provides the overview of the internal control framework adopted by the Company during the financial year ended 31 December 2011.

Relationship with Auditors

The Board has established a formal and transparent arrangement to maintain 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, to ensure open and independent communication.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors' Meeting held on 18 April 2012.

STATEMENT ON DIRECTORS' RESPONSIBILITY

The Directors are required by the Companies Act, 1965 to prepare financial statements for each year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of their results and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:-

- adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are prudent and reasonable; and
- ensured applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been followed.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose reasonable accuracy at any time on the financial position of the Group and of the Company which enable them to ensure that the financial statements comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

Audit Committee Report

The Audit Committee of Kelington Group Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2011.

MEMBERSHIP AND ATTENDANCE

The Audit Committee members and details of attendance of each member at the Audit Committee meetings held during the financial year ended 31 December 2011 are as follows:

Directors		Meetings Attendance
Chan Thian Kiat	*(Independent Non-Executive Director) - Chairman*	5/5
Tan Chuan Yong	*(Independent Non-Executive Director)*	5/5
Lai, Cheng-Che	*(Non-Independent Non-Executive Director)*	4/5

TERMS OF REFERENCE

1. Composition

The Committee shall be appointed from amongst the Board and shall comprise no fewer than three (3) members, a majority of whom 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 Securities.

In the event of any vacancy with the result that the number of members is reduced to below three (3), the vacancy shall be filled within three (3) months. Therefore a member of the 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 an audit committee and each of its members must be reviewed by the Board of Directors at least once every three (3) years to determine whether such audit committee and members have carried out their duties in accordance with their terms of reference.

2. Rights

The Audit Committee shall:

a. have 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 the 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.

Audit Committee Report
cont'd

TERMS OF REFERENCE *cont'd*

3. 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.

b. To review the adequacy of the scope, functions and resources and set the standards of the internal audit function.

c. To recommend such measures as to be taken by the Board of Directors 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 auditors 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 of Directors, 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.

Audit Committee Report
cont'd

SUMMARY OF ACTIVITIES

In 2011, 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 financial year 2011 are summarised as follows:

- Reviewing 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;
- Reviewing the Company's process of monitoring potential recurrent related party transactions entered into by the Company, its subsidiaries and the Group;
- Reviewing the internal audit plans and adequacy of coverage;
- Reviewing 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
- Reviewing the external auditors' findings arising from audits and in particular, responses by management as regards appropriate action being taken.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Company does not have an internal audit department. Since 2009, 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 effectiveness of the Group's risk management and internal control systems.

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

During the financial year ended 31 December 2011, the areas audited included audits of the various departments covering all the factories and subsidiaries within the Group. Internal audit reports were issued to the Audit Committee regularly and tabled in the Audit Committee meetings. The reports were also issued to the respective operations management, incorporating audit recommendations and management's responses with regards to any audit findings on the weaknesses in the systems and controls of the operations. The Internal Audit also follows up with management on the implementation of the agreed audit recommendations. The total costs incurred for internal audit function of the Group for the financial year ended 31 December 2011 was amounted to RM44,030.25.

The Audit Committee Report is made in accordance with the resolution of the Board of Directors' Meeting held on 18 April 2012.

Statement on Internal Control

INTRODUCTION

The Board of Directors ("Board") of Kelington Group Berhad is pleased to present its Statement on Internal Control for the financial year ended 31 December 2011, which has been prepared pursuant to Rule 15.26 (b) of Bursa Securities Listing Requirements for the ACE Market and as guided by Statement on Internal Control: Guidance for Directors of Public Listed Companies ("the Guidance"). This statement outlines the nature and state of the internal controls of the Group during the financial year.

BOARD RESPONSIBILITY

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

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

RISK MANAGEMENT FRAMEWORK

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

During the financial year under review, Management with the assistance of external consultants updated the Group's key risk profile. The results of the risk assessment update exercise were presented to the Audit Committee on 23 February 2011. Risk identified were prioritised in terms of the possibility of likelihood of their occurrence and the impact on the achievement of the Groups' business objective/goals. This allows Management to allocate appropriate resources in the mitigation of risks.

The abovementioned practices and initiatives by Management serves as the on-going process used to identify, evaluate and managed significant risks.

INTERNAL CONTROL

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

A risk based internal audit plan is tabled to the Audit Committee for review and approval. The internal audit function executes the audits based on the approved plan for financial year ended 31 December 2011 and the results of the audit reviews are periodically reported to the Audit Committee. Based on results of the review, discussions with the Management were held to deliberate on the actions that are required to be taken to address internal control matters identified by the outsourced internal audit function.

The Audit Committee will examine the adequacy and effectiveness of the Group's system of internal control via the review of internal audit reports, quarterly financial reports and annual financial statements. Although a number internal control weaknesses were identified, none of the weaknesses have resulted in any material losses that would require a separate disclosure in this annual report.

The total cost incurred by the internal audit function is at RM44,030.25 for the financial year ended 31 December 2011.

Statement on Internal Control
cont'd

OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

a) **Management Structure**

The Group maintains a formal organisation structure with clear line of accountability and responsibility. The daily running of the business is entrusted to the Executive Director and his Management team. The heads of each operating subsidiary and department are empowered with the responsibility of managing their respective operations.

b) **Periodical and/or Annual Budget**

Periodic business planning and budgeting are performed to establish Group's plans and targets according to the Group's business objectives. This activity examines strengths, weaknesses, opportunities, threats and key business risk of the Group. Deviation from plans and budget are reported to the Board on a periodic basis.

c) **Reporting and Review**

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

d) **ISO Quality**

Both Kelington Group Berhad and Kelington Technologies Sdn Bhd have been certified to ISO 9001:2008 Quality Management System since March 2010. Yearly Surveillance Audits and periodic re-assessments are carried out to ensure its adherence and application of the ISO quality policies and procedures.

e) **Internal Policies and Procedures**

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

f) **External Audit**

In accordance with Rule 15.23 of Bursa Securities' Listing Requirements for the ACE Market, the external auditors have performed a review on the statement on internal control for its inclusion into the annual report of the Company for financial year ended 31 December 2011, and reported to the Board that nothing has come to their attention that cause them to believe that the statement is inconsistent with their understanding of the state of internal control of the Group.

CONCLUSION

The Board recognises the necessity to continuously improve the Group's system of internal control and risk management practices to safeguard shareholders' investments and the Group's assets. Therefore, the Board will continuously evolve the Group's system of internal control to meet the changing and challenging business environment and put in place appropriate action plans to further enhance the system of internal control if necessary.

This Statement on Internal Control is made in accordance with the resolution of the Board of Directors' Meeting held on 18 April 2012.

Additional Compliance Information

UTILISATION OF PROCEEDS

As at 31 December 2011, the status of utilisation of proceeds from the Private Placement of approximately RM2.86 million following the 4,400,000 Shares issued at RM0.65 per Share is as follows:

Description	Intended Timeframe for utilisation	Approved Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000
Working capital	Within one (1) year from the date of receipt of private placement proceeds	2,860	2,860	-

SHARE BUY-BACKS

During the financial year, the Company had not implemented any such share buy-back schemes.

TRANSFER LISTING

The Company had on 27 January 2012 transferred the entire issued and paid-up share capital from the ACE Market to the Main Market of Bursa Securities. We have met the requirements for the transfer to Main Market as set out in the Securities Commission's Equity Guidelines and the MMLR.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year, the Company has not issued any options, warrants or convertible securities except for the share options granted pursuant to the ESOS below:-

The ESOS is governed by the by-laws approved by the shareholders at an EGM held on 26 October 2010. The ESOS is to be in force for a period of five (5) years from the date of implementation. All options granted shall expire on 30 May 2016.

The categories of employees who are eligible to participate in the ESOS are as follows: -

Categories of Eligible Employees	Total Number of Options Granted	Total Number of Options Exercised	Total Options Outstanding
Executive Directors	1,460,000	-	1,460,000
Non-Independent Non-Executive Directors	200,000	-	200,000
Independent Non-Executive Directors	200,000	-	200,000
Employees	5,372,000	-	5,372,000
Total	7,232,000	-	7,232,000

Breakdown of the options offered to and exercised by non-executive directors pursuant to ESOS in respect of the financial year as follows:

Name of Director	Amount of Options Granted	Amount of Options Exercised
Lai, Cheng-Che	100,000	-
Hsu, Chung-Kuang	100,000	-
Chan Thian Kiat	100,000	-
Tan Chuan Yong	100,000	-

Additional Compliance Information
cont'd

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

During the financial year, 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 total amount of non-audit fee payable to the external auditors by the Company and its subsidiaries for the financial year ended 2011 amounted to RM3,000.

VARIATION IN RESULTS

There was no variation of 10% or more between the audited results and unaudited results of the Group for the financial year ended 2011.

LIST OF PROPERTIES

The list of properties is not included in this annual report as the net book value of the Company's or its subsidiaries' properties are less than 5.0% of the Group's total assets.

MATERIAL CONTRACTS

Except for what is disclosed in the Related Party Transaction as stated below, there were no other material contracts entered into by the Group involving Directors' and major shareholders' interests either still subsisting as at 31 December 2011 or entered into since the end of the previous financial year.

RELATED PARTY TRANSACTIONS

At the last AGM held on 14 June 2011, the Company had obtained a general mandate from its shareholders on the recurrent related party transactions of a revenue or trading nature ("RRPT") entered into by the Company and/or its subsidiaries ("RRPT Mandate"). The RRPT Mandate is valid until the conclusion of the forthcoming Twelfth AGM of the Company to be held on 25 June 2012.

The RRPT transacted pursuant to the Shareholders' Mandate during the financial year ended 31 December 2011 is stated in Note 29 of the Financial Statements.

Please refer to section 2.3 of the Circular to Shareholders dated 1 June 2012 on the name of the related parties and the Company's relationship with the related parties.

PROFIT ESTIMATE, FORECAST OR PROJECTION

The Group did not issue any profit forecast or profit estimate previously or for financial year ended 31 December 2011 in any public document hence this information is not applicable.

Additional Compliance Information
cont'd

PROFIT GUARANTEES

There were no profit guarantees given by the Company for the financial year ended 31 December 2011.

CORPORATE SOCIAL RESPONSIBILITIES

The Company recognises our role as a responsible corporate citizen and has therefore intensified our corporate social responsibilities ("CSR") initiatives throughout financial year ended 2011.

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.

For the community, the Company offers industrial training to the undergraduates from local universities and colleges so that they could gain valuable industrial experience.

For the underprivileged, the Company has sponsored the Ti-Ratana Annual Charity Golf 2011, organised by the Ti-Ratana Welfare Society, which is a non-profitable, non-racial and non-religious charitable welfare organisation which manages homes for orphans, elderly and infirm senior citizens plus a shelter for abused women and unwed mothers. Besides that, the Company also supporting underprivileged students in primary school by sponsoring stationery set and allowance for their miscellaneous personal spending.

Financial Statements

Directors' Report

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2011.

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 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	THE GROUP RM	THE COMPANY RM
Profit after taxation for the financial year	8,728,113	4,671,695
Attributable to:		
Owners of the Company	8,728,113	4,671,695

DIVIDENDS

A final tax-exempt dividend of 3 sen per ordinary share amounting to RM2,373,300 for the financial year ended 31 December 2010 was approved by the shareholders at the Annual General Meeting held on 14 June 2011 and was paid on 22 July 2011.

The directors recommend the payment of a final tax-exempt dividend of 4 sen per ordinary share amounting to RM3,164,400 in respect of the current financial year. The proposed dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year,

(a) there were no changes in the authorised share capital of the Company;

(b) the Company increased its issued and paid-up share capital from RM7,471,000 to RM7,911,000 by the issuance of 4,400,000 new ordinary shares of RM0.10 each at an issue price of RM0.65 per share by way of private placement. The shares were issued for cash consideration. The new shares issued rank pari passu in all respects with the existing shares of the Company; and

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

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company except for the share options granted pursuant to the Employees' Share Option Scheme below.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

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

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

The option prices and the details in the movement of the options granted are as follows:-

		NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM0.10 EACH		
DATE OF OFFER	EXERCISE PRICE	AT 1 JANUARY 2011	GRANTED	AT 31 DECEMBER 2011
29 MARCH 2011	RM0.68	-	7,232,000	7,232,000

The main features of the ESOS are disclosed in Note 13(d) to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of holders to whom options have been granted to subscribe for less than 300,000 ordinary shares of RM0.10 each. The names of option holders granted options to subscribe for 300,000 or more ordinary shares of RM0.10 each during the financial year, other than directors whose details are disclosed in the section on Directors' Interests in this report, are as follows:-

				NUMBER OF SHARE OPTIONS	
NAME	GRANT DATE	EXPIRY DATE	EXERCISE PRICE	GRANTED	AT 31 DECEMBER 2011
LIM SENG CHUAN	29 MARCH 2011	30 MAY 2016	RM0.68	585,000	585,000
WAN SIEW CHUAN	29 MARCH 2011	30 MAY 2016	RM0.68	561,000	561,000
JONG YU HUAT	29 MARCH 2011	30 MAY 2016	RM0.68	468,000	468,000
TAN TONG KAI	29 MARCH 2011	30 MAY 2016	RM0.68	468,000	468,000
SOO WEI KEONG	29 MARCH 2011	30 MAY 2016	RM0.68	468,000	468,000
ONG SENG HENG	29 MARCH 2011	30 MAY 2016	RM0.68	396,000	396,000
TEA CHEE HEAN	29 MARCH 2011	30 MAY 2016	RM0.68	360,000	360,000
MOOK SHAO TONG	29 MARCH 2011	30 MAY 2016	RM0.68	300,000	300,000

BAD AND DOUBTFUL DEBTS

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

Directors' Report
cont'd

BAD AND DOUBTFUL DEBTS *cont'd*

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

The contingent liability is disclosed in Note 32 to the financial statements. At the date of this report, there does not exist:-

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

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

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

CHANGE OF CIRCUMSTANCES

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

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
TAN CHUAN YONG

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 RM0.10 EACH			
	AT 1.1.2011	ALLOTMENT	SOLD	AT 31.12.2011
INDIRECT INTERESTS				
GAN HUNG KENG *	39,737,125	-	(3,003,900)	36,733,225
ONG WENG LEONG *	39,737,125	-	(3,003,900)	36,733,225
LAI, CHENG-CHE **	5,706,125	-	(3,742,641)	1,963,484

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

** *Deemed interested under Section 134(12)(c) of the Companies Act 1965 by virtue of his spouse, Lin Hsiu-Fen's shareholding in Allied Moral Investments Limited.*

	NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM0.10 EACH		
	AT 1.1.2011	GRANTED	AT 31.12.2011
SHARE OPTIONS OF THE COMPANY			
GAN HUNG KENG	-	730,000	730,000
ONG WENG LEONG	-	730,000	730,000
LAI, CHENG-CHE	-	100,000	100,000
HSU, CHUNG-KUANG	-	100,000	100,000
CHAN THIAN KIAT	-	100,000	100,000
TAN CHUAN YONG	-	100,000	100,000

Directors' Report
cont'd

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 29 to the financial statements.

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

SIGNIFICANT EVENTS DURING/SUBSEQUENT TO THE FINANCIAL YEAR

The significant events during/subsequent to the financial year are disclosed in Note 34 to the financial statements.

AUDITORS

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

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 18 APRIL 2012

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 38 to 95 are 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 state of affairs of the Group and of the Company at 31 December 2011 and of their results and cash flows for the financial year ended on that date.

The supplementary information set out in Note 35, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 18 APRIL 2012

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 38 to 95 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 18 April 2012

Gan Hung Keng

Before me
Datin Hajah Raihela Wanchik (No. W275)
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 statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 38 to 95.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 2011 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 have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

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

Independent Auditors' Report

to the Members of Kelington Group Berhad

(Incorporated In Malaysia) Company No : 501386 - P

cont'd

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS *cont'd*

(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.

The supplementary information set out in Note 35 on page 95 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Ooi Song Wan
Approval No: 2901/10/12 (J)
Chartered Accountant

18 April 2012

Kuala Lumpur

Statements of Financial Position

At 31 December 2011

		THE GROUP		THE COMPANY	
		2011	2010	2011	2010
	NOTE	RM	RM	RM	RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	1,430,389	1,265,275
Property, plant and equipment	6	7,683,462	7,389,039	2,791,218	3,326,409
Intangible assets		484,261	383,387	284,859	183,985
		8,167,723	7,772,426	4,506,466	4,775,669
CURRENT ASSETS					
Amount owing by contract customers	7	26,312,103	11,551,018	13,415,391	831,605
Inventories	8	269,550	1,043,679	-	-
Trade receivables	9	36,793,200	24,818,534	6,244,922	5,279,217
Other receivables and deposits		1,714,269	1,512,683	637,457	233,331
Amount owing by subsidiaries	10	-	-	508,347	2,246,294
Tax refundable		383,252	410,994	367,417	367,417
Fixed deposits with licensed banks	11	10,869,131	12,546,757	9,865,734	5,269,175
Cash and bank balances		14,364,355	9,592,782	7,073,123	5,376,750
		90,705,860	61,476,447	38,112,391	19,603,789
TOTAL ASSETS		98,873,583	69,248,873	42,618,857	24,379,458
EQUITY AND LIABILITIES					
EQUITY					
Share capital	12	7,911,000	7,471,000	7,911,000	7,471,000
Reserves	13	42,490,654	32,767,900	12,253,248	7,180,642
TOTAL EQUITY		50,401,654	40,238,900	20,164,248	14,651,642
NON-CURRENT LIABILITIES					
Deferred tax liabilities	14	523,861	202,899	431,861	110,899
Long-term borrowings	15	1,178,189	1,197,061	671,151	713,220
		1,702,050	1,399,960	1,103,012	824,119
CURRENT LIABILITIES					
Amount owing to contract customers	7	5,574,793	3,222,193	562,108	8,473
Trade payables	18	34,156,428	18,693,241	18,126,914	6,157,923
Other payables and accruals	19	4,385,890	3,207,256	1,279,118	550,716
Provision for taxation		1,048,499	146,815	-	-
Short-term borrowings	20	1,604,269	2,340,508	1,383,457	2,186,585
		46,769,879	27,610,013	21,351,597	8,903,697
TOTAL LIABILITIES		48,471,929	29,009,973	22,454,609	9,727,816
TOTAL EQUITY AND LIABILITIES		98,873,583	69,248,873	42,618,857	24,379,458

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

Statements of Comprehensive Income
for the Financial Year Ended 31 December 2011

		THE GROUP		THE COMPANY	
		2011	2010	2011	2010
	NOTE	RM	RM	RM	RM
REVENUE	21	139,586,390	84,509,540	34,862,919	15,962,644
COST OF SALES		(118,701,183)	(68,877,315)	(31,204,273)	(14,632,951)
GROSS PROFIT		20,885,207	15,632,225	3,658,646	1,329,693
OTHER INCOME		673,299	494,235	6,315,221	281,263
		21,558,506	16,126,460	9,973,867	1,610,956
SELLING AND DISTRIBUTION EXPENSES		(814,395)	(672,406)	(363,389)	(266,951)
ADMINISTRATIVE EXPENSES		(9,474,193)	(6,040,944)	(4,336,776)	(2,384,162)
OTHER EXPENSES		(1,386,535)	(718,268)	(202,781)	(293,459)
FINANCE COSTS		(111,047)	(102,646)	(78,062)	(75,480)
PROFIT/(LOSS) BEFORE TAXATION	22	9,772,336	8,592,196	4,992,859	(1,409,096)
INCOME TAX EXPENSE	23	(1,044,223)	(54,162)	(321,164)	233,182
PROFIT/(LOSS) AFTER TAXATION		8,728,113	8,538,034	4,671,695	(1,175,914)
OTHER COMPREHENSIVE INCOME/ (EXPENSES)					
Foreign currency translation		597,968	(473,568)	4,238	(22,579)
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE FINANCIAL YEAR		9,326,081	8,064,466	4,675,933	(1,198,493)
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		8,728,113	8,538,034	4,671,695	(1,175,914)
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) ATTRIBUTABLE TO:-					
Owners of the Company		9,326,081	8,064,466	4,675,933	(1,198,493)
EARNINGS PER SHARE (SEN)					
- Basic	25	11.2	11.4		
- Diluted	25	11.1	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 2011

	NOTE	← NON-DISTRIBUTABLE → SHARE CAPITAL RM	SHARE PREMIUM RM	CAPITAL RESERVE RM	EMPLOYEE SHARE OPTION RESERVE RM	EXCHANGE FLUCTUATION RESERVE RM	DISTRIBUTABLE RETAINED PROFITS RM	TOTAL EQUITY RM
THE GROUP								
Balance at 1.1.2010		7,471,000	3,816,334	2,400,616	-	458,021	20,269,763	34,415,734
Profit after taxation for the financial year		-	-	-	-	-	8,538,034	8,538,034
Other comprehensive expense for the financial year, net of tax:								
- Foreign currency translation		-	-	-	-	(473,568)	-	(473,568)
Total comprehensive income for the financial year		-	-	-	-	(473,568)	8,538,034	8,064,466
Distribution to owners of the Company:								
- Dividend paid	26	-	-	-	-	-	(2,241,300)	(2,241,300)
Balance at 31.12.2010		7,471,000	3,816,334	2,400,616	-	(15,547)	26,566,497	40,238,900

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

Statements of Changes in Equity
for the Financial Year Ended 31 December 2011
cont'd

	NOTE	SHARE CAPITAL RM	SHARE PREMIUM RM	CAPITAL RESERVE RM	EMPLOYEE SHARE OPTION RESERVE RM	EXCHANGE FLUCTUATION RESERVE RM	RETAINED PROFITS RM	TOTAL EQUITY RM
		NON-DISTRIBUTABLE					DISTRIBUTABLE	
THE GROUP								
Balance at 31.12.2010/ 1.1.2011		7,471,000	3,816,334	2,400,616	-	(15,547)	26,566,497	40,238,900
Reclassification to capital reserve		-	-	100,248	-	-	(100,248)	-
Profit after taxation for the financial year		-	-	-	-	-	8,728,113	8,728,113
Other comprehensive income for the financial year, net of tax:								
- Foreign currency translation		-	-	-	-	597,968	-	597,968
Total comprehensive income for the financial year		-	-	-	-	597,968	8,728,113	9,326,081
Contributions by and distribution to owners of the Company:								
- Dividend paid	26	-	-	-	-	-	(2,373,300)	(2,373,300)
- Employees share option reserve		-	-	-	349,973	-	-	349,973
- Shares issued via private placement		440,000	2,420,000	-	-	-	-	2,860,000
Balance at 31.12.2011		7,911,000	6,236,334	2,500,864	349,973	582,421	32,821,062	50,401,654

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

Statements of Changes in Equity
for the Financial Year Ended 31 December 2011
cont'd

	NOTE	← NON-DISTRIBUTABLE SHARE CAPITAL	SHARE PREMIUM	EMPLOYEE SHARE OPTION RESERVE	EXCHANGE FLUCTUATION RESERVE →	DISTRIBUTABLE RETAINED PROFITS	TOTAL EQUITY
		RM	RM	RM	RM	RM	RM
THE COMPANY							
Balance at 1.1.2010		7,471,000	3,816,334	-	(6,788)	6,810,889	18,091,435
Loss after taxation for the financial year		-	-	-	-	(1,175,914)	(1,175,914)
Other comprehensive expense for the financial year, net of tax:							
- Foreign currency translation		-	-	-	(22,579)	-	(22,579)
Total comprehensive expenses for the financial year		-	-	-	(22,579)	(1,175,914)	(1,198,493)
Distribution to owners of the Company:							
-Dividend paid	26	-	-	-	-	(2,241,300)	(2,241,300)
Balance at 31.12.2010		7,471,000	3,816,334	-	(29,367)	3,393,675	14,651,642
THE COMPANY							
Balance at 31.12.2010/ 1.1.2011		7,471,000	3,816,334	-	(29,367)	3,393,675	14,651,642
Profit after taxation for the financial year		-	-	-	-	4,671,695	4,671,695
Other comprehensive income for the financial year, net of tax:							
- Foreign currency translation		-	-	-	4,238	-	4,238
Total comprehensive income for the financial year		-	-	-	4,238	4,671,695	4,675,933
Contributions by and distribution to owners of the Company:							
-Dividend paid	26	-	-	-	-	(2,373,300)	(2,373,300)
-Employee share option reserve		-	-	349,973	-	-	349,973
-Shares issued via private placement		440,000	2,420,000	-	-	-	2,860,000
Balance at 31.12.2011		7,911,000	6,236,334	349,973	(25,129)	5,692,070	20,164,248

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

Statements of Cash Flows
for the Financial Year Ended 31 December 2011

		THE GROUP		THE COMPANY	
		2011	2010	2011	2010
	NOTE	RM	RM	RM	RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit/(Loss) before taxation		9,772,336	8,592,196	4,992,859	(1,409,096)
Adjustments for:-					
Amortisation of development costs		82,117	16,725	82,117	16,725
Depreciation of property, plant and equipment		1,094,410	889,467	185,260	367,432
Equipment written off		3,065	22,507	1,640	3,286
Impairment loss on trade receivables		1,053	-	1,053	-
Interest expense		111,047	71,605	78,062	54,327
Provision for warranty costs		226,450	-	-	-
Share-based payments		349,973	-	184,859	-
(Gain)/Loss on disposal of equipment		(4,038)	-	403	-
Unrealised (gain)/loss on foreign exchange		(171,816)	92,749	708	41,579
Dividend income		-	-	(5,000,000)	-
Interest income		(258,066)	(301,410)	(181,819)	(116,055)
Writeback of impairment loss on trade receivables		(15,233)	(14,493)	(15,233)	(14,493)
Operating profit/(loss) before working capital changes		11,191,298	9,369,346	329,909	(1,056,295)
Decrease in inventories		774,129	343,579	-	-
(Increase)/Decrease in amount owing by/to contract customers		(12,408,485)	(5,009,112)	(12,030,151)	1,879,897
Increase in trade and other receivables		(12,162,247)	(13,573,020)	(1,355,826)	(1,714,241)
Increase in trade and other payables		16,415,371	6,677,003	12,697,393	1,314,374
Increase in amount owing by subsidiaries		-	-	(86,188)	-
CASH FROM/(FOR) OPERATIONS		3,810,066	(2,192,204)	(444,863)	423,735
Income tax refund/(paid)		203,971	(1,366,594)	1,992	(579,898)
Interest paid		(111,047)	(71,605)	(78,062)	(54,327)
Interest received		258,066	301,410	181,819	116,055
NET CASH FROM/(FOR) OPERATING ACTIVITIES CARRIED FORWARD		4,161,056	(3,328,993)	(339,114)	(94,435)

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

Statements of Cash Flows

for the Financial Year Ended 31 December 2011

cont'd

		THE GROUP		THE COMPANY	
		2011	2010	2011	2010
	NOTE	RM	RM	RM	RM
NET CASH FROM/(FOR) OPERATING ACTIVITIES BROUGHT FORWARD		4,161,056	(3,328,993)	(339,114)	(94,435)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Purchase of plant and equipment	27	(1,067,962)	(1,902,769)	(50,192)	(52,929)
Development costs paid		(182,991)	-	(182,991)	-
Dividend received		-	-	5,000,000	-
Repayment from subsidiaries		-	-	1,824,135	-
Proceeds from disposal of equipment		93,013	-	465,106	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(1,157,940)	(1,902,769)	7,056,058	(52,929)
CASH FLOWS FOR FINANCING ACTIVITIES					
Repayment to subsidiary		-	-	-	(2,232,530)
(Repayment)/Drawdown of trust receipts		(2,121,504)	2,121,504	(2,121,504)	2,121,504
Drawdown of factoring		1,287,810	-	1,287,810	-
Proceeds from issuance of shares		2,860,000	-	2,860,000	-
Repayment of hire purchase obligations		(226,157)	(106,824)	(10,443)	-
Dividend paid		(2,373,300)	(2,241,300)	(2,373,300)	(2,241,300)
Repayment of term loan		(69,115)	(65,908)	(69,115)	(65,908)
NET CASH FOR FINANCING ACTIVITIES		(642,266)	(292,528)	(426,552)	(2,418,234)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,360,850	(5,524,290)	6,290,392	(2,565,598)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		733,097	(476,492)	2,540	(17,240)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		22,139,539	28,140,321	10,645,925	13,228,763
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	28	25,233,486	22,139,539	16,938,857	10,645,925

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

Notes to the Financial Statements
for the Financial Year Ended 31 December 2011

1. GENERAL INFORMATION

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 18 April 2012.

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 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

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

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

FRSs and IC Interpretations (including the Consequential Amendments)

FRS 1 (Revised) First-time Adoption of Financial Reporting Standards

FRS 3 (Revised) Business Combinations

FRS 127 (Revised) Consolidated and Separate Financial Statements

Amendments to FRS 1 (Revised): Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters

Amendments to FRS 1 (Revised): Additional Exemptions for First-time Adopters

Amendments to FRS 2: Scope of FRS 2 and FRS 3 (Revised)

Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions

Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary

Amendments to FRS 7: Improving Disclosures about Financial Instruments

Notes to the Financial Statements

for the Financial Year Ended 31 December 2011
cont'd

3. BASIS OF PREPARATION *cont'd*

(a) During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):- *cont'd*

FRSs and IC Interpretations (including the Consequential Amendments) *cont'd*

Amendments to FRS 138: Consequential Amendments Arising from FRS 3 (Revised)

IC Interpretation 4 Determining Whether An Arrangement Contains a Lease

IC Interpretation 12 Service Concession Arrangements

IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation

IC Interpretation 17 Distributions of Non-cash Assets to Owners

IC Interpretation 18 Transfers of Assets from Customers

Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised)

Annual Improvement to FRSs (2010)

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements, other than the following:-

(i) FRS 3 (Revised) 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.

The Group has applied FRS 3 (Revised) prospectively. Accordingly, business combinations entered into prior to 1 January 2011 have not been adjusted to comply with this revised standard.

(ii) FRS 127 (Revised) requires accounting for changes in ownership interests by the group in a subsidiary, whilst 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 non-controlling interests to be absorbed by the non-controlling interests instead of by the parent.

The Group has applied FRS 127 (Revised) prospectively during the current financial year with no financial impact on the financial statements of the Group but may impact the accounting of its future transaction or arrangements.

(iii) Amendments to FRS 7 expand the disclosure requirements in respect of fair value measurements and liquidity risk. In particular, the amendments require additional disclosure of fair value measurements by level of a fair value measurement hierarchy, as shown in Note 33(e) to the financial statements. Comparatives are not presented by virtue of the exemption given in the amendments.

(iv) Annual Improvements to FRSs (2010) contain amendments to 11 accounting standards that result in accounting changes for presentation, recognition or measurement purposes.

The amendments to FRS 101 (Revised) clarify that an entity may choose to present the analysis of the items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group has chosen to present the items of other comprehensive income in the statement of changes in equity.

3. BASIS OF PREPARATION *cont'd*

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

FRSs and IC Interpretations (including the Consequential Amendments)	Effective Date
FRS 9 Financial Instruments	1 January 2015
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013
FRS 12 Disclosure of Interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 (Revised) Employee Benefits	1 January 2013
FRS 124 (Revised) Related Party Disclosures	1 January 2012
FRS 127 (2011) Separate Financial Statements	1 January 2013
FRS 128 (2011) Investments in Associates and Joint Ventures	1 January 2013
Amendments to FRS 1 (Revised): Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
Amendments to FRS 7: Disclosures – Transfers of Financial Assets	1 January 2012
Amendments to FRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 9: Mandatory Effective Date of FRS 9 and Transition Disclosures	1 January 2015
Amendments to FRS 101 (Revised): Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to FRS 112: Recovery of Underlying Assets	1 January 2012
Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 15 Agreements for the Construction of Real Estate	Withdrawn on 19 November 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011

The Group's next set of financial statements for the annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the MASB that will also comply with International Financial Reporting Standards ("IFRSs"). As a result, the Group will not be adopting the above accounting standards and interpretations (including the consequential amendments) that are effective for annual periods beginning on or after 1 January 2012.

Following the issuance of MFRSs (equivalent to IFRSs) by the MASB on 19 November 2011, the Group will be adopting the new accounting standards in the next financial year. The Group is currently in the process of assessing the impact of the adoption of these new accounting standards and the directors do not expect any significant impact on the financial statements arising from the adoption.

Notes to the Financial Statements
for the Financial Year Ended 31 December 2011
cont'd

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

(iii) Impairment of Non-financial Assets

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

(iv) Amortisation of Development Costs

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

(v) Write-down of Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

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

(vi) Impairment of Trade and Other Receivables

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

(vii) Impairment of Goodwill

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

(viii) Construction Contracts

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

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

(ix) Provisions

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

(x) Share-based Payments

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

Notes to the Financial Statements

for the Financial Year Ended 31 December 2011

cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2011.

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.

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

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

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the Company's shareholders' equity, and are separately disclosed in the consolidated statement of comprehensive income. Transactions with non-controlling interests are accounted for as transactions with owners and are recognised directly in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Upon loss of control of a subsidiary, the profit or loss on disposal is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 127.

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(b) Basis of Consolidation *cont'd*

Business combinations from 1 January 2011 onwards

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

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

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

The Group has applied the FRS 3 (Revised) in accounting for business combinations from 1 January 2011 onwards. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard.

Business combinations before 1 January 2011

All subsidiaries are consolidated using the purchase method. At the date of acquisition, the fair values 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.

Non-controlling interests are initially measured at their share of the fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition.

(c) Goodwill

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 profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Business combinations from 1 January 2011 onwards

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

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

Notes to the Financial Statements
for the Financial Year Ended 31 December 2011
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Goodwill *cont'd*

Business combinations before 1 January 2011

Under the purchase method, goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition.

If, after reassessment, 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 as income immediately in profit or loss.

(d) Functional and Foreign Currencies

(i) Functional and Presentation Currency

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

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

(ii) Transactions and Balances

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

(iii) Foreign Operations

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

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

(e) Financial Instruments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(e) Financial Instruments *cont'd*

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

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

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

(i) Financial Assets

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

- *Financial Assets at Fair Value Through Profit or Loss*

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

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

- *Held-to-maturity Investments*

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

- *Loans and Receivables Financial Assets*

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

- *Available-for-sale Financial Assets*

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

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(e) Financial Instruments *cont'd*

(i) Financial Assets cont'd

- *Available-for-sale Financial Assets cont'd*

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

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

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

(ii) Financial Liabilities

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

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

(iii) Equity Instruments

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

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

(f) Investments in Subsidiaries

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

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

(g) Property, Plant and Equipment

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

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(g) Property, Plant and Equipment *cont'd*

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

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

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

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

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

(h) Development Costs

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

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

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

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

(iii) its future economic benefits are probable;

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(h) Development Costs *cont'd*

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

(i) Impairment

(i) Impairment of Financial Assets

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

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

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

(ii) Impairment of Non-Financial Assets

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

An impairment loss is recognised in profit or loss immediately 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.

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(i) Impairment *cont'd*

(ii) Impairment of Non-Financial 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 profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statements of comprehensive income, a reversal of that impairment loss is recognised as income in the statements of comprehensive income.

(j) Assets under Finance Lease and Hire Purchase

Assets acquired under finance lease and hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 4(g) above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

(k) Amounts Owing By/To Contract Customers

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

(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) Borrowing Costs

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(n) 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.

(o) Income Taxes

Income tax for the year comprises 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 end of the reporting period.

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

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

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

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

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

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

(p) Provisions

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

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(q) Employee Benefits

(i) Short-term Benefits

Wages, salaries, paid annual leave and sick 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 recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(iii) Share-based Payment Transactions

At grant date, the fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(r) Related Parties

A party is related to an entity if:-

(i) directly, or indirectly through one or more intermediaries, the party:-
- controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the entity; or
- 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.

(s) Contingent Liabilities

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

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

Notes to the Financial Statements
for the Financial Year Ended 31 December 2011
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(t) Revenue Recognition

(i) Contracts

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

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

(ii) Sale of Goods

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

(iii) Interest Income

Interest income is recognised on an accrual basis.

(iv) Rental Income

Rental income is recognised on an accrual basis.

(u) Operating Segments

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

5. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2011	**2010**
	RM	**RM**
Unquoted shares, at cost		
- in Malaysia	103,186	20,000
- outside Malaysia	1,327,203	1,245,275
	1,430,389	1,265,275

Included in the investments in subsidiaries is an amount of RM165,114 (2010 - Nil) relating to the share options granted by the Company to the employees of the subsidiaries.

5. INVESTMENTS IN SUBSIDIARIES *cont'd*

The details of the subsidiaries, are as follows:-

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE EQUITY INTEREST 2011 %	EFFECTIVE EQUITY INTEREST 2010 %	PRINCIPAL ACTIVITIES
Kelington Engineering (Shanghai) Co. Ltd. ("KES")*	The People's Republic Of China ("PRC")	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.
Kelington Trading (Shanghai) Co., Ltd. *#	PRC	100	100	Trading of machinery equipment and related parts and components.

* - *These subsidiaries were audited by other firms of auditors.*
\# - *Interest held by KES.*

6. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	AT 1.1.2011 RM	ADDITIONS RM	DISPOSAL RM	WRITTEN OFF RM	EXCHANGE FLUCTUATION DIFFERENCES RM	DEPRECIATION CHARGE RM	AT 31.12.2011 RM
NET BOOK VALUE							
Freehold land	1,300,000	-	-	-	-	-	1,300,000
Buildings	1,176,000	-	-	-	-	(28,000)	1,148,000
Motor vehicles	860,111	469,831	(88,975)	-	1,601	(144,561)	1,098,007
Office and computer equipment	377,724	131,287	-	(3,065)	7,537	(145,941)	367,542
Tools and equipment	3,262,722	836,667	-	-	27,420	(630,300)	3,496,509
Furniture, fittings and renovation	412,482	4,032	-	-	2,498	(145,608)	273,404
	7,389,039	1,441,817	(88,975)	(3,065)	39,056	(1,094,410)	7,683,462

Notes to the Financial Statements

for the Financial Year Ended 31 December 2011

cont'd

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

THE GROUP	AT 1.1.2010 RM	ADDITIONS RM	WRITTEN OFF RM	EXCHANGE FLUCTUATION DIFFERENCES RM	DEPRECIATION CHARGE RM	AT 31.12.2010 RM
NET BOOK VALUE						
Freehold land	1,300,000	-	-	-	-	1,300,000
Buildings	1,204,000	-	-	-	(28,000)	1,176,000
Motor vehicles	663,897	298,693	-	(3,378)	(99,101)	860,111
Office and computer equipment	312,488	213,443	(21,816)	(6,584)	(119,807)	377,724
Tools and equipment	2,414,322	1,475,933	(691)	(51,357)	(575,485)	3,262,722
Furniture, fittings and renovation	236,603	178,700	-	64,253	(67,074)	412,482
	6,131,310	2,166,769	(22,507)	2,934	(889,467)	7,389,039

	AT COST RM	ACCUMULATED DEPRECIATION RM	NET BOOK VALUE RM
THE GROUP			
AT 31.12.2011			
Freehold land	1,300,000	-	1,300,000
Building	1,400,000	(252,000)	1,148,000
Motor vehicles	1,353,700	(255,693)	1,098,007
Office and computer equipment	1,036,673	(669,131)	367,542
Tools and equipment	5,272,390	(1,775,881)	3,496,509
Furniture, fittings and renovation	813,443	(540,039)	273,404
	11,176,206	(3,492,744)	7,683,462
AT 31.12.2010			
Freehold land	1,300,000	-	1,300,000
Building	1,400,000	(224,000)	1,176,000
Motor vehicles	1,184,422	(324,311)	860,111
Office and computer equipment	951,909	(574,185)	377,724
Tools and equipment	5,659,681	(2,396,959)	3,262,722
Furniture, fittings and renovation	804,946	(392,464)	412,482
	11,300,958	(3,911,919)	7,389,039

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

THE COMPANY	AT 1.1.2011 RM	ADDITIONS RM	DISPOSALS RM	WRITTEN OFF RM	EXCHANGE FLUCTUATION DIFFERENCES RM	DEPRECIATION CHARGE RM	AT 31.12.2011 RM
NET BOOK VALUE							
Freehold land	1,300,000	-	-	-	-	-	1,300,000
Buildings	1,176,000	-		-	-	(28,000)	1,148,000
Motor vehicles	68,113	90,032	(67,032)	-	(149)	(8,434)	82,530
Office and computer equipment	86,070	21,828	-	(1,640)	(135)	(44,963)	61,160
Tools and equipment	566,568	6,387	(398,477)	-	(599)	(57,410)	116,469
Furniture, fittings and renovation	129,658	-	-	-	(146)	(46,453)	83,059
	3,326,409	118,247	(465,509)	(1,640)	(1,029)	(185,260)	2,791,218

THE COMPANY	AT 1.1.2010 RM	ADDITIONS RM	WRITTEN OFF RM	EXCHANGE FLUCTUATION DIFFERENCES RM	DEPRECIATION CHARGE RM	AT 31.12.2010 RM
NET BOOK VALUE						
Freehold land	1,300,000	-	-	-	-	1,300,000
Buildings	1,204,000	-	-	-	(28,000)	1,176,000
Motor vehicles	81,877	12,000	-	(499)	(25,265)	68,113
Office and computer equipment	120,918	16,989	(3,286)	(459)	(48,092)	86,070
Tools and equipment	764,388	23,940	-	(3,627)	(218,133)	566,568
Furniture, fittings and renovation	178,344	-	-	(744)	(47,942)	129,658
	3,649,527	52,929	(3,286)	(5,329)	(367,432)	3,326,409

Notes to the Financial Statements
for the Financial Year Ended 31 December 2011
cont'd

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

THE COMPANY	AT COST RM	ACCUMULATED DEPRECIATION RM	NET BOOK VALUE RM
At 31.12.2011			
Freehold land	1,300,000	-	1,300,000
Building	1,400,000	(252,000)	1,148,000
Motor vehicles	90,032	(7,502)	82,530
Office and computer equipment	477,082	(415,922)	61,160
Tools and equipment	460,846	(344,377)	116,469
Furniture, fittings and renovation	474,098	(391,039)	83,059
	4,202,058	(1,410,840)	2,791,218
At 31.12.2010			
Freehold land	1,300,000	-	1,300,000
Building	1,400,000	(224,000)	1,176,000
Motor vehicles	239,843	(171,730)	68,113
Office and computer equipment	457,724	(371,654)	86,070
Tools and equipment	2,158,069	(1,591,501)	566,568
Furniture, fittings and renovation	474,278	(344,620)	129,658
	6,029,914	(2,703,505)	3,326,409

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

Certain motor vehicles of the Group and of the Company with a net book value of RM1,066,506 (2010 - RM762,045) and RM82,530 (2010 - Nil) respectively were acquired under hire purchase terms.

7. AMOUNTS DUE BY/(TO) CONTRACT CUSTOMERS

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Contract costs incurred	134,180,575	89,804,689	35,039,249	17,594,982
Attributable profits	32,802,369	28,087,679	8,843,663	6,329,558
	166,982,944	117,892,368	43,882,912	23,924,540
Progress billings	(146,245,634)	(109,563,543)	(31,029,629)	(23,101,408)
	20,737,310	8,328,825	12,853,283	823,132

7. AMOUNTS DUE BY/(TO) CONTRACT CUSTOMERS *cont'd*

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Amount owing by contract customers	26,312,103	11,551,018	13,415,391	831,605
Amount owing to contract customers	(5,574,793)	(3,222,193)	(562,108)	(8,473)
	20,737,310	8,328,825	12,853,283	823,132

8. INVENTORIES

	THE GROUP	
	2011	2010
	RM	RM
At cost:-		
Materials for contracts	269,550	1,043,679

None of the inventories is carried at net realisable value.

9. TRADE RECEIVABLES

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Trade receivables	36,797,873	24,837,562	6,249,595	5,298,245
Impairment loss				
At 1 January	(19,028)	(34,402)	(19,028)	(34,402)
Addition during the financial year	(1,053)	-	(1,053)	-
Writeback during the financial year	15,233	14,493	15,233	14,493
Effect of foreign exchange translation	175	881	175	881
At 31 December	(4,673)	(19,028)	(4,673)	(19,028)
	36,793,200	24,818,534	6,244,922	5,279,217

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.

Notes to the Financial Statements
for the Financial Year Ended 31 December 2011
cont'd

10. AMOUNT OWING BY SUBSIDIARIES

	THE COMPANY	
	2011	2010
	RM	RM
Trade balance	86,188	-
Non-trade balances	422,159	2,246,294
	508,347	2,246,294

The normal trade credit term granted is 30 days.

The non-trade balances are unsecured, interest-free and repayable on demand.

The amount owing is to be settled in cash.

11. FIXED DEPOSITS WITH LICENSED BANKS

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
Effective interest rate (%)	2.9	2.5	2.8	2.4
Average maturity (days)	30 - 365	30 - 365	30 - 365	210 - 365

Included in fixed deposits with licensed banks of the Group and the Company at the end of the reporting period are amounts of RM2,342,547 (2010 - RM1,301,455) and RM1,339,150 (2010 - Nil) respectively which have been pledged to a licensed bank as security for banking facilities granted to the Group.

12. SHARE CAPITAL

	2011	2010	2011	2010
	NUMBER OF SHARES		RM	RM
ORDINARY SHARES OF RM0.10 EACH:-				
AUTHORISED	250,000,000	250,000,000	25,000,000	25,000,000
ISSUED AND FULLY PAID-UP				
At 1 January	74,710,000	74,710,000	7,471,000	7,471,000
Shares issued via private placement	4,400,000	-	440,000	-
At 31 December	79,110,000	74,710,000	7,911,000	7,471,000

During the financial year, the Company increased its issued and paid-up share capital from RM7,471,000 to RM7,911,000 by the issuance of 4,400,000 new ordinary shares of RM0.10 each at an issue price of RM0.65 per share by way of private placement. The shares were issued for cash consideration. The new shares issued rank pari passu in all respects with the existing shares of the Company.

13. RESERVES

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Non-distributable reserves:-				
Share premium (a)	6,236,334	3,816,334	6,236,334	3,816,334
Capital reserve (b)	2,500,864	2,400,616	-	-
Exchange fluctuation reserves (c)	582,421	(15,547)	(25,129)	(29,367)
Employee share option reserve (d)	349,973	-	349,973	-
	9,669,592	6,201,403	6,561,178	3,786,967
Distributable reserve:-				
Retained profits (e)	32,821,062	26,566,497	5,692,070	3,393,675
	42,490,654	32,767,900	12,253,248	7,180,642

(a) Share Premium

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

(b) Capital Reserve

	THE GROUP	
	2011	2010
	RM	RM
Capital reserve is represented by:		
Transfer of non-distributable reserve funds by a subsidiary	520,864	420,616
Bonus shares issued by a subsidiary	1,980,000	1,980,000
At 31 December	2,500,864	2,400,616

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

(c) Exchange Fluctuation Reserve

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

Notes to the Financial Statements
for the Financial Year Ended 31 December 2011
cont'd

13. RESERVES *cont'd*

(d) Employees' Share Option Reserve

During the financial year, the Company has granted 7,232,000 share options under the Employees' Share Option Scheme ("ESOS"). These options expire on 30 May 2016 and are exercisable in 5 window option periods. The fair value of the share options measured at grant date and the respective exercise window periods are as below:-

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

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

	THE GROUP/ THE COMPANY 2011
Weighted average share price (RM)	0.68
Exercise price (RM)	0.68
Expected volatility (%)	41.37
Expected life (years)	5
Risk free rate (%)	3.656
Expected dividend yield (%)	4.406

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

1. The ESOS shall be in force for a duration of five (5) years from the implementation date;

2. The aggregate number of options exercised and offered and to be offered under the ESOS shall not exceed 10% of the issued and paid-up ordinary share capital of the Company at any one time during the duration of the ESOS, and further the following shall be complied with:-

   a) the aggregate allocation to the directors of the Group and senior management of the Company must not exceed 50% of the total number of the Company shares to be issued under the ESOS;

   b) the allocation to a director of the Company or eligible employee of the Group who, either singly or collectively through persons connected with the said director or eligible employee holds 20% or more of the issued and paid-up capital of the Company, must not exceed 10% of the total number of the Company shares to be issued under the ESOS;

3. Any employee of the Group or director of the Company who is at least 18 years of age and has been confirmed in service for regular full time employment of any company within the Group shall be eligible to participate in the ESOS;

13. RESERVES *cont'd*

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

4. The price at which the option holder is entitled to subscribe for each new ordinary share of the Company may be at a discount of not more than 10% from the 5 days weighted average market price of ordinary shares as at the offer date provided that the subscription price shall in no event be less than the par value of the ordinary shares;

5. The ESOS shall be administered by the Option Committee appointed by the board of directors to administer the ESOS; and

6. All the new ordinary shares issued arising from the ESOS shall rank pari passu in all respects with the existing ordinary shares of the Company.

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

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Expenses arising from equity- settled share-based payment transaction	349,973	-	184,859	-

The option prices and the details in the movement of the options granted are as follows:-

		NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM0.10 EACH		
DATE OF OFFER	EXERCISE PRICE	AT 1 JANUARY 2011	GRANTED	AT 31 DECEMBER 2011
29 MARCH 2011	RM0.68	-	7,232,000	7,232,000

(e) Retained Profits

Subject to agreement with the tax authorities, at the end of the reporting period, the Company has:-

(a) tax-exempt income of approximately RM1,321,053 (2010 - RM3,562,000) 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 RM921,527 (2010 - RM2,896,581) out of its retained profits.

At the end of the reporting period, 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.

Notes to the Financial Statements
for the Financial Year Ended 31 December 2011
cont'd

14. DEFERRED TAX LIABILITIES

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
At 1 January	202,899	355,180	110,899	156,806
Recognised in profit or loss (Note 23)	318,768	(151,410)	318,768	(45,036)
Effect of foreign exchange	2,194	(871)	2,194	(871)
At 31 December	523,861	202,899	431,861	110,899

The components of the deferred tax assets and liabilities are as follows:-

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
The deferred tax liabilities are as follows:-				
Accelerated capital allowances	92,000	168,000	-	76,000
Amounts owing by contract customers	534,457	110,899	534,457	110,899
Unrealised gain on foreign exchange	3,595	-	3,595	-
	630,052	278,899	538,052	186,899
The deferred tax assets are as follows:-				
Unabsorbed capital allowances	-	(68,000)	-	(68,000)
Unrealised foreign exchange loss	-	(8,000)	-	(8,000)
Unutilised tax losses	(106,191)	-	(106,191)	-
	523,861	202,899	431,861	110,899

No deferred tax assets are recognised on the following items:-

	THE GROUP/THE COMPANY	
	2011	2010
	RM	RM
Unabsorbed capital allowances	283,000	275,000
Unutilised tax losses	1,440,000	1,440,000
	1,723,000	1,715,000

15. LONG-TERM BORROWINGS

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Hire purchase payables (Note 16)	542,719	483,841	35,681	-
Term loan (Note17)	635,470	713,220	635,470	713,220
	1,178,189	1,197,061	671,151	713,220

16. HIRE PURCHASE PAYABLES

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Minimum hire purchase payments:				
- not later than one year	278,422	184,248	25,030	-
- later than one year and not later than two years	278,422	184,248	25,030	-
- later than two years and not later than five years	338,619	366,315	12,515	-
	895,463	734,811	62,575	-
Less: Future finance charges	(110,001)	(97,047)	(4,963)	-
Present value of hire purchase payables	785,462	637,764	57,612	-
Current portion:				
- not later than one year (Note 20)	242,743	153,923	21,931	-
Non-current portion (Note 15):				
- later than one year and not later than two years	242,743	156,780	21,931	-
- later than two years and not later than five years	299,976	327,061	13,750	-
	542,719	483,841	35,681	-
	785,462	637,764	57,612	-

The hire purchase payables for the Group and the Company bore a weighted average effective interest rate of 5.5% (2010 - 5.3%) and 6.5% (2010 - Nil) per annum respectively at the end of the reporting period.

Notes to the Financial Statements
for the Financial Year Ended 31 December 2011
cont'd

17. TERM LOAN

	THE GROUP/THE COMPANY	
	2011	2010
	RM	RM
Current portion:		
- repayable within one year (Note 20)	73,716	65,081
Non-current portion (Note 15):		
- repayable between one and two years	78,967	69,510
- repayable between two and five years	272,277	238,210
- repayable after five years	284,226	405,500
	635,470	713,220
	709,186	778,301

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

Term Loan	Number of Monthly Instalments	Monthly Instalment Amount	Commencement Date of Repayment	Amount Outstanding	
				2011	2010
		RM		RM	RM
1	12	8,277	September 2008		
	12	9,403	September 2009		
	122	10,081	September 2010	709,186	778,301

The effective interest rate per annum at the end of the reporting period for the term loan was as follows:-

	THE GROUP/THE COMPANY	
	2011	2010
	%	%
Term loan	6.9	6.3

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.

18. TRADE PAYABLES

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

19. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Other payables	1,445,953	860,793	448,858	302,897
Accruals	2,399,752	1,375,963	830,260	247,819
Advances received from contract customers	313,735	970,500	-	-
Provision for warranty costs	226,450	-	-	-
	4,385,890	3,207,256	1,279,118	550,716

Provision for warranty costs is recognised for expected claims on the contract revenue during the year that is based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year. The assumptions used to calculate the provision for warranties are based on current revenue and current information available about returns based on 1 year warranty period.

20. SHORT-TERM BORROWINGS

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Factoring	1,287,810	-	1,287,810	-
Hire purchase payables (Note 16)	242,743	153,923	21,931	-
Term loan (Note 17)	73,716	65,081	73,716	65,081
Trust receipts	-	2,121,504	-	2,121,504
	1,604,269	2,340,508	1,383,457	2,186,585

The effective interest rate per annum at the end of the reporting period for the short-term borrowings was as follows:-

	THE GROUP/THE COMPANY	
	2011	2010
	%	%
Factoring	2.9	-
Trust receipts	-	1.6

Notes to the Financial Statements

for the Financial Year Ended 31 December 2011

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21. REVENUE

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Contract revenue	128,519,745	81,172,708	34,862,919	15,962,644
Sale of goods	11,066,645	3,336,832	-	-
	139,586,390	84,509,540	34,862,919	15,962,644

22. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is arrived at after charging/(crediting):-

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Amortisation of development costs	82,117	16,725	82,117	16,725
Auditors' remuneration:				
- Statutory audit				
-for the financial year	149,000	106,608	76,621	61,922
-(over)/underprovision in the previous financial year	(2,000)	5,000	(2,000)	2,000
- Other services	3,000	3,000	3,000	3,000
Depreciation of property, plant and equipment	1,094,410	889,467	185,260	367,432
Directors' remuneration (Note 24):				
-fee				
-for the financial year	102,000	102,000	102,000	102,000
-overprovison in the previous financial year	-	(171,617)	-	(171,617)
- salaries, wages, bonus, allowances and others	1,192,012	1,007,940	1,101,240	547,940
- defined contribution plans	132,000	125,399	132,000	125,399
- share-based payments	90,010	-	90,010	-
Equipment written off	3,065	22,507	1,640	3,286
Impairment loss on trade receivables	1,053	-	1,053	-
Interest expense:				
- bank overdrafts	23,349	1,384	23,349	1,384
- hire purchase	34,267	17,352	2,351	74
- term loan	50,669	51,221	50,669	51,221
- others	2,762	1,648	1,693	1,648
Provision for warranty costs	226,450	-	-	-
Rental of office	253,110	398,559	81,111	-

22. PROFIT/(LOSS) BEFORE TAXATION *cont'd*

Profit/(Loss) before taxation is arrived at after charging/(crediting):- *cont'd*

	THE GROUP		THE COMPANY	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Rent of equipment	295,559	-	-	-
Staff costs				
- salaries, wages, bonus, allowances and others	9,627,167	5,676,606	1,500,949	911,026
- defined contribution plans	716,592	729,800	90,312	171,686
- share-based payments	259,963	-	94,849	-
(Gain)/Loss on disposal of equipment	(4,038)	-	403	-
Loss/(Gain) on foreign exchange:				
- realised	2,682	(11,738)	(25,703)	3,677
- unrealised	(171,816)	92,749	708	41,579
Dividend income	-	-	(5,000,000)	-
Interest income	(258,066)	(301,410)	(181,819)	(116,055)
Writeback of impairment loss on trade receivables	(15,233)	(14,493)	(15,233)	(14,493)

23. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Current tax expense:				
- Malaysian tax	20,000	44,000	-	-
- Foreign tax	781,066	413,934	-	24,056
	801,066	457,934	-	24,056
- (Over)/Underprovision in the previous financial year				
- Malaysian tax	-	(213,000)	-	(213,000)
- Foreign tax	(75,611)	(39,362)	2,396	798
	(75,611)	(252,362)	2,396	(212,202)
	725,455	205,572	2,396	(188,146)
Deferred tax expense (Note 14):				
- relating to originating and recognition of temporary differences	318,768	(151,410)	318,768	(45,036)
	1,044,223	54,162	321,164	(233,182)

Notes to the Financial Statements

for the Financial Year Ended 31 December 2011

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23. INCOME TAX EXPENSE *cont'd*

A reconciliation of income tax expense applicable to the profit/(loss) 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	
	2011	2010	2011	2010
	RM	RM	RM	RM
Profit/(Loss) before taxation	9,772,336	8,592,196	4,992,859	(1,409,096)
Tax at Malaysian statutory tax rate of 25%	2,443,084	2,148,049	1,248,215	(352,274)
Tax effects of:-				
Differential in tax rates	(372,325)	(125,451)	(131,461)	(37,890)
Non-deductible expenses	564,029	226,565	450,804	100,614
Tax-exempt income	(1,516,954)	(2,217,639)	(1,250,790)	(6,430)
(Over)/Underprovision of current tax in the previous financial year	(75,611)	(252,362)	2,396	(212,202)
Deferred tax assets not recognised during the financial year	2,000	275,000	2,000	275,000
Tax for the financial year	1,044,223	54,162	321,164	(233,182)

Subject to agreement with the tax authorities, the Group and of the Company has unabsorbed capital allowances and unutilised tax losses available at the balance sheet date to be carried forward for offset against future taxable business income as follows:

	THE GROUP/THE COMPANY	
	2011	2010
	RM	RM
Unabsorbed capital allowances	283,000	275,000
Unutilised tax losses	1,440,000	1,440,000
	1,723,000	1,715,000

24. DIRECTORS' REMUNERATION

(a) The aggregate amounts of emoluments received and receivable by directors of the Group and the Company during the financial year are as follows:-

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Directors of the Company				
- Executive:				
- overprovision in the previous financial year	-	(171,617)	-	(171,617)
- Salaries, bonuses, allowances and others	1,192,012	1,007,940	1,101,240	547,940
- Defined contribution plans	132,000	125,399	132,000	125,399
- Share-based payments	70,654	-	70,654	-
	1,394,666	961,722	1,303,894	501,722
- Non-executive:				
- Fee	102,000	102,000	102,000	102,000
- Share-based payments	19,356	-	19,356	-
	1,516,022	1,063,722	1,425,250	603,722

(b) Details of directors' emoluments of the Group and the Company received/receivable for the financial year in bands of RM50,000 are as follows:-

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
Executive directors:				
- RM550,001-RM600,000	2	2	2	2
Non-executive directors:				
- < RM50,000	4	4	4	4

Notes to the Financial Statements
for the Financial Year Ended 31 December 2011
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25. EARNINGS PER SHARE

	THE GROUP 2011	THE GROUP 2010
Basic earnings per share		
Profit after taxation/Profit attributable to owners of the Company (RM)	8,728,113	8,538,034
Weighted average number of ordinary shares:-		
Issued ordinary shares at 1 January	74,710,000	74,710,000
Effect of new ordinary shares issued	3,339,178	-
Weighted average number of ordinary shares at 31 December	78,049,178	74,710,000
Basic earnings per share (Sen)	11.2	11.4

	THE GROUP 2011
Diluted earnings per share	
Profit after taxation (RM)/Profit attributable to owners of the Company for diluted earnings per share computation (RM)	8,728,113
Weighted average number of ordinary shares for basic earnings per share	78,049,178
Effects of dilution:	
- employee share options in issue	906,051
Weighted average number of ordinary shares for computation of diluted earnings per share	78,955,229
Diluted earnings per ordinary share (Sen)	11.1

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

26. DIVIDEND

	THE COMPANY 2011 RM	THE COMPANY 2010 RM
Final tax-exempt dividend of 3 sen per ordinary share in respect of the financial year ended 31 December 2010/2009	2,373,300	2,241,300

26. DIVIDEND *cont'd*

At the forthcoming Annual General Meeting, a final tax-exempt dividend of 4 sen per ordinary share amounting to RM3,164,400 in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 31 December 2012.

27. PURCHASE OF PLANT AND EQUIPMENT

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Cost of plant and equipment purchased	1,441,817	2,166,769	118,247	52,929
Amount financed through hire purchase	(373,855)	(264,000)	(68,055)	-
Cash disbursed for purchase of plant and equipment	1,067,962	1,902,769	50,192	52,929

28. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Fixed deposits with licensed banks (Note 11)	10,869,131	12,546,757	9,865,734	5,269,175
Cash and bank balances	14,364,355	9,592,782	7,073,123	5,376,750
	25,233,486	22,139,539	16,938,857	10,645,925

29. RELATED PARTY DISCLOSURES

(a) Identities of related parties

The Company has related party relationships with:-

(i) its subsidiaries as disclosed in Note 5 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 2011

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29. 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	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Subsidiaries				
Dividend received	-	-	5,000,000	-
Management fees received	-	-	1,056,375	-
Progress billings	-	-	356,204	-
Sales of equipment	-	-	398,479	-
Entities in which certain directors are key management personnel				
- Progress billings	17,097,635	11,084,743	17,097,635	11,084,743
A related party of the entities in which certain directors are key management personnel				
- Progress billings	4,415,927	4,588,160	1,368,592	704,119
Entities in which certain directors are shareholders				
- Purchases	712,892	1,077,769	324,856	188,987

(c) Key management personnel compensation

	THE GROUP		THE COMPANY	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Short-term employee benefits				
- salaries, allowances and bonus	2,586,723	1,502,389	1,790,833	1,294,014
- defined contribution plans	247,405	177,289	216,967	162,313
- share-based payments	194,054	-	138,597	-

29. RELATED PARTY DISCLOSURES *cont'd*

(d) Outstanding balances

	THE GROUP		THE COMPANY	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Entities controlled by the key management personnel as included in:				
- trade receivables	5,354,771	1,427,349	5,354,771	2,938,265
A related party of the entities in which certain directors are key management personnel as included in:				
- trade receivables	1,242,271	1,052,960	64,640	-
- other payables	33,152	30,736	-	-
Entities in which certain directors are shareholders as included in:				
- trade payables	206,289	47,602	105,332	-
- other payables	500	-	-	-

30. FOREIGN EXCHANGE RATES

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

	THE GROUP/THE COMPANY	
	2011	**2010**
	RM	**RM**
Euro	4.11	4.08
Japanese Yen	-	0.04
New Taiwan Dollar	0.10	0.11
Chinese Renminbi	0.50	0.47
Singapore Dollar	2.45	2.39
United States Dollar	3.17	3.08

31. OPERATING SEGMENTS

The operating segments reporting is not presented as the Group is principally involved in engineering services.

Notes to the Financial Statements

for the Financial Year Ended 31 December 2011
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31. OPERATING SEGMENTS *cont'd*

Geographical Information

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

	REVENUE		NON-CURRENT ASSETS	
	2011	2010	2011	2010
	RM	RM	RM	RM
Malaysia	43,827,877	40,733,548	7,079,457	6,689,852
Singapore	29,010,669	11,176,965	349,877	199,253
Taiwan	34,501,290	15,907,079	262,058	224,081
PRC	25,857,778	16,691,948	476,331	659,240
Others	6,388,776	-	-	-
	139,586,390	84,509,540	8,167,723	7,772,426

Major Customers

Revenue from two major customers, with revenue equal to or more than 10% of the Group's revenue, amounted to RM31,056,080 (2010 – RM19,846,952).

32. CONTINGENT LIABILITY

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Performance bond and warranty bond granted to contract customers	5,464,939	45,000	5,464,939	45,000

33. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily, Chinese Renminbi ("RMB"), United States Dollar ("USD"), New Taiwan Dollar ("NTD"), Singapore Dollar ("SGD"), Japanese Yen ("JPY"), and Euro. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is kept at an acceptable level.

The Group's exposure to foreign currency is as follows:-

	RMB	**USD**	**NTW**	**SGD**	**JPY**	**EURO**
THE GROUP	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
2011						
Financial assets						
Trade receivables	7,991,241	5,999,446	6,244,922	4,605,651	-	-
Other receivables and deposits	710,738	-	611,426	155,100	-	-
Cash and bank balances	1,464,554	1,811,251	4,787,912	669,306	-	1,609
	10,166,533	7,810,697	11,644,260	5,430,057	-	1,609
Financial liabilities						
Hire purchase payables	-	-	57,612	-	-	-
Factoring	-	-	1,287,810	-	-	-
Trade payables	3,433,907	3,735,381	16,175,444	6,328,199	11,566	131,793
Other payables and accruals	948,930	-	448,819	880,876	-	-
	4,382,837	3,735,381	17,969,685	7,209,075	11,566	131,793
Net financial assets/ (liabilities)	5,783,696	4,075,316	(6,325,425)	(1,779,018)	(11,566)	(130,184)
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(5,783,696)	-	6,325,425	1,938,009	-	-
Net currency exposure	-	4,075,316	-	158,991	(11,566)	(130,184)

Notes to the Financial Statements

for the Financial Year Ended 31 December 2011

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33. FINANCIAL INSTRUMENTS *cont'd*

(a) Financial Risk Management Policies *cont'd*

(i) Market Risk *cont'd*

(i) Foreign Currency Risk cont'd

The Group's exposure to foreign currency is as follows:- *cont'd*

THE GROUP	RMB RM	USD RM	NTW RM	SGD RM	JPY RM	EURO RM
2010						
Financial assets						
Trade receivables	2,401,632	188,144	5,272,967	2,384,164	-	-
Other receivables and deposits	981,627	-	208,135	140,474	-	-
Cash and bank balances	1,784,876	2,644,913	1,978,868	411,377	-	2,454
	5,168,135	2,833,057	7,459,970	2,936,015	-	2,454
Financial liabilities						
Trade payables	1,752,849	2,879,255	4,584,479	3,211,740	200,756	233,852
Other payables and accruals	215,502	-	301,640	342,874	-	-
	1,968,351	2,879,255	4,886,119	3,554,614	200,756	233,852
Net financial assets/ (liabilities)	3,199,784	(46,198)	2,573,851	(618,599)	(200,756)	(231,398)
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(3,199,784)	-	(2,573,851)	(860,491)	-	-
Net currency exposure	-	(46,198)	-	(1,479,090)	(200,756)	(231,398)

33. FINANCIAL INSTRUMENTS *cont'd*

(a) Financial Risk Management Policies *cont'd*

(i) Market Risk *cont'd*

(i) Foreign Currency Risk cont'd

THE COMPANY	USD RM	NTW RM	SGD RM	JPY RM
2011				
Financial assets				
Trade receivables	-	6,244,922	-	-
Other receivables and deposits	-	611,426	-	-
Amount owing by subsidiary	86,188	-	210,755	-
Cash and bank balances	64,654	4,964,991	1,588	-
	150,842	11,821,339	212,343	-
Financial liabilities				
Hire purchase payables	-	57,612	-	-
Factoring	-	1,287,810	-	-
Trade payables	1,939,904	16,175,444	-	11,566
Other payables and accruals	-	448,819	-	-
	1,939,904	17,969,685	-	11,566
Net financial (liabilities)/ assets	(1,789,062)	(6,148,346)	212,343	(11,566)
Less: Net financial liabilities denominated in the entity's functional currency	-	6,148,346	-	-
Net currency exposure	(1,789,062)	-	212,343	(11,566)

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33. FINANCIAL INSTRUMENTS *cont'd*

(a) Financial Risk Management Policies *cont'd*

(i) Market Risk *cont'd*

(i) Foreign Currency Risk cont'd

THE COMPANY	USD RM	NTW RM	SGD RM
2010			
Financial assets			
Trade receivables	-	5,272,967	-
Other receivables and deposits	-	208,135	-
Amount owing by subsidiary	-	124,790	-
Cash and bank balances	905,550	1,978,868	1,588
	905,550	7,584,760	1,588
Financial liabilities			
Trade payables	1,573,444	4,584,479	-
Other payables and accruals	-	301,640	-
	1,573,444	4,886,119	-
Net financial (liabilities)/assets	(667,894)	2,698,641	1,588
Less: Net financial assets denominated in the entity's functional currency	-	(2,698,641)	-
Net currency exposure	(667,894)	-	1,588

33. FINANCIAL INSTRUMENTS *cont'd*

(a) Financial Risk Management Policies *cont'd*

(i) Market Risk *cont'd*

(i) Foreign Currency Risk cont'd

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	THE GROUP		THE COMPANY	
	2011	**2010**	**2011**	**2010**
	Increase/ (Decrease)	**Increase/ (Decrease)**	**Increase/ (Decrease)**	**Increase/ (Decrease)**
	RM	**RM**	**RM**	**RM**
Effects on profit/(loss) after taxation/equity				
USD				
- strengthened by 10%	407,532	(4,620)	(178,906)	(66,790)
- weakened by 10%	(407,532)	4,620	178,906	66,790
SGD				
- strengthened by 10%	15,899	(147,909)	21,234	159
- weakened by 10%	(15,899)	147,909	(21,234)	(159)
JPY				
- strengthened by 10%	(1,157)	(20,076)	(1,157)	-
- weakened by 10%	1,157	20,076	1,157	-
EURO				
- strengthened by 10%	(13,018)	(23,140)	-	-
- weakened by 10%	13,018	23,140	-	-

(ii) Interest Rate Risk

The effect of the interest rate risk to the Group and the Company is minimal. As such, sensitivity analysis is not disclosed.

(iii) Equity Price Risk

The Group and the Company does not have any quoted investments and hence is not exposed to equity price risk.

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33. FINANCIAL INSTRUMENTS *cont'd*

(a) Financial Risk Management Policies *cont'd*

(ii) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. The Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amount owing by a customer which constituted approximately 15% of its trade receivables as at the end of the reporting period.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

The exposure of credit risk for trade receivables by geographical region is as follows:-

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Malaysia	11,951,941	14,810,746	-	-
Indonesia	1,321,875	-	-	-
PRC	10,982,216	2,401,632	-	-
Singapore	5,371,904	2,333,189	-	-
Taiwan	6,244,922	5,272,967	6,244,922	5,279,217
Vietnam	920,342	-	-	-
	36,793,200	24,818,534	6,244,922	5,279,217

33. FINANCIAL INSTRUMENTS *cont'd*

(a) Financial Risk Management Policies *cont'd*

(ii) Credit Risk *cont'd*

Ageing analysis

The ageing analysis of the Group's trade receivables as at 31 December 2011 is as follows:-

THE GROUP	GROSS AMOUNT RM	GENERAL IMPAIRMENT RM	CARRYING VALUE RM
2011			
Not past due	24,356,898	-	24,356,898
Past due:-			
- less than 3 months	7,547,216	(4,673)	7,542,543
- 3 to 6 months	2,675,189	-	2,675,189
- over 6 months	2,218,570	-	2,218,570
	36,797,873	(4,673)	36,793,200
2010			
Not past due	17,640,639	-	17,640,639
Past due:-			
- less than 3 months	4,612,608	(19,028)	4,593,580
- 3 to 6 months	947,232	-	947,232
- over 6 months	1,637,083	-	1,637,083
	24,837,562	(19,028)	24,818,534

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33. FINANCIAL INSTRUMENTS *cont'd*

(a) Financial Risk Management Policies *cont'd*

(ii) Credit Risk *cont'd*

Ageing analysis *cont'd*

The ageing analysis of the Company's trade receivables as at 31 December 2011 is as follows:-

THE COMPANY	GROSS AMOUNT RM	GENERAL IMPAIRMENT RM	CARRYING VALUE RM
2011			
Not past due	5,279,696	-	5,279,696
Past due:-			
- less than 3 months	969,899	(4,673)	965,226
	6,249,595	(4,673)	6,244,922
2010			
Not past due	4,582,469	-	4,582,469
Past due:-			
- less than 3 months	393,936	(19,028)	374,908
- 3 to 6 months	315,590	-	315,590
- over 6 months	6,250	-	6,250
	5,298,245	(19,028)	5,279,217

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantial companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Groups uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 60 days, which are deemed to have higher credit risk, are monitored individually.

33. FINANCIAL INSTRUMENTS *cont'd*

(a) Financial Risk Management Policies *cont'd*

(iii) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

THE GROUP	WEIGHTED AVERAGE EFFECTIVE RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM	1 – 5 YEARS RM	OVER 5 YEARS RM
2011						
Hire purchase payables	5.5	785,462	895,463	278,422	617,041	-
Term loan	6.9	709,186	758,120	120,972	483,888	153,260
Factoring	2.9	1,287,810	1,325,156	1,325,156	-	-
Trade payables	-	34,156,428	34,156,428	34,156,428	-	-
Other payables and accruals	-	4,385,890	4,385,890	4,385,890	-	-
		41,324,776	41,521,057	38,941,712	1,100,929	153,260
2010						
Hire purchase payables	5.3	637,764	734,811	184,248	550,563	-
Term loan	6.3	778,301	1,000,622	120,972	483,888	395,762
Trust receipts	1.6	2,121,504	2,121,841	2,121,841	-	-
Trade payables	-	18,693,241	18,693,241	18,693,241	-	-
Other payables and accruals	-	3,207,256	3,207,256	3,207,256	-	-
		25,438,066	25,757,771	24,327,558	1,034,451	395,762

33. FINANCIAL INSTRUMENTS *cont'd*

(a) Financial Risk Management Policies *cont'd*

(iii) Liquidity Risk *cont'd*

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):- *cont'd*

THE COMPANY	WEIGHTED AVERAGE EFFECTIVE RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM	1 – 5 YEARS RM	OVER 5 YEARS RM
2011						
Factoring	2.9	1,287,810	1,325,156	1,325,156	-	-
Hire purchase payables	6.5	57,612	62,575	25,030	37,545	-
Term loan	6.9	709,186	758,120	120,972	483,888	153,260
Trade payables	-	18,126,914	18,126,914	18,126,914	-	-
Other payables and accruals	-	1,279,118	1,279,118	1,279,118	-	-
		21,460,640	21,551,883	24,877,190	521,433	153,260
2010						
Term loan	6.3	778,301	1,000,622	120,972	483,888	395,762
Trust receipts	1.6	2,121,504	2,121,841	2,121,841	-	-
Trade payables	-	6,157,923	6,157,923	6,157,923	-	-
Other payables and accruals	-	550,716	550,716	550,716	-	-
		9,608,444	9,831,102	8,951,452	483,888	395,762

(b) Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

33. FINANCIAL INSTRUMENTS *cont'd*

(b) Capital Risk Management *cont'd*

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

The debt-to-equity ratio of the Group as at the end of the reporting period was as follows:-

	THE GROUP	
	2011	**2010**
	RM	**RM**
Factoring	1,287,810	-
Hire purchase payables	785,462	637,764
Term loan	709,186	778,301
Trust receipts	-	2,121,504
Trade payables	34,156,428	18,693,241
Other payables and accruals	4,385,890	3,207,256
	41,324,776	25,438,066
Less: Fixed deposits with licensed banks	(10,869,131)	(12,546,757)
Less: Cash and bank balances	(14,364,355)	(9,592,782)
Net debt	16,091,290	3,298,527
Total equity	50,401,654	40,238,900
Debt-to-equity ratio	0.32	0.08

Under the requirement of Bursa Malaysia Guidance Note No. 3/2006, the Company is required to maintain its shareholders' equity equal to or not less than the 25% of the issued and paid-up share capital of the Company. The Company has complied with this requirement.

Notes to the Financial Statements

for the Financial Year Ended 31 December 2011

cont'd

33. FINANCIAL INSTRUMENTS *cont'd*

(c) Classification Of Financial Instruments

	THE GROUP		THE COMPANY	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Financial assets				
Loans and receivables financial assets				
Trade receivables	36,793,200	24,818,534	6,244,922	5,279,217
Other receivables and deposits	1,714,269	1,512,683	637,457	233,331
Amount owing by subsidiaries	-	-	508,347	2,246,294
Fixed deposits with licensed banks	10,869,131	12,546,757	9,865,734	5,269,175
Cash and bank balances	14,364,355	9,592,782	7,073,123	5,376,750
	63,740,955	48,470,756	24,329,583	18,404,767
Financial liabilities				
Other financial liabilities				
Trade payables	34,156,428	18,693,241	18,126,914	6,157,923
Other payables and accruals	4,385,890	3,207,256	1,279,118	550,716
Hire purchase payables	785,462	637,764	57,612	-
Term loan	709,186	778,301	709,186	778,301
Factoring	1,287,810	-	1,287,810	-
Trust receipts	-	2,121,504	-	2,121,504
	41,324,776	25,438,066	21,460,640	9,608,444

(d) Fair Values Of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

The following summarises the methods used to determine the fair values of the financial instruments:-

(i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

(ii) The carrying amounts of long term bank loans and hire purchase payables approximated their fair value 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 end of the reporting period.

(e) Fair Value Hierarchy

As at 31 December 2011, there were no financial instruments carried at fair values.

34. SIGNIFICANT EVENTS DURING/SUBSEQUENT TO THE FINANCIAL YEAR

The significant events during/subsequent to the financial year are as follows:

(i) On 31 March 2011, the Company increased its issued and paid-up share capital from RM7,471,000 to RM7,911,000 by the issuance of 4,400,000 new ordinary shares of RM0.10 each at an issued price of RM0.65 by way of private placement for the purpose of working capital. The new shares issued rank pari passu in all respect with the existing shares of the Company.

(ii) On 14 June 2011, the Board of Directors of the Company proposed to transfer the entire issued and paid-up share capital of the Company from the ACE market to the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") (collectively defined as "Transfer Listing"). On 17 January 2012, the Bursa Malaysia had approved the Transfer Listing and the Company's entire issued and paid-up share capital was listed on the Main Market of Bursa Malaysia on 27 January 2012.

(iii) On 14 February 2012, a subsidiary of the Group, KES acquired 100% of the equity interest in Puritec Technologies (S) Pte. Ltd., a company incorporated in The Republic of Singapore for a cash consideration of SGD2,100,000.

35. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained profits of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Total retained profits:				
- realised	33,399,557	26,862,145	6,124,639	3,546,153
- unrealised	(578,495)	(295,648)	(432,569)	(152,478)
At 31 December	32,821,062	26,566,497	5,692,070	3,393,675

Analysis of Shareholdings
as at 2 May 2012

Authorised Share Capital : RM25,000,000 comprising of 250,000,000 ordinary shares of RM0.10 each
Issued and Paid-Up Share Capital : RM7,911,000 comprising of 79,110,000 ordinary shares of RM0.10 each
Class of Shares : Ordinary Shares of RM0.10 each
Voting Rights : One Vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Holdings	No. of Holders	Percentage (%)	No. of Shares	Percentage (%)
Less than 100	7	2.06	300	0.00
100-1,000	115	33.82	85,500	0.11
1,001-10,000	103	30.29	637,700	0.81
10,001-100,000	84	24.71	2,929,200	3.70
100,001- less than 5%	27	7.94	18,235,941	23.05
5% and above	4	1.18	57,221,359	72.33
TOTAL	**340**	**100**	**79,110,000**	**100**

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 2 MAY 2012
(Based on Register of Substantial Shareholders)

Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Palace Star Sdn Bhd	37,596,709	47.52	-	-
Lembaga Tabung Angkatan Tentera	10,000,000	12.64	-	-
Sky Walker Group Limited	9,624,650	12.17	-	-
Gan Hung Keng[(1)]	-	-	37,596,709	47.52
Ong Weng Leong[(1)]	-	-	37,596,709	47.52
Lim Hock San	-	-	37,596,709	47.52
Confederate Technology Co., Ltd[(2)]	-	-	9,624,650	12.17
United Industrial Gases Co., Ltd[(3)]	-	-	9,624,650	12.17
BOC Lien Hwa Industrial Gases Co., Ltd[(4)]	-	-	9,624,650	12.17

Notes:
(1) *Deemed interested under Section 6A of the Act by virtue of their direct interests in Palace Star Sdn Bhd.*
(2) *Deemed interested under Section 6A of the Act by virtue of its direct interest in Sky Walker Group Limited.*
(3) *Deemed interested under Section 6A of the Act by virtue of its direct interest in Confederate Technology Co., Ltd.*
(4) *Deemed interested under Section 6A of the Act by virtue of its direct interest in United Industrial Gases Co., Ltd.*

Analysis of Shareholdings

as at 2 May 2012

cont'd

LIST OF DIRECTORS' SHAREHOLDING IN THE COMPANY AS AT 2 MAY 2012

Directors	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Gan Hung Keng[1]	-	-	37,596,709	47.52
Ong Weng Leong[1]	-	-	37,596,709	47.52
Hsu, Chung-Kuang	-	-	-	-
Lai, Cheng-Che	-	-	-	-
Chan Thian Kiat	-	-	-	-
Tan Chuan Yong	-	-	-	-

Note:

[1] *Deemed interested under Section 6A of the Act by virtue of their direct interests in Palace Star Sdn Bhd.*

DIRECTORS' INTEREST IN OPTIONS OVER ORDINARY SHARES

(Based on Register of Options of Employees' Share Option Scheme maintained pursuant to the Companies Act, 1965)

Directors	No. of Shares
Gan Hung Keng[1]	730,000
Ong Weng Leong[1]	730,000
Hsu, Chung-Kuang	100,000
Lai, Cheng-Che	100,000
Chan Thian Kiat	100,000
Tan Chuan Yong	100,000

THIRTY LARGEST SHAREHOLDERS

(Without aggregating securities from different securities accounts belonging to the same person)

No.	Name of Shareholders	No. of Shares	%
1	Palace Star Sdn Bhd	27,731,275	35.05
2	Lembaga Tabung Angkatan Tentera	10,000,000	12.64
3	Palace Star Sdn Bhd	9,865,434	12.47
4	Sky Walker Group Limited	9,624,650	12.17
5	Grandworth Group Ltd	3,691,300	4.67
6	Hantech Venture Capital Corporation	2,318,200	2.93
7	An-Jih Co., Ltd	1,930,000	2.44
8	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chew Siow Geok*	1,918,641	2.43
9	Amsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chew Siow Geok*	1,453,600	1.84
10	Leong Ee Nung	810,000	1.02
11	Amsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ong Teik Hoe*	700,900	0.89
12	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB for Tan Kok Pin @ Kok Khong (PB)*	600,000	0.76

Analysis of Shareholdings
as at 2 May 2012
cont'd

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

No.	Name of Shareholders	No. of Shares	%
13	Lew You Sen	500,000	0.63
14	Public Invest Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Kok Pin @ Kok Khong*	500,000	0.63
15	Loy Boon Chen	388,100	0.49
16	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Leong Chee Kin*	317,800	0.40
17	Teo Kwee Hock	303,800	0.38
18	Chea Kok Keong	300,000	0.38
19	Goh Seow Khong	290,000	0.37
20	Sin Huat Hing Farm Sdn Bhd	250,000	0.32
21	Tan Tong Kai	244,000	0.31
22	Tan Kim Kiok	237,100	0.30
23	Loo Kew @ Loh Kwai Lan	229,400	0.29
24	Lim Mui Wah	205,000	0.26
25	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Teo Siew Lai (Margin)*	200,000	0.25
26	Wan Siew Chuan	180,000	0.23
27	Wong Yin Kee	178,500	0.23
28	Lee Lien Yeen	142,900	0.18
29	Soo Wei Keong	125,000	0.16
30	Chan Weng Choy	114,700	0.14
		75,350,300	95.25

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twelfth Annual General Meeting ("AGM") of **Kelington Group Berhad** ("KGB" or "Company") will be held at **Banyan, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur** on Monday, 25 June 2012 at 10.00 a.m., for the purpose of considering the following businesses:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and the Auditors thereon. ***(Refer to Explanatory Note A)***

2. To re-elect the following Directors who are retiring in accordance with Article 69 of the Company's Articles of Association, and being eligible, have offered themselves for re-election:

   (i) Mr Lai, Cheng-Che; and ***(Ordinary Resolution 1)***

   (ii) Mr Ong Weng Leong. ***(Ordinary Resolution 2)***

3. To approve the payment of Directors' fees of RM102,000.00 for the financial year ended 31 December 2011. ***(Ordinary Resolution 3)***

4. To approve the payment of a final tax-exempt dividend of 4 sen per ordinary share of RM0.10 each for the financial year ended 31 December 2011. ***(Ordinary Resolution 4)***

5. To re-appoint Messrs. Crowe Horwath as Auditors of the Company until the conclusion of the next AGM and authorise the Directors to fix their remuneration. ***(Ordinary Resolution 5)***

Special Business

To consider and if thought fit, pass the following resolutions with or without any modifications:

6. **Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965 ("the Act")** ***(Ordinary Resolution 6)***

   "THAT subject to Section 132D of the Act, and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital (excluding treasury shares) of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad ("Bursa Securities"); AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next AGM of the Company."

Notice of Annual General Meeting
cont'd

7. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate")** ***(Ordinary Resolution 7)***

"THAT subject to the Act, the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements ("MMLR") of Bursa Securities, approval be and is hereby given to the Company and/or its subsidiaries ("the Group") to enter into any of the category of recurrent related party transactions of a venue or trading nature ("RRPT") as set out in Section 2.3 of the Circular to Shareholders of the Company dated 1 June 2012 ("the Circular") with the related parties mentioned therein which are necessary for the Group's day-to-day operations subject further to the following:-

(a) The transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public; and

(b) Disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Proposed Renewal of Shareholders' Mandate during the financial year;

THAT such approval shall continue to be in force and effect until:

(a) the conclusion of the next AGM of the Company at which time it will lapse, unless the authority is renewed by a resolution passed at the said AGM, such authority is renewed;

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

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

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby empowered and authorised to complete and to do all such acts, deeds and things as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposed Renewal of Shareholders' Mandate for RRPT, with full power to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed or permitted by the relevant authorities."

8. **Proposed Share Buy-Back the Company of up to 10% of its own Issued and Paid-up Share Capital** ***(Ordinary Resolution 8)***

"THAT subject to the Act, rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and MMLR of Bursa Securities and requirements of any other relevant authorities, the Directors of the Company be and are hereby authorised to make purchases of ordinary shares of RM0.10 each in the Company's issued and paid-up share capital through the Bursa Securities at anytime ("Proposed Share Buy-Back") and upon such terms and conditions and for such purposes as the Directors may in their discretion deem fit, subject further to the following: -

(a) the maximum number of ordinary shares which may be purchased and/or held by the Company as treasury shares shall not exceed ten per-centum (10%) of the issued and paid-up share capital of the Company ("Shares") at the time of purchase;

(b) the maximum fund to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the total retained profit and/or share premium account of the Company. Based on the last audited accounts as at 31 December 2011, the retained profit and share premium reserve of the Company were RM5,692,070 and RM6,236,334 respectively;

(c) the authority conferred by this resolution shall commence immediately upon the passing of this ordinary resolution and will continue to be in force until:-

   i) the conclusion of the next AGM of the Company, at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions; or

   ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

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

   whichever occurs first.

(d) upon completion of the purchase(s) of the Shares by the Company, the Directors of the Company be and are hereby authorised to deal with the Shares in the following manner:

   (a) cancel the Shares so purchased; and/or
   (b) retain the Shares so purchased as treasury shares for distribution as dividends to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently and/or
   (c) retain part of the Shares so purchased as treasury shares and cancel the remainder and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act, Main LR and any other relevant authorities for the time being in force;

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient (including the appointment of a stock broking form and the opening and maintaining of a Central Depository Account designated as a Share Buy-Back Account) and to enter into any agreements, arrangements and guarantees with any party and parties to implement or to effect the purchase(s) of the Shares with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

9. **Proposed Bonus Issue of up to 86,190,000 new ordinary shares of RM0.10 each in Kelington Group Berhad ("KGB") ("Bonus Shares") on the basis of one (1) bonus share for every one (1) existing ordinary share of RM0.10 each at par ("KGB Share(s)" Or "Shares") held in KGB ("Proposed Bonus Issue")** ***(Ordinary Resolution 9)***

Notice of Annual General Meeting
cont'd

"THAT subject to the approval of all relevant authorities, including Bursa Malaysia Securities Berhad for the listing of and quotation for the new Bonus Shares to be issued under this resolution, approval be and is hereby given to the Directors of the Company to capitalise and apply a total sum of up to approximately RM8,619,000 from the Company's share premium reserve and retained profits account and to apply the same in making payment in full at par for up to 86,190,000 new ordinary shares of RM0.10 each in the Company, the details of which are set out in Part C of the Circular to Shareholders of the Company dated 1 June 2012 ("Circular").

THAT the Directors of the Company be and are hereby authorised to apply such sums and to issue at par, up to 86,190,000 Bonus Shares to be credited as fully paid-up and such Bonus Shares to be allotted to the shareholders of the Company whose names appear on the Record of Depositors of the Company as at the close of business on an entitlement date to be determined and announced later by the Directors of the Company, in the proportion of one (1) new KGB Share for every one (1) existing KGB Share held in the Company on the aforesaid entitlement date;

THAT any fractional entitlements will be disregarded and will be dealt with by the Directors of the Company in such manner so as to minimize the incidence of odd lots and as the Directors of the Company may in their absolute discretion think fit and expedient and in the best interest of the Company and shareholders;

THAT the Bonus Shares shall, upon issue and allotment, rank pari passu in all respects with the existing Kelington Shares in issue;

AND THAT the Directors and the Secretary of the Company be and are hereby authorised to give full effect to the Proposed Bonus Issue with full powers to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities in the best interest of the Company and to do all such acts as they may deem necessary or expedient in order to implement, finalise and give full effect to the Proposed Bonus Issue."

10. **Proposed Amendments to the Articles of Association of the Company** ***(Special Resolution 1)***

"THAT the amendments to the Articles of Association of the Company as set out in Appendix I contained in the Annual Report 2011 ("Proposed Amendments") be and are hereby approved.

AND THAT the Directors of the Company be and are hereby authorised to execute all relevant documents may be required to give effect to the Proposed Amendments with full power to assent to any conditions, modifications, variations, and/or amendments as may be required by relevant authorities."

Notice of Dividend Entitlement

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at Twelfth AGM, a final tax-exempt dividend of 4 sen per ordinary share of RM0.10 each for the financial year ended 31 December 2011, if approved, will be paid on 8 August 2012 to holders of ordinary shares registered in the Record of Depositors of the Company at the close of business on 10 July 2012.

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 10 July 2012 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

LAI CHEE WAH (MAICSA 7031124)
PANG CHIA TYNG (MAICSA 7034545)
Company Secretaries

Kuala Lumpur
Dated this 1 June 2012

Notes:

A. The Audited Financial Statements under this agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act 1965 does not require a formal approval of the shareholders and hence this item is not put forward for voting.

1. A member may appoint up to two (2) proxies to attend and vote at the meeting. If a member appoints more than one (1) proxy, the appointments shall be invalid unless he / she specifies the proportions of his / her holding to be represented by each proxy. A proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.

2. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.

5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10th Floor Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

6. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 50(f) of the Articles of Association of the Company and Paragraph 7.16(2) of the MMLR of Bursa Securities, a Record of Depositors as at 18 June 2012 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.

Notice of Annual General Meeting
cont'd

Explanatory Notes on Special Business

(a) *Ordinary Resolution 6*
Authority to Issue Shares pursuant to Section 132D of the Act

The Proposed Ordinary Resolution 6 is proposed for the purpose of granting a renewed general mandate ("General Mandate") and empowering the Directors of the Company, pursuant to Section 132D of the Act, to issue new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the issued and paid-up share capital (excluding treasury shares) of the Company for the time being. The General Mandate, unless revoked or varied by the Company in General Meeting, will expire at the conclusion of the next AGM of the Company.

The renewal of the General Mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval as to avoid incurring additional cost and time. The proceeds raised from the General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purposes of funding future investment project(s), working capital and/or acquisitions(s).

(b) *Ordinary Resolution 7*
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The Proposed Ordinary Resolution 7, if approved, will authorise Kelington Group to enter into any of the category of recurrent related party transactions of a revenue or trading nature as set out in Section 2.3 of the Circular to Shareholders of the Company dated 1 June 2012 provided that such transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Proposed Renewal of Shareholders' Mandate during the financial year. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company or will subsist until the expiration of the period within which the next AGM of the Company is required by law to be held, whichever is the earlier.

(c) *Ordinary Resolution 8*
Proposed Share Buy-Back by the Company of up to 10% of its own Issued and Paid-up Share Capital

The proposed Ordinary Resolution 8, if approved, will empower the Company to purchase and/or hold up to ten per centum (10%) of the issued and paid-up share of the Company. This authority unless revoked or varied by the Company at a General Meeting will expire at the next AGM.

Further information on the Proposed Share Buy-Back by the Company is set out in the Share Buy Back Circular to Shareholders of the Company which is despatched together with this Annual Report.

(d) *Ordinary Resolution 9*
Proposed Bonus Issue

The proposed Ordinary Resolution 9, if approved, will enhance its capital base by increasing its issued and paid-up share capital to a level which could be more reflective of the current scale of operations of the Group, and improve the liquidity of the shares on Bursa Securities. In addition, the Proposed Bonus Issue aims to reward the Company's shareholders for their loyalty and continuous support as well as allow shareholders to have greater participation in the equity of the Company in terms of number of shares held, while maintaining their percentage of equity interest.

(e) *Special Resolution 1*
Proposed Amendments to the Articles of Association of the Company

The Special Resolution 1, if passed, will render the Articles of Association of the Company to be in line with the recent amendments to the MMLR of Bursa Securities.

Statement Accompanying Notice of Annual General Meeting
Pursuant to Paragraph 8.27(2) of the Main LR of Bursa Securities

There is no person seeking election as Director of the Company at this Twelfth AGM.

APPENDIX I

In compliance with the recent enhancements issued by Bursa Securities amending certain provisions of the Bursa Securities Listing Requirements, the Company proposes to implement the amendments to the Articles of Association of the Company in the following manner:

1. THAT the following additional definitions be inserted into the Article 2 of the Company's Articles of Association in alphabetical order of the 'Words' as follows:-

2.	Words	Meanings	Definition
	Dividend Reinvestment Scheme	means a scheme which enables members to reinvest cash dividend into new shares.	
	Share Issuance Scheme	means a scheme involving a new issuance of shares to the employee.	

2. THAT the following new Articles be inserted immediately after Article 63(b) of the Company's Articles of Association to read as follows:-

63(c).	Where a member of the company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.	Appointment of Proxy
63A.	A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the member to speak at the meeting.	Right of proxy to speak

3. THAT the following new Article be inserted immediately after Article 133 of the Company's Articles of Association to read as follows:-

133A	Subject to the approval being obtained from the members of the Company and the Listing Requirements, the Company may issue shares pursuant to a Dividend Reinvestment Scheme to all its members who are entitled to dividend in accordance with the provisions of the Act and any rules, regulations and guidelines there under or issued by the Exchange and any other relevant authorities in respect thereof.	Dividend Reinvestment Scheme

4. THAT the following amendments be made to the existing articles (for which differences are underlined and highlighted in bold below under "Existing Articles" and "Amended Articles" respectively) :-

<u>Existing Article 3(b)(i):</u>

3(b)(i)	no Director shall participate in a <u>share scheme for employees</u> of the Company unless the shareholders in general meetings have approved the allotment to be made to such Director.	Shares to be under the control of Directors

Amended Article 3(b) (i):

3(b)(i) no Director shall participate in a **Share Issuance Scheme** of the Company unless the shareholders in general meetings have approved the allotment to be made to such Director.

Existing Article 64:

64 The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Save for the authorised nominee defined under Article 63(b) above, a proxy may but need not be a Member of the Company. If the proxy is not a Member of the Company, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

Proxy to be in writing

Amended Article 64:

64. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Save for the above authorised **and exempt authorised** nominee defined under Article 63(b) and **Article 63(c) respectively,** a proxy may but need not be a Member of the Company. If the proxy is not a Member of the Company, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. **There shall be no restriction as to the qualification of the proxy.** The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

Proxy to be in writing and qualification of proxy

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Proxy Form

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

CDS Account No.	Number of Shares Held

* I/We ____NRIC No./Passport No./Company

No.______________________of____

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

______________________________________NRIC No./Passport No.____________________

of ____or failing

him/her____________________NRIC No./Passport No.____________________________

of____as *my/our

proxy to vote for *me/us on *my/our behalf at the Twelfth Annual General Meeting of the Company to be held at Banyan, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Monday, 25 June 2012 at 10.00 a.m or at any adjournment thereof and to vote as indicated below:

Ordinary Resolutions		For	Against
1	To re-elect Mr Lai, Cheng- Che as Director		
2	To re-elect Mr Ong Weng Leong as Director		
3	To approve the Directors' fees		
4	To approve Final Tax-Exempt Dividend		
5	To re-appoint Messrs Crowe Horwath as Auditors of the Company		
	Special Business		
6	Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965		
7	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party of Revenue or Trading Nature		
8	Proposed Share Buy-Back		
9	Proposed Bonus Issue		
Special Resolution			
1	Proposed Amendments to the Articles of Association of the Company		

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

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

* *Delete if not applicable.*

Signed this ____________________ day of ________________ 2012

____
Signature/Common Seal of Shareholder

Notes:

1. *A member may appoint up to two (2) proxies to attend and vote at the meeting. If a member appoints more than one (1) proxy, the appointments shall be invalid unless he/she specifies the proportions of his/her holding to be represented by each proxy. A proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.*
2. *The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.*
3. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.*
5. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10th Floor Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*
6. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 50(f) of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors as at 18 June 2012 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.*

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP

The Company Secretary
KELINGTON GROUP BERHAD (501386-P)
10 Floor, Menara Hap Seng
No. 1& 3 Jalan P. Ramlee
50250 Kuala Lumpur

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