www.kelington-group.com

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

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

T | 603 7845 5696
F | 603 7845 7097

KELINGTON GROUP BERHAD (501386-P)

Annual Report 2010

KELINGTON GROUP BERHAD (501386-P)

We Engineer Solutions

annual report 2010

CONTENTS

CORPORATE Information

BOARD OF DIRECTORS

Gan Hung Keng
Chairman/Chief Executive Officer

Ong Weng Leong
Chief Operating Officer

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

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

Chan Thian Kiat
Independent Non-Executive Director

Tan Chuan Yong
Independent Non-Executive Director

AUDIT COMMITTEE

Chan Thian Kiat
Chairman
Independent Non-Executive Director

Tan Chuan Yong
Member
Independent Non-Executive Director

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

REMUNERATION COMMITTEE

Ong Weng Leong
Chairman
Chief Operating Officer

Chan Thian Kiat
Member
Independent Non-Executive Director

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

NOMINATION COMMITTEE

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

Chan Thian Kiat
Member
Independent Non-Executive Director

Tan Chuan Yong
Member
Independent Non-Executive Director

OPTION COMMITTEE

Gan Hung Keng
Chairman/ Chief Executive Officer

Ong Weng Leong
Member
Chief Operating Officer

Tan Chuan Yong
Member
Independent Non-Executive Director

COMPANY SECRETARY

Lim Ming Toong
(MAICSA 7000281)

Ng Lai Yee
(MAICSA 7031768)

REGISTERED OFFICE

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

MANAGEMENT OFFICE

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

SHARE REGISTRAR

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

AUDITORS

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

PRINCIPAL BANKER

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

SPONSOR

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

STOCK EXCHANGE LISTING

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

CORPORATE Structure

KELINGTON GROUP BERHAD
(Incorporated in Malaysia)

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

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

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

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

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

PROFILE of Directors

IR. GAN HUNG KENG

aged 47, 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 43, Malaysian
Chief Operating Officer ("COO"),
Non-Independent

He has been a Director of the Company since 22 November 2004. He was appointed as the General Manager on 1 August 2005 and assumed the role of COO with effect from 1 September 2009. As the COO, he is responsible for the management of the day-to-day functions and operations of the Group in Taiwan and China. He is also the Chairman of the Remuneration Committee and a member of 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 54, Taiwanese
Non-Independent Non-Executive Director

He was appointed as a Director of the Company on 22 November 2004. He is also a member of the Remuneration Committee. He graduated with a major in industrial management from the Tamsui Oxford College (currently known as Tamsui Oxford University College) in Taiwan in 1978. He has previously held the positions of Plant Manager, Exports Manager and Procurement

Manager in various companies, involving in, amongst others, furniture manufacturing and the trading of pulp and paper related products. He joined the Lien Hwa Industrial Corp. group of companies in 1990 and is currently holding the position of Assistant Vice President of Procurement in United Industrial Gases Co., Ltd. ("UIGC").

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

LAI, CHENG-CHE
aged 57, Taiwanese
Non-Independent Non-Executive Director

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

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

CHAN THIAN KIAT
aged 55, 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 in debt and equity capital raising, and advising in mergers and acquisitions. He is also a Director of a few private limited companies.

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

PROFILE of Directors
cont'd

TAN CHUAN YONG
aged 55, Malaysian
Independent Non-Executive Director

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

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

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

Notes:-

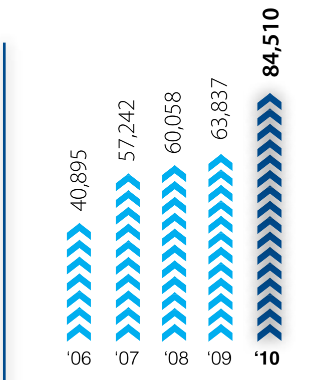
a) None of the Directors have any family relationship with any other Directors.

b) None of the Directors have any conflict of interest involving the Company save as disclosed above and all the Directors have had no convictions for offences other than traffic offences in the past ten years.

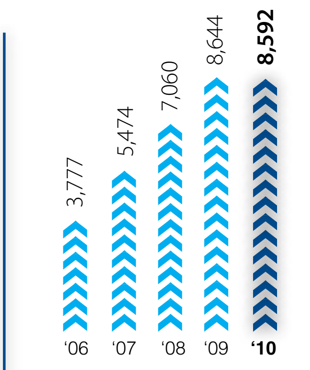
c) The details of the Directors' shareholding are set out in the Analysis of Shareholdings in page 81 of the Annual Report.

FINANCIAL Highlights

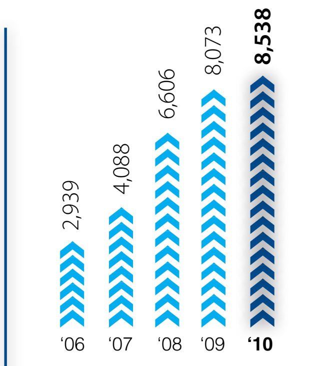
	2006	2007	2008	2009	2010
Revenue (RM'000)	40,895	57,242	60,058	63,837	**84,510**
Profit Before Taxation (RM'000)	3,777	5,474	7,060	8,644	**8,592**
Profit After Taxation (RM'000)	2,939	4,088	6,606	8,073	**8,538**
Shareholders' Funds (RM'000)	10,265	14,413	21,616	34,416	**40,239**
Total Assets (RM'000)	18,759	40,807	45,209	56,677	**69,249**
Number of Ordinary Share ('000)	6,500	6,500	6,500	74,710	**74,710**
Net Assets Per Share (RM)	1.58	2.22	3.33	0.46	**0.54**



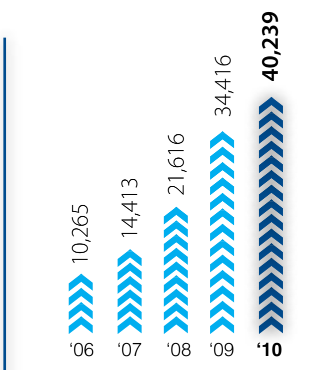
Revenue
(RM'000)



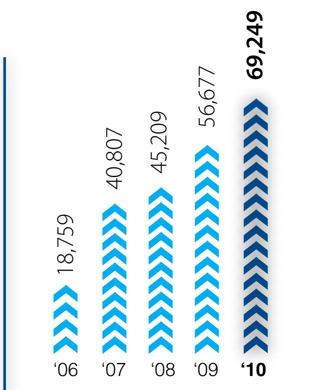
Profit Before Taxation
(RM'000)



Profit After Taxation
(RM'000)



Shareholders' Funds
(RM'000)



Total Assets
(RM'000)

CHAIRMAN'S Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of Kelington Group Berhad (KGB) for the financial year ended 31 December 2010. This edition marks the 2nd year that KGB has been listed on the ACE Market of Bursa Malaysia.

OVERVIEW

The global economy has rebounded by 5% in year 2010 after contracting by 0.6% in 2009. Notably, the growth in Asian region, the areas where KGB group of companies are operating, exceeded the average 5% growth rate worldwide.

These environments have helped our Group's operations positively.

I am pleased to report that, for the 2010 financial year, we continued to note growth in both group revenue and profits.

OVERVIEW OF OPERATIONS

All of our operating companies in China, Taiwan, Singapore and Malaysia registered a profit and also healthy growth in revenue in 2010. In total, these companies recorded an 32.4% increase in revenue of RM84.51 million with a return of profit after tax (PAT) of RM8.54 million.

In China, our operating company registered RM16.69 million revenue with a 45.3% growth as compared to the previous year. Key projects during the year in review are our hook-up project in Intel (Dalian) fabs as well as the major breakthrough in Semiconductor Manufacturing International Corporation or SMIC (Beijing) where we managed to secure our first project with the largest wafer fabrication foundry in China.

Our operations in Taiwan recorded a return in revenue of RM15.91 millions, almost double the revenue achieved in the FY2009. We managed to establish a firm footing in solar sector, having been involved in Sollink Solar Plant. In addition, we strengthened our presence in the wafer fabrication sector with the successful completion of TSMC 14 Phase 4 and TSMC 15 of Gas system related projects.

Our Malaysian operations fared well too, where we continued our revenue growth of 17.5% year-on-year. We have established a strong presence in solar sector with the project in Sunpower, Melaka, while at the same time maintaining our core business in wafer fabrication. We have also begun to extend into emerging industries like the LED sector after securing our first project with Osram, Penang.

Despite the fact that our Singapore operations only started two years ago, the outfit demonstrated steady revenue growth rate of 27.0% in FY2010. We have extended our clientele from the solar cell industry to the wafer fabrication sector. Our key projects during this period are namely STATS ChipPAC and IM Flash Singapore (IMFS), both of which are in the wafer fabrication related sector.

CHAIRMAN'S Statement
cont'd

However, during the challenging period of the economic crisis in 2009, our contracting industry, particularly our competitors has gone through a period of restructuring and reconsolidation in the business approach in order to steer through the difficult period. As such, in the recovery year of 2010, we faced more intense competition from these players, which resulted in downward margin pressures, especially in our operations in China and Taiwan.

Despite this, the Group has sheltered through the tough business environment well, largely attributed to our diversification strategy in geography and industries served. In a nutshell, the semiconductor sector that we are serving during this period is quite well-spread, encompassing Solar (Photovoltaic), Flat Panel Display, LED and also wafer (chips) foundries.

In conclusion, the Group has been able to expand its market base as well as the increase the overall industry sectors that we are currently serving.

FINANCIAL PERFORMANCE

The Group continued to achieve another year of growth with revenue of RM84.51 million, an increase of 32.4% against RM63.84 million recorded in the previous year. PAT rose to RM8.54 million, an increase of 5.8% of the corresponding year. Earnings per share stands at 11.43 sen.

Against this backdrop, the Group total assets increased from RM56.68 million as at December 2009 to RM69.25 million in December 2010, an increase of 22.2%, in reflection of the increase in the Group's asset base. In line with the strong financial performance for the year, the Group's net assets also rose by 16.9% to RM40.24 million from RM34.42 million. The Group remained in net cash position as at end-2010.

DIVIDENDS

The Board and the shareholders has approved and paid a final tax exempt dividend of 3.0 sen per ordinary share of 10.0 sen each amounting to RM2.24million in FY2010. This dividend was paid in respect of the performance of the FY2009.

In recognition of the Group's credible performance in FY2010, the Board has recommended to pay a final tax exempt dividend of 3.0 sen per ordinary share of 10.0 sen each, amounting to RM2.37 million payout, subject to the approval from the shareholders at the forthcoming Annual General Meeting.

FUTURE PROSPECTS

$ M	2007	2008	2009	2010	2011	2012	2013	2014	2015	CAGR%	11\10
Discrete	16,809	16,935	14,180	19,180	21,149	21,876	23,136	24,889	25,735	5%	7%
Sensors	5,126	5,111	4,753	6,670	6,989	8,071	9,003	9,916	10,884	10%	5%
Optoelectronics	15,901	17,902	17,043	22,964	25,214	27,319	30,685	36,262	40,004	12%	10%
Analog	36,453	35,637	32,001	42,500	46,746	51,261	56,699	63,576	68,239	10%	10%
Logic	67,292	73,531	65,215	77,025	84,181	87,034	95,758	104,760	114,156	8%	9%
Memory	57,854	46,348	44,797	68,127	73,617	75,347	86,378	99,754	110,607	10%	8%
MPU	34,578	32,919	32,331	39,393	42,434	46,473	50,555	55,140	59,243	9%	8%
MCU	13,866	13,749	10,840	14,618	15,344	15,548	16,977	18,762	20,110	7%	5%
DSP	7,768	6,472	5,159	5,861	6,090	6,450	6,975	7,107	7,579	5%	4%
Total	255,647	245,603	226,319	296,968	321,763	339,379	376,166	420,166	456,557	9%	8%

databeans estimates

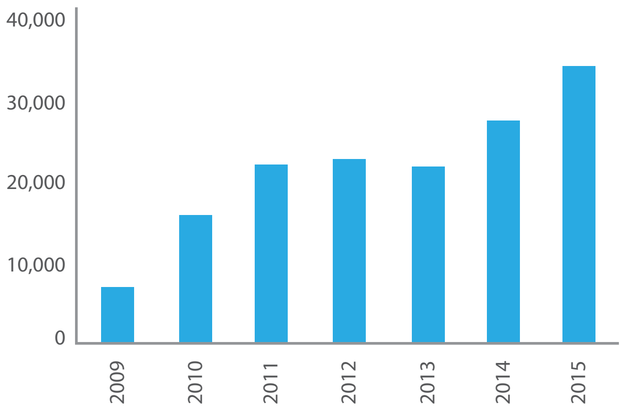
Market researcher the Databeans has projected a growth of 8.4% in the semiconductor market in the year 2011. In the photovoltaic (Solar Cell) sector, worldwide installation of renewable solar energy is estimated to continue to increase at a healthy rate reaching 22.2 gigawatt (GW); up from 16 gigawatt in year 2010.

Baring any unforeseen circumstances, we are optimistic that the Group would continue to forge ahead to ride on the back of anticipated growth in the semiconductor industry, especially in the semiconductor and solar cell sectors.

In tandem with our growth in revenue in 2010, our customers and markets base have also increased correspondingly. This would allow the Group a broader foundation to expand its engineering products and services in future.

The Group will continue to search for potential merger and acquisition opportunities which will bring synergies and benefits to the Group.

Worldwide Photovoltaic Installation Forecast (Megawatts)



Source: IHS iSuppli Research, Jan . 2011

CHAIRMAN'S Statement

cont'd

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend our sincere appreciation and gratitude to all our existing shareholders, investment analysts, bankers and fund managers for their continued confidence in us; our valuable customers, suppliers, business associates, and friends for their support of our products and services.

I would also like to thank my fellow colleagues on the Board for their counsel throughout the year.

Last but not least, on behalf of the Board, I wish to express our heartfelt appreciation and gratitude to the management team and staff for their unwavering dedication and commitment to the Group throughout the year.

Thank you.

IR. GAN HUNG KENG, RAYMOND
Chairman
Kelington Group Berhad
27 April 2011

CORPORATE Highlights

Company's trip - China

10th Annual General Meeting

Company's trip - Taiwan

2010 Annual Dinner

MVCA Annual Dinner & Awards 2010 - Recognition Award For Innovative Venture Capital Backed Companies

STATEMENT on Corporate Governance

INTRODUCTION

The Board of Directors ("the Board") of Kelington Group Berhad ("the Company") recognizes the importance of adopting a good corporate governance culture in the organization. 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 2 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 (⅓) of the board membership. The Company has thus complied with Rule 15.02 of the ACE Market Listing Requirements ("AMLR") 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 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 2010, the Board had convened six (6) meetings and the detailed attendance record is tabulated as below:

Director	Meeting attendance
Gan Hung Keng	6 / 6
Ong Weng Leong	5 / 6
Lai, Cheng-Che	6 / 6
Hsu, Chung-Kuang	6 / 6
Chan Thian Kiat	6 / 6
Tan Chuan Yong	6 / 6

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 3 years. The Articles of Association also state that one-third of the Board members shall retire from office at the Annual General Meeting ("AGM") and shall be eligible for re-election at the same AGM.

The Directors of the Company who are seeking re-election at the Eleventh AGM of the Company to be held on 14 June 2011 are contained in the Notice and the Statement Accompanying 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 BB Part 2 and Part 4 of the Code and Rule 15.12 of AMLR 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 AMLR, the Audit Committee Report for the year under review can be found on pages 18 and 19 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.

The members of the Nomination Committee are as follows:

a. Lai Cheng-Che *(Non-Independent Non-Executive Director) – Chairman*

b. Chan Thian Kiat *(Independent Non-Executive Director)*

c. Tan Chuan Yong *(Independent Non-Executive Director)*

STATEMENT on Corporate Governance
cont'd

A THE BOARD *cont'd*

Nomination Committee *cont'd*

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 the 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:

a. Ong Weng Leong *(Chief Operating Officer) – Chairman*

b. Chan Thian Kiat *(Independent Non-Executive Director)*

c. 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).

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 organizations, 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.

A THE BOARD *cont'd*

Option Committee *cont'd*

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 Bye-laws of the Scheme. Currently the Option Committee comprises the following members:

a. Gan Hung Keng *(Chairman/Chief Executive Officer) - Chairman*

b. Ong Weng Leong *(Chief Operating Officer)*

c. Tan Chuan Yong *(Independent Non-Executive Director)*

Directors' Training

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

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

The training and seminar courses attended by the Directors in 2010 were as follows:

- Mandatory Accreditation Programme
- 2nd Session of Renewable Energy Stakeholders Workshop on Industry Consensus
- Active Asia: India in Focus

The Directors will undertake to attend relevant trainings and seminars courses in 2011 to continue enhancing their skills and knowledge for the purpose of discharging their duties and responsibilities.

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 2010 are tabulated as below:

	Salary	Bonus	Director Fees	Benefits In Kind
Executive Directors	552,000	482,641	-	30,000
Non-Executive Directors	-	-	102,000	-

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	-	-
501,001 to 600,000	2	-

STATEMENT on Corporate Governance
cont'd

C SHAREHOLDERS AND INVESTORS

The Company recognizes 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 Non-Executive Directors (majority, including the chairman of the Audit Committee, being independent) in compliance with the Code and Listing Requirements of Bursa Malaysia. 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 2010, the Audit Committee had met five (5) times to review and approve all the quarterly results of the Company, among others, before it was released for announcement to Bursa Securities and the public.

Financial Reporting

The Board is committed to provide a balanced, clear and meaningful assessment of the financial performance and prospects of the Company via all disclosures and announcements made. The Board is assisted by the Audit Committee to oversee and scrutinize 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 page 21 of this Annual Report provides the overview of the internal control framework adopted by the Company during the financial year ended 31 December 2010.

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 dated 27th day of April 2011.

AUDIT Committee Report

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee of Kelington Group Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2010.

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 2010 are as follows:

Director		Meeting 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)*	5 / 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 Malaysia Securities Berhad.

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

The terms of office and performance of 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. Chairman

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

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

3. Secretary

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

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

4. Meetings

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

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

AUDIT Committee Report
cont'd

TERMS OF REFERENCE *cont'd*

4. Meetings *cont'd*

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

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

5. Rights

The Audit Committee shall:

a. have 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 Malaysia Securities Berhad ("Bursa Securities"), or such other name(s) as may be adopted by Bursa Securities, matters which have not been satisfactorily resolved by the Board of Directors resulting in a breach of the listing requirements;
h. have the right to pass resolutions by a simple majority vote from the Committee and that the Chairman shall have the casting vote should a tie arise;
i. meet as and when required on a reasonable notice;
j. the Chairman shall call for a meeting upon the request of the External Auditors.

6. Duties

a. To review with the external auditors on:

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

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).

AUDIT Committee Report
cont'd

TERMS OF REFERENCE *cont'd*

6. Duties *cont'd*

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.

SUMMARY OF ACTIVITIES

In 2010, 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 2010 are summarized 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 any internal audit department, In 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 effectives 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.

AUDIT Committee Report
cont'd

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION *cont'd*

During the financial year ended 31 December 2010, 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 2010 amounted to RM35,000.

The Audit Committee Report is made in accordance with the resolution of the Board of Directors dated 27th day of April 2011.

STATEMENT on Internal Control

The Board of Directors ("the Board") of Kelington Group Berhad is pleased to present its Statement on Internal Control for the financial year ended 31 December 2010, which has been prepared pursuant to paragraph 15.26(b) of Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements and in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies ("the Guidance").The statement below outlines the nature and scope of internal controls of the Group during the financial year under review.

BOARD RESPONSIBILITY

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

RISK MANAGEMENT FRAMEWORK

Key Management staff and Heads of Department are delegated with the responsibility of identifying and managing risks related to their functions/departments. At the periodic management meetings, such risks identified and related internal controls are communicated to the Senior Management. In addition, significant risks identified are brought to the attention of the Board at their scheduled meetings.

Subsequent to the financial year ended 31 December 2010, Management with the assistance of external consultants updated the Group's key risk profile which was presented to the Audit Committee on 23 February 2011. In the key risk profile, risks identified are prioritized in terms of likelihood of their occurrence and the impact on the achievement of the Group's business objectives/goals. This facilitates the proper allocation of resources to mitigate risks.

The abovementioned risk management practices of the Group serve as the on-going process used to identify, evaluate and manage significant risks.

INTERNAL CONTROL

The responsibility for reviewing the adequacy and integrity of the internal control system has been delegated by the Board to the Audit Committee. In turn, the Audit Committee assesses the adequacy and integrity of the internal control system through independent reviews performed by the internal audit function, external auditors and Management.

The external auditors provide assurance in the form of their statutory audit of the financial statements of the Group. Any areas of improvement identified during the course of the statutory audit are brought to the attention of the Audit Committee through Management letters or are articulated at Audit Committee Meetings.

The internal audit function is outsourced to a professional service provider firm. During the financial year, scheduled reviews on the Group's systems of internal control were completed according to approved audit plan. Although a number of internal control weaknesses were identified, none of the weaknesses have resulted in any material losses or contingencies that would require separate disclosure in this annual report.

The cost incurred for the internal audit function in the financial year 2010 was amounting to RM35,000.

Other Key Elements of Internal Control

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

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

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

STATEMENT on Internal Control
cont'd

INTERNAL CONTROL *cont'd*

Other Key Elements of Internal Control *cont'd*

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

3. The Audit Committee reviews the quarterly financial reports, annual financial statements and the internal audit report on a periodic basis. Discussions with Management were held to deliberate on actions that are required to be taken to address internal control matters identified.

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

5. Management meetings are conducted regularly with Executive Directors, Senior Management and/or Head of Departments in attendance. The meetings discuss and decide on all operational issues as well as inform and update Senior Management and Head of Departments on major policies and business strategies directed by the Board.

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

7. Adherence and application of its ISO Quality Policies and Procedures and other programs implemented through its ISO accreditation programme.

CONCLUSION

At this juncture, the Board is of the view that the system of internal control instituted throughout the Group is adequate and effective. Notwithstanding this, reviews of internal controls will be performed on an ongoing basis to ensure the effectiveness and adequacy of the Group's system of internal control in safeguarding shareholders' investment and the Group's assets are preserved.

This Statement on Internal Control is made in accordance with the resolution of the Board of Directors dated 27th day of April 2011.

ADDITIONAL Compliance Information

UTILISATION OF PROCEEDS

As at 31 December 2010, the status of utilisation of proceeds from the public offering of approximately RM5.15 million following the listing of the entire issued and paid-up share capital of Kelington Group Berhad on the ACE Market of Bursa Securities on 25 November 2009 ("Listing") is as follows:

Descriptions IPO Proceeds	Time frame for Utilisation from the Date of Listing	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000
R&D expenses	Within 1 year	250	(250)	-
Capital expenditure	Within 1 year	250	(250)	-
Working capital	Within 1 year	2,641	(2,641)	-
Estimated listing expenses	Within 1 month	1,755	(1,755)	-
		5,146	(5,146)	-

SHARE BUYBACKS

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

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

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

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

During the financial year, 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

There is no non-audit fees paid to the external auditors for financial year ended 2010.

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 2010.

REVALUATION POLICY ON LANDED PROPERTIES

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

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

ADDITIONAL Compliance Information

cont'd

LIST OF PROPERTIES

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

MATERIAL CONTRACTS

Except for what is disclosed in the Related Party Transaction as stated below, there were no other material contracts entered into by the Group involving Directors' and major shareholders' interests either still subsisting as at 31 December 2010 or entered into since the end of the previous financial year.

RELATED PARTY TRANSACTION

At the last AGM held on 3 June 2010, the Company had obtained a general mandate from its shareholders on the recurrent related party transactions ("RRPT") entered into by the Company and/or its subsidiaries ("RRPT Mandate"). The RRPT Mandate is valid until the conclusion of the forthcoming Eleventh AGM of the Company to be held on 28 June 2011.

The Recurrent Related Party Transactions of a Revenue or Trading Nature transacted pursuant to the Shareholders' Mandate during the financial year ended 31 December 2010 is stated in Note 29 of the Financial Statements.

Please refer to section 2.1.2 of the Circular to Shareholders dated 20 May 2011 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 2010 in any public document hence this information is not applicable.

PROFIT GUARANTEES

There were no profit guarantees given by the Company for the financial year ended 31 December 2010.

CORPORATE SOCIAL RESPONSIBILITIES

The Company recognizes our role as a responsible corporate citizen and has therefore intensified our corporate social responsibilities ("CSR") initiatives throughout financial year ended 2010.

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 2010, organized by the Ti-Ratana Welfare Society, which is a non-profitable, non-racial and non-religious charitable welfare organization which manages homes for orphans, elderly and infirm senior citizens plus a shelter for abused women and unwed mothers.

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 2010.

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/(Loss) after taxation for the financial year	8,538,034	(1,175,914)
Attributable to:		
Owners of the Company	8,538,034	(1,175,914)

DIVIDENDS

A final tax-exempt dividend of 3 sen per ordinary share amounting to RM2,241,300 for the financial year ended 31 December 2009 was approved by the shareholders at the Annual General Meeting held on 3 June 2010 and was paid on 12 July 2010.

The directors recommend the payment of a final tax-exempt dividend of 3 sen per ordinary share amounting to RM2,373,300 in respect of the current financial year. The proposed dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year,

(a) there were no changes in the authorised and issued and paid-up share capital of the Company; and

(b) 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.

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 from the date of implementation.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS") *cont'd*

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

CATEGORIES OF ELIGIBLE EMPLOYEES	MAXIMUM ENTITLEMENT UNDER THE ESOS (%)	ALLOCATION OF SHARES OF RM0.10 EACH
Executive Directors	20.0	1,494,200
Non-Executive Directors	3.0	224,130
Independent Directors	3.0	224,130
Employees	74.0	5,528,540
	100.0	7,471,000

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 Group or Eligible Employee 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; and

   c) the aggregate number of options exercised and offered and to be offered under the ESOS shall not in aggregate exceed 10% of the issued and paid-up ordinary share capital of the Company at any point of time during the duration of the ESOS.

3. Any employee of the Group 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.

4. In respect of a director of the Group, whether executive or non-executive, the director is at least 18 years of age on the date of offer. For specific allocation of new the Company shares to the director under ESOS must have been approved by the shareholders of the Company in the general meeting and is not prohibited by the relevant authorities or laws from participating in the ESOS.

5. 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.

6. The ESOS shall be administered by the Option Committee appointed by the Board of Directors to administer the ESOS.

7. 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.

During the financial year, no option had been granted under the ESOS to any of the directors and employees of the Group.

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

The contingent 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 RM1 EACH			
	AT 1.1.2010	ALLOTMENT	SOLD	AT 31.12.2010
INDIRECT INTERESTS				
GAN HUNG KENG*	39,737,125	-	-	39,737,125
ONG WENG LEONG*	39,737,125	-	-	39,737,125
LAI, CHENG-CHE**	5,888,225	-	(182,100)	5,706,125

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

** *Deemed interested under Section 6A of the Companies Act 1965 by virtue of his spouse, Lin Hsiu-Fen's shareholding in Allied Moral Investments Limited*

The other directors holding office at the end of the financial year had no interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

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

SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

The significant event subsequent to the financial year is disclosed in Note 34 to the financial statements.

DIRECTORS' Report
cont'd

AUDITORS

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

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
27 April 2011

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 34 to 79 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 2010 and of their results and cash flows for the financial year ended on that date.

The supplementary information set out in Note 36, 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
27 April 2011

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 34 to 79 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Gan Hung Keng, I/C No. 640223-06-5385,
at Kuala Lumpur in the Federal Territory
on this 27 April 2011

GAN HUNG KENG

Before me
Kapt. (B) Affendi Bin Ahmad (No. W602)
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 2010 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 34 to 79.

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 2010 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.

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

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

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

The supplementary information set out in Note 36 on page 80 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

Kuala Lumpur
27 April 2011

STATEMENTS of Financial Position
at 31 December 2010

		THE GROUP		THE COMPANY	
		2010	2009	2010	2009
	NOTE	RM	RM	RM	RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	1,265,275	1,265,275
Property, plant and equipment	6	7,389,039	6,131,310	3,326,409	3,649,527
Goodwill on consolidation		199,402	199,402	-	-
Development costs		183,985	200,710	183,985	200,710
		7,772,426	6,531,422	4,775,669	5,115,512
CURRENT ASSETS					
Amount owing by contract customers	7	11,551,018	7,781,105	831,605	2,703,029
Inventories	8	1,043,679	1,387,258	-	-
Trade receivables	9	24,818,534	12,086,816	5,279,217	3,623,038
Other receivables, deposits and prepayments		1,512,683	750,518	233,331	203,236
Amount owing by subsidiaries	10	-	-	2,246,294	13,764
Tax refundable		410,994	-	367,417	-
Fixed deposits with licensed banks	11	12,546,757	12,123,046	5,269,175	3,447,634
Cash and bank balances		9,592,782	16,017,275	5,376,750	9,781,129
		61,476,447	50,146,018	19,603,789	19,771,830
TOTAL ASSETS		69,248,873	56,677,440	24,379,458	24,887,342
EQUITY AND LIABILITIES					
EQUITY					
Share capital	12	7,471,000	7,471,000	7,471,000	7,471,000
Reserves	13	32,767,900	26,944,734	7,180,642	10,620,435
TOTAL EQUITY		40,238,900	34,415,734	14,651,642	18,091,435
NON-CURRENT LIABILITIES					
Deferred tax liabilities	14	202,899	355,180	110,899	156,806
Long-term borrowings	15	1,197,061	1,154,682	713,220	770,672
		1,399,960	1,509,862	824,119	927,478
CURRENT LIABILITIES					
Amount owing to contract customers	7	3,222,193	4,461,392	8,473	-
Trade payables	18	18,693,241	12,652,555	6,157,923	4,332,762
Other payables and accruals	19	3,207,256	2,570,939	550,716	1,061,503
Provision for taxation		146,815	896,843	-	400,627
Short-term borrowings	20	2,340,508	170,115	2,186,585	73,537
		27,610,013	20,751,844	8,903,697	5,868,429
TOTAL LIABILITIES		29,009,973	22,261,706	9,727,816	6,795,907
TOTAL EQUITY AND LIABILITIES		69,248,873	56,677,440	24,379,458	24,887,342

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

STATEMENTS of Comprehensive Income
for the Financial Year Ended 31 December 2010

		THE GROUP		THE COMPANY	
		2010	2009	2010	2009
	NOTE	RM	RM	RM	RM
REVENUE	21	84,509,540	63,837,208	15,962,644	20,198,108
COST OF SALES		(68,877,315)	(47,718,374)	(14,632,951)	(16,591,788)
GROSS PROFIT		15,632,225	16,118,834	1,329,693	3,606,320
OTHER INCOME		494,235	545,636	281,263	1,800,264
		16,126,460	16,664,470	1,610,956	5,406,584
SELLING AND DISTRIBUTION EXPENSES		(672,406)	(410,210)	(266,951)	(194,037)
ADMINISTRATIVE EXPENSES		(6,040,944)	(5,792,374)	(2,384,162)	(3,415,611)
OTHER EXPENSES	22	(718,268)	(1,722,024)	(293,459)	(1,587,465)
FINANCE COSTS		(102,646)	(95,501)	(75,480)	(74,224)
PROFIT/(LOSS) BEFORE TAXATION	23	8,592,196	8,644,361	(1,409,096)	135,247
INCOME TAX EXPENSE	24	(54,162)	(571,841)	233,182	(44,040)
PROFIT/(LOSS) AFTER TAXATION		8,538,034	8,072,520	(1,175,914)	91,207
OTHER COMPREHENSIVE INCOME/(EXPENSES)					
Foreign currency translation		(473,568)	(59,981)	(22,579)	17,324
TOTAL COMPREHENSIVE INCOME/(EXPENSES)		8,064,466	8,012,539	(1,198,493)	108,531
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		8,538,034	8,072,520	(1,175,914)	91,207
TOTAL COMPREHENSIVE INCOME/(EXPENSES) ATTRIBUTABLE TO:-					
Owners of the Company		8,064,466	8,012,539	(1,198,493)	108,531
EARNINGS PER SHARE (SEN)					
- Basic	26	11.4	12.2		
- Diluted	26	Not applicable	Not applicable		

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

STATEMENTS of Changes in Equity
for the Financial Year Ended 31 December 2010

	← ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT →					
		← NON-DISTRIBUTABLE		→	DISTRIBUTABLE	
	SHARE CAPITAL	SHARE PREMIUM	CAPITAL RESERVE	EXCHANGE FLUCTUATION RESERVE	RETAINED PROFITS	TOTAL EQUITY
THE GROUP	RM	RM	RM	RM	RM	RM
Balance at 1.1.2009	5,000,000	599,000	420,616	518,002	15,078,243	21,615,861
Bonus issue	1,500,000	(599,000)	-	-	(901,000)	-
Shares issued pursuant to the public issue	971,000	4,175,300	-	-	-	5,146,300
Listing expenses*	-	(358,966)	-	-	-	(358,966)
Bonus shares issued by a subsidiary	-	-	1,980,000	-	(1,980,000)	-
Total comprehensive income for the year	-	-	-	(59,981)	8,072,520	8,012,539
Balance at 31.12.2009/1.1.2010	7,471,000	3,816,334	2,400,616	458,021	20,269,763	34,415,734
Dividend paid	-	-	-	-	(2,241,300)	(2,241,300)
Total comprehensive income for the year	-	-	-	(473,568)	8,538,034	8,064,466
Balance at 31.12.2010	7,471,000	3,816,334	2,400,616	(15,547)	26,566,497	40,238,900

		← NON-DISTRIBUTABLE →		DISTRIBUTABLE	
	SHARE CAPITAL	SHARE PREMIUM	EXCHANGE FLUCTUATION RESERVE	RETAINED PROFITS	TOTAL EQUITY
THE COMPANY	RM	RM	RM	RM	RM
Balance at 1.1.2009	5,000,000	599,000	(24,112)	7,620,682	13,195,570
Bonus Issue	1,500,000	(599,000)	-	(901,000)	-
Shares issued pursuant to the public issue	971,000	4,175,300	-	-	5,146,300
Listing expenses*	-	(358,966)	-	-	(358,966)
Total comprehensive income for the year	-	-	17,324	91,207	108,531
Balance at 31.12.2009	7,471,000	3,816,334	(6,788)	6,810,889	18,091,435
Dividend paid	-	-	-	(2,241,300)	(2,241,300)
Total comprehensive expenses for the year	-	-	(22,579)	(1,175,914)	(1,198,493)
Balance at 31.12.2010	7,471,000	3,816,334	(29,367)	3,393,675	14,651,642

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

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

STATEMENTS of Cash Flows
for the Financial Year Ended 31 December 2010

		THE GROUP		THE COMPANY	
		2010	2009	2010	2009
	NOTE	RM	RM	RM	RM
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES					
Profit/(loss) before taxation		8,592,196	8,644,361	(1,409,096)	135,247
Adjustments for:-					
Amortisation of development costs		16,725	-	16,725	-
Depreciation of property, plant and equipment		889,467	830,840	367,432	390,605
Equipment written off		22,507	1,241	3,286	-
Impairment loss on receivables		-	22,143	-	22,143
Interest expense		71,605	82,073	54,327	46,268
Writeback of impairment loss on receivables		(14,493)	(36,228)	(14,493)	(36,228)
Unrealised gain on foreign exchange		92,749	-	41,579	-
Dividend income		-	-	-	(1,500,000)
Interest income		(301,410)	(271,064)	(116,055)	(66,214)
Operating profit/(loss) before working capital changes		9,369,346	9,273,366	(1,056,295)	(1,008,179)
Decrease/(Increase) in inventories		343,579	(1,387,258)	-	-
(Increase)/Decrease in amount owing by contract customers		(3,769,913)	(62,706)	1,871,424	1,160,700
(Increase)/Decrease in trade and other receivables		(13,573,020)	(1,545,757)	(1,714,241)	2,373,029
(Decrease)/Increase in amount owing to contract customers		(1,239,199)	(5,587,943)	8,473	(1,323,392)
Increase/(Decrease) in trade and other payables		6,677,003	3,619,471	1,314,374	(1,544,786)
CASH (FOR)/FROM OPERATIONS		(2,192,204)	4,309,173	423,735	(342,628)
Income tax paid		(1,366,594)	(366,097)	(579,898)	(318,479)
Interest paid		(71,605)	(82,073)	(54,327)	(46,268)
Interest received		301,410	271,064	116,055	66,214
NET CASH (FOR)/FROM OPERATING ACTIVITIES CARRIED FORWARD		(3,228,993)	4,132,067	(94,435)	(641,161)

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

STATEMENTS of Cash Flows

for the Financial Year Ended 31 December 2010

cont'd

		THE GROUP		THE COMPANY	
		2010	2009	2010	2009
	NOTE	RM	RM	RM	RM
NET CASH (FOR)/FROM OPERATING ACTIVITIES BROUGHT FORWARD		(3,228,993)	4,132,067	(94,435)	(641,161)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Purchase of plant and equipment	27	(1,902,769)	(1,214,407)	(52,929)	(48,542)
Development costs paid		-	(106,769)	-	(106,769)
Dividend received		-	-	-	1,500,000
Listing expenses		-	(358,966)	-	(358,966)
Proceeds from issuance of shares		-	5,146,300	-	5,146,300
Additional investment in a subsidiary		-	-	-	(483,595)
Repayment from subsidiaries		-	-	-	252,404
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(1,902,769)	3,466,158	(52,929)	5,900,832
CASH FLOWS FOR FINANCING ACTIVITIES					
Advances to subsidiary		-	-	(2,232,530)	-
Drawdown of trust receipts		2,121,504	-	2,121,504	-
Repayment of hire purchase obligations		(106,824)	(53,412)	-	-
Dividend paid		(2,241,300)	-	(2,241,300)	-
Repayment of term loan		(65,908)	(66,233)	(65,908)	(66,233)
NET CASH FOR FINANCING ACTIVITIES		(292,528)	(119,645)	(2,418,234)	(66,233)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(5,524,290)	7,478,580	(2,565,598)	5,193,438
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(476,492)	(36,118)	(17,240)	7,495
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		28,140,321	20,697,859	13,228,763	8,027,830
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	28	22,139,539	28,140,321	10,645,925	13,228,763

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

NOTES to the Financial Statements
for the Financial Year Ended 31 December 2010

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 27 April 2011.

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 4 Insurance Contracts

FRS 7 Financial Instruments: Disclosures

FRS 8 Operating Segments

FRS 101 (Revised) Presentation of Financial Statements

FRS 123 (Revised) Borrowing Costs

FRS 139 Financial Instruments: Recognition and Measurement

Amendments to FRS 1 and FRS 127: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 2: Vesting Conditions and Cancellations

Amendments to FRS 7, FRS 139 and IC Interpretation 9

Amendments to FRS 101 and FRS 132: Puttable Financial Instruments and Obligations Arising on Liquidation

Amendments to FRS 132: Classification of Rights Issues and the Transitional Provision in Relation to Compound Instruments

IC Interpretation 9 Reassessment of Embedded Derivatives

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*

IC Interpretation 10 Interim Financial Reporting and Impairment

IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions

IC Interpretation 13 Customer Loyalty Programmes

IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Annual Improvements to FRSs (2009)

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 7 requires additional disclosures about the financial instruments of the Group. Prior to 1 January 2010, information about financial statements was disclosed in accordance with the requirements of FRS 132 – Financial Instruments: Disclosures and Presentation. FRS 7 requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group has applied FRS 7 prospectively in accordance with the transitional provisions. Accordingly, the new disclosures have not been applied to the comparatives and are included throughout the financial statements for the current financial year.

(ii) FRS 101 (Revised) introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present this statement as one single statement.

The revised standard also separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of comprehensive income as other comprehensive income.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the statement.

FRS 101 (Revised) also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. This new disclosure is made in Note 33(b) to the financial statements.

Comparative information has been re-presented so that it is in conformity with the requirements of this revised standard.

(iii) The adoption of FRS 139 (including the consequential amendments) has resulted in several changes to accounting policies relating to recognition and measurements of financial instruments.

This adoption does not have any material financial impact to the financial statements for the current financial year.

(iv) The Company has previously asserted explicitly that it regards financial guarantee contracts of banking facilities granted to its subsidiaries as insurance contracts and will apply FRS 4 to such financial guarantee contracts. Accordingly, the adoption of FRS 139 did not have any financial impact on the financial statements in respect of the financial guarantee contracts issued by the Company to its subsidiaries. These financial guarantee contracts issued are disclosed as contingent liabilities under Note 32 to the financial statements.

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 1 (Revised) First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 (Revised) Business Combinations	1 July 2010
FRS 124 (Revised) Related Party Disclosures	1 January 2012
FRS 127 (Revised) Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 1 (Revised): Limited Exemption from Comparative FRS 7 Disclosures for First time Adopters	1 January 2011
Amendments to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2: Scope of FRS 2 and FRS 3 (Revised)	1 July 2010
Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 138: Consequential Amendments Arising from FRS 3 (Revised)	1 July 2010
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised)	1 July 2010
IC Interpretation 4 Determining Whether An Arrangement Contains a Lease	1 January 2011
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18 Transfers of Assets from Customers	1 January 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Annual Improvements to FRSs (2010)	1 January 2011

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-

(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. This revised standard will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

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

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) Allowance for Inventories

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

(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 loan 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.

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

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

(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

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

- *Contract Revenue*

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

- *Contract Costs*

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

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2010.

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.

All subsidiaries are consolidated using the purchase method. Under the purchase method, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair 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.

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

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

Minority interests are presented 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 minority interests are accounted for as transactions with owners. Gain or loss on disposal to minority interests is recognised directly in equity.

NOTES to the Financial Statements
for the Financial Year Ended 31 December 2010
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Goodwill on Consolidation

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.

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.

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 translation reserve. On 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(e) Financial Instruments *cont'd*

(i) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss or loans and receivables, 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 Company'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.

  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.

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(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.

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%
Furnitures, fittings and renovation	10%

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

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 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) Intangible Assets

Research and Development Expenditure

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

Development expenditure is recognised as an expense except that 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 expenditure is capitalised if, and only if an entity can demonstrate all of the following:-

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

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

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(h) Intangible Assetss *cont'd*

Research and Development Expenditure *cont'd*

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

During the financial year, the Company changed the amortisation period from 5 years to 3 years. The change of the amortisation period did not have any material financial effect.

The development expenditure 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 expenditure is written down to its recoverable amount.

(i) 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.

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 Due From/To Contract Customers

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

(l) Inventories

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

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

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

NOTES to the Financial Statements
for the Financial Year Ended 31 December 2010
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(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.

(n) Equity Instruments

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

(o) 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.

(p) 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.

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.

(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.

(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.

NOTES to the Financial Statements
for the Financial Year Ended 31 December 2010
cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(t) Revenue Recognition *cont'd*

(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	
	2010	**2009**
	RM	**RM**
Unquoted shares, at cost		
- in Malaysia	20,000	20,000
- outside Malaysia	1,245,275	1,245,275
	1,265,275	1,265,275

The details of the subsidiaries, are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest 2010 %	Effective Equity Interest 2009 %	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 chartered accountants.*
\# - *Interest held by KES.*

NOTES to the Financial Statements
for the Financial Year Ended 31 December 2010
cont'd

6. PROPERTY, PLANT AND EQUIPMENT

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	320,943	213,443	(21,816)	(7,138)	(121,563)	383,869
Tools and equipment	2,410,126	1,475,933	(691)	(51,097)	(573,729)	3,260,542
Furniture, fittings and renovation	232,344	178,700	-	64,547	(67,074)	408,517
	6,131,310	2,166,769	(22,507)	2,934	(889,467)	7,389,039

THE GROUP	AT 1.1.2009 RM	ADDITIONS RM	WRITTEN OFF RM	EXCHANGE FLUCTUATION DIFFERENCES RM	DEPRECIATION CHARGE RM	AT 31.12.2009 RM
NET BOOK VALUE						
Freehold land	1,300,000	-	-	-	-	1,300,000
Building	1,232,000	-	-	-	(28,000)	1,204,000
Motor vehicles	164,432	597,176	-	(62)	(97,649)	663,897
Office and computer equipment	301,343	128,023	(786)	(333)	(107,304)	320,943
Tools and equipment	2,024,844	932,233	(455)	(2,862)	(543,634)	2,410,126
Furniture, fittings and renovation	195,205	90,975	-	417	(54,253)	232,344
	5,217,824	1,748,407	(1,241)	(2,840)	(830,840)	6,131,310

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

THE GROUP	AT COST RM	ACCUMULATED DEPRECIATION RM	NET BOOK VALUE RM
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	923,518	(539,649)	383,869
Tools and equipment	5,653,340	(2,392,798)	3,260,542
Furniture, fittings and renovation	839,678	(431,161)	408,517
	11,300,958	(3,911,919)	7,389,039
AT 31.12.2009			
Freehold land	1,300,000	-	1,300,000
Building	1,400,000	(196,000)	1,204,000
Motor vehicles	890,722	(226,825)	663,897
Office and computer equipment	778,827	(457,884)	320,943
Tools and equipment	4,273,212	(1,863,086)	2,410,126
Furniture, fittings and renovation	595,371	(363,027)	232,344
	9,238,132	(3,106,822)	6,131,310

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

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

THE COMPANY	AT 1.1.2009 RM	ADDITIONS RM	DEPRECIATION CHARGE RM	EXCHANGE FLUCTUATION DIFFERENCES RM	AT 31.12.2009 RM
NET BOOK VALUE					
Freehold land	1,300,000	-	-	-	1,300,000
Building	1,232,000	-	(28,000)	-	1,204,000
Motor vehicle	106,802	-	(25,194)	269	81,877
Office and computer equipment	169,563	5,319	(54,180)	216	120,918
Tools and equipment	985,093	12,248	(234,977)	2,024	764,388
Furniture, fittings and renovation	195,207	30,975	(48,254)	416	178,344
	3,988,665	48,542	(390,605)	2,925	3,649,527

THE COMPANY	AT COST RM	ACCUMULATED DEPRECIATION RM	NET BOOK VALUE RM
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
At 31.12.2009			
Freehold land	1,300,000	-	1,300,000
Building	1,400,000	(196,000)	1,204,000
Motor vehicles	228,338	(146,461)	81,877
Office and computer equipment	457,853	(336,935)	120,918
Tools and equipment	2,140,298	(1,375,910)	764,388
Furniture, fittings and renovation	475,179	(296,835)	178,344
	6,001,668	(2,352,141)	3,649,527

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 with a net book value of RM762,045 (2009 – RM537,458) were acquired under hire purchase terms.

NOTES to the Financial Statements
for the Financial Year Ended 31 December 2010
cont'd

7. AMOUNTS DUE BY/(TO) CONTRACT CUSTOMERS

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	RM	RM	RM	RM
Contract costs incurred	89,804,689	53,409,046	17,594,982	16,704,395
Attributable profits	28,087,679	21,574,161	6,329,558	7,899,060
	117,892,368	74,983,207	23,924,540	24,603,455
Progress billings	(109,563,543)	(71,663,494)	(23,101,408)	(21,900,426)
	8,328,825	3,319,713	823,132	2,703,029
Amount owing by contract customers	11,551,018	7,781,105	831,605	2,703,029
Amount owing to contract customers	(3,222,193)	(4,461,392)	(8,473)	-
	8,328,825	3,319,713	823,132	2,703,029

8. INVENTORIES

	THE GROUP	
	2010	2009
	RM	RM
At cost:-		
Materials for contracts	1,043,679	1,387,258

None of the inventories is carried at net realisable value.

9. TRADE RECEIVABLES

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	RM	RM	RM	RM
Trade receivables	24,837,562	12,121,218	5,298,245	3,657,440
Impairment loss				
At 1 January	(34,402)	(48,038)	(34,402)	(48,038)
Addition during the financial year	-	(22,143)	-	(22,143)
Writeback during the financial year	14,493	36,228	14,493	36,228
Effect of foreign exchange translation	881	(449)	881	(449)
At 31 December	(19,028)	(34,402)	(19,028)	(34,402)
	24,818,534	12,086,816	5,279,217	3,623,038

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.

10. AMOUNT OWING BY SUBSIDIARIES

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

11. FIXED DEPOSITS WITH LICENSED BANKS

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
Effective interest rate (%)	2.5	2.0	2.4	2.1
Average maturity (days)	30-365	30-365	210-365	210-365

Included in fixed deposits with licensed banks of the Group and the Company at the end of the reporting period was an amount of RM1,301,455 (2009 – RM1,271,747) which has been pledged to a licensed bank as security for banking facilities granted to the Group.

12. SHARE CAPITAL

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

	2010			2009		
	PAR VALUE RM	NUMBER OF SHARES	SHARE CAPITAL RM	PAR VALUE RM	NUMBER OF SHARES	SHARE CAPITAL RM
ORDINARY SHARES						
At 1 January	0.10	250,000,000	25,000,000	1.00	5,000,000	5,000,000
Increase during the year	0.10	-	-	1.00	20,000,000	20,000,000
		250,000,000	25,000,000		25,000,000	25,000,000
Sub-division of the par value of ordinary shares of RM1.00 each into RM0.10 each	0.10	-	-	0.10	225,000,000	-
At 31 December	0.10	250,000,000	25,000,000	0.10	250,000,000	25,000,000

NOTES to the Financial Statements
for the Financial Year Ended 31 December 2010
cont'd

12. SHARE CAPITAL *cont'd*

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

	2010			2009		
	PAR VALUE RM	NUMBER OF SHARES	SHARE CAPITAL RM	PAR VALUE RM	NUMBER OF SHARES	SHARE CAPITAL RM
ORDINARY SHARES						
At 1 January	0.10	74,710,000	74,710,000	1.00	5,000,000	5,000,000
Bonus issue	0.10	-	-	1.00	1,500,000	1,500,000
Total number of shares in issue	0.10	74,710,000	74,710,000	1.00	6,500,000	6,500,000
Sub-division of the par value of ordinary shares of RM1.00 each into RM0.10 each	0.10	-	-	0.10	58,500,000	-
Shares issued pursuant to the public issue	0.10	-	-	0.10	9,710,000	971,000
At 31 December	0.10	74,710,000	7,471,000	1.00	74,710,000	7,471,000

13. RESERVES

	THE GROUP		THE COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Non-distributable reserves:-				
Share premium (a)	3,816,334	3,816,334	3,816,334	3,816,334
Capital reserve (b)	2,400,616	2,400,616	-	-
Exchange fluctuation reserves (c)	(15,547)	458,021	(29,367)	(6,788)
	6,201,403	6,674,971	3,786,867	3,809,546
Distributable reserve:-				
Retained profits (d)	26,566,497	20,269,763	3,393,675	6,810,889
	32,767,900	26,944,734	7,180,642	10,620,435

(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.

13. RESERVES *cont'd*

(b) Capital Reserve

	THE GROUP	
	2010	**2009**
	RM	**RM**
Capital reserve is represented by:		
Transfer of non-distributable reserve funds by a subsidiary	420,616	420,616
Bonus shares issued by a subsidiary	1,980,000	1,980,000
At 31 December	2,400,616	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.

(d) 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 RM3,562,000 (2009 – RM1,671,000) available for the purpose of paying tax-exempt dividends; and

(b) tax credits under Section 108 of Income Tax Act, 1967 to frank the payment of dividends of approximately RM2,896,581 (2009 – RM5,137,881) out of its retained profits.

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

At the 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 2010
cont'd

14. DEFERRED TAX LIABILITIES

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	RM	RM	RM	RM
At 1 January	355,180	812,004	156,806	686,225
Recognised in profit or loss (Note 24)	(151,410)	(459,667)	(45,036)	(533,666)
Effect of foreign exchange	(871)	2,843	(871)	4,247
At 31 December	202,899	355,180	110,899	156,806

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

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	RM	RM	RM	RM
The deferred tax liabilities are as follows:-				
Accelerated capital allowances	168,000	176,000	76,000	95,000
Amounts owing by contract customers	110,899	177,158	110,899	59,784
Unrealised gain on foreign exchange	-	2,022	-	2,022
	278,899	355,180	186,899	156,806
The deferred tax assets are as follows:-				
Unabsorbed capital allowances	(68,000)	-	(68,000)	-
Unrealised foreign exchange loss	(8,000)	-	(8,000)	-
	202,899	355,180	110,899	156,806

No deferred tax asset is recognised on the following item:-

	THE GROUP/THE COMPANY	
	2010	2009
	RM	RM
Unutilised tax losses	1,100,000	-

15. LONG-TERM BORROWINGS

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	RM	RM	RM	RM
Hire purchase payables (Note 16)	483,841	384,010	-	-
Term loan (Note17)	713,220	770,672	713,220	770,672
	1,197,061	1,154,682	713,220	770,672

16. HIRE PURCHASE PAYABLES

	THE GROUP	
	2010	**2009**
	RM	**RM**
Minimum hire purchase payments:		
- not later than one year	184,248	124,176
- later than one year and not later than two years	184,248	124,176
- later than two year and not later than five years	366,315	310,335
	734,811	558,687
Less: Future finance charges	(97,047)	(78,099)
Present value of hire purchase payables	637,764	480,588
Current portion:		
- not later than one year (Note 20)	153,923	96,578
Non-current portion (Note 15):		
- later than one year and not later than two years	156,780	103,407
- later than two year and not later than five years	327,061	280,603
	483,841	384,010
	637,764	480,588

The hire purchase payables bore a weighted average effective interest rate of 5.3% (2009 - 5.7%) per annum at the end of the reporting period.

17. TERM LOAN

	THE GROUP/THE COMPANY	
	2010	**2009**
	RM	**RM**
Current portion:		
- repayable within one year (Note 20)	65,081	73,537
Non-current portion (Note 15):		
- repayable between one and two years	69,510	77,956
- repayable between two and five years	238,210	263,118
- repayable after five years	405,500	429,598
	713,220	770,672
	778,301	844,209

17. TERM LOAN *cont'd*

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 2010	Amount Outstanding 2009
		RM		RM	RM
1	12	8,277	September 2009		
	12	9,403	September 2009		
	122	10,081	September 2010	778,301	844,209

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

	THE GROUP/THE COMPANY 2010	THE GROUP/THE COMPANY 2009
	%	%
Term loan	6.30	5.85

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

Included in other payables and accruals of the Group is an amount of RM970,500 (2009 – RM370,181) being advances received from contract customers.

20. SHORT-TERM BORROWINGS

	THE GROUP 2010	THE GROUP 2009	THE COMPANY 2010	THE COMPANY 2009
	RM	RM	RM	RM
Hire purchase payables (Note 16)	153,923	96,578	-	-
Term loan (Note 17)	65,081	73,537	65,081	73,537
Trust receipts	2,121,504	-	2,121,504	-
	2,340,508	170,115	2,186,585	73,537

The weighted average effective interest rate of the Group and of the Company per annum at the end of the reporting period for trust receipts was 1.59% (2009 – nil).

21. REVENUE

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	RM	RM	RM	RM
Contract revenue	81,172,708	60,038,918	15,962,644	20,198,108
Sale of goods	3,336,832	3,798,290	-	-
	84,509,540	63,837,208	15,962,644	20,198,108

22. OTHER EXPENSES

In the previous financial year, included in other expenses of the Group and of the Company were listing expenses amounting to RM1,427,626.

23. PROFIT/(LOSS) BEFORE TAXATION

In addition to those disclosed in Note 22 to the financial statements, profit/(loss) before taxation is arrived at after charging/(crediting):-

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	RM	RM	RM	RM
Amortisation of development costs	16,725	-	16,725	-
Auditors' remuneration:				
- Statutory audit				
Crowe Horwath				
- for the financial year	62,000	54,000	47,000	39,000
- underprovision in the previous financial year	5,000	-	2,000	-
Affiliate of Crowe Horwath	14,922	13,886	14,922	13,886
Other auditors	29,686	29,235	-	-
- Other services				
Crowe Horwath	-	97,000	-	92,000
Other auditors	-	4,368	-	-
Contract expenses	68,656,672	47,718,374	14,632,951	16,591,788
Depreciation of property, plant and equipment	889,467	830,840	367,432	390,605
Directors' remuneration (Note 25):				
- fee				
- for the financial year	102,000	429,456	102,000	425,500
- overprovison in the previous financial year	(171,617)	-	(171,617)	-
- non-fee emoluments	1,007,940	1,117,689	547,940	1,117,689
- defined contribution plans	125,399	53,295	125,399	53,295
Equipment written off	22,507	1,241	3,286	-
Impairment loss on receivables	-	22,143	-	22,143

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

In addition to those disclosed in Note 22 to the financial statements, profit/(loss) before taxation is arrived at after charging/(crediting) *cont'd*

	THE GROUP		THE COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Interest expense:				
- bank overdrafts	1,384	888	1,384	888
- hire purchase	17,352	8,746	74	70
- term loan	51,221	44,016	51,221	44,016
- others	1,648	28,423	1,648	1,294
Rental expenses	398,559	535,757	-	213,225
Staff costs				
- salaries, wages, bonus and allowances	5,676,606	4,190,484	911,026	1,394,550
- defined contribution plans	729,800	476,653	171,686	73,521
(Gain)/Loss on foreign exchange:				
- realised	(11,738)	(101,070)	3,677	(104,328)
- unrealised	92,749	-	41,579	-
Dividend income	-	-	-	(1,500,000)
Interest income	(301,410)	(271,064)	(116,055)	(66,214)
Rental income	-	(58,500)	-	(58,500)
Writeback of impairment loss on receivables	(14,493)	(36,228)	(14,493)	(36,228)

24. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Current tax				
- Malaysian tax	44,000	261,000	-	213,000
- Foreign tax	413,934	890,793	24,056	484,991
	457,934	1,151,793	24,056	697,991
- (Over)/Underprovision in the previous financial year				
- Malaysian tax	(213,000)	(120,285)	(213,000)	(120,285)
- Foreign tax	(39,362)	-	798	-
	(252,362)	(120,285)	(212,202)	(120,285)
	205,572	1,031,508	(188,146)	577,706
Deferred taxation (Note 14):				
- relating to originating and recognition of temporary differences	(151,410)	(380,667)	(45,036)	(447,666)
- overprovision in the previous financial year	-	(79,000)	-	(86,000)
	(151,410)	(459,667)	(45,036)	(533,666)
	54,162	571,841	(233,182)	44,040

24. 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	
	2010	2009	2010	2009
	RM	RM	RM	RM
Profit/(Loss) before taxation	8,592,196	8,644,361	(1,409,096)	135,247
Tax at Malaysian statutory tax rate of 25%	2,148,049	2,161,090	(352,274)	33,812
Tax effects of:-				
Differential in tax rates	(125,451)	(116,831)	(37,890)	(1,068)
Non-deductible expenses	226,565	661,086	100,614	608,343
Tax-exempt income	(2,217,639)	(1,934,219)	(6,430)	(390,762)
Overprovision in the previous financial year				
- current tax	(252,362)	(120,285)	(212,202)	(120,285)
- deferred tax	-	(79,000)	-	(86,000)
Deferred tax assets not recognised during the financial year	275,000	-	275,000	-
Tax for the financial year	54,162	571,841	(233,182)	44,040

Subject to agreement with the tax authorities, the Company has unabsorbed capital allowances and unutilised tax losses of RM275,000 and RM1,100,000 respectively available at the end of the reporting period to be carried forward for offset against future taxable business income.

25. 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	
	2010	2009	2010	2009
	RM	RM	RM	RM
Directors of the Company				
- Executive:				
- Fee				
- for the financial year	-	3,956	-	-
- overprovision in the previous financial year	(171,617)	-	(171,617)	-
- Salaries and other emoluments	1,007,940	1,117,689	547,940	1,117,689
- Defined contribution plans	125,399	53,295	125,399	53,295
	961,722	1,174,940	501,722	1,170,984
- Non-executive:				
- Fee	102,000	425,500	102,000	425,500
	1,063,722	1,600,440	603,722	1,596,484

25. DIRECTORS' REMUNERATION *cont'd*

(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	
	2010	2009	2010	2009
	RM	RM	RM	RM
Executive directors:				
- RM550,001 - RM600,000	2	2	2	2
Non-executive directors:				
- < RM50,000	4	2	4	2
- RM200,001 - RM250,000	-	2	-	2

26. EARNINGS PER SHARE

The basic earnings per share is arrived at by dividing the Group's profit attributable to shareholders of RM8,538,034 (2009 – RM8,072,520) by the weighted average number of ordinary shares in issue during the financial year of approximately 74,710,000 (2009 – 66,117,315).

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

27. PURCHASE OF PLANT AND EQUIPMENT

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	RM	RM	RM	RM
Cost of plant and equipment purchased	2,166,769	1,748,407	52,929	48,542
Amount financed through hire purchase	(264,000)	(534,000)	-	-
Cash disbursed for purchase of plant and equipment	1,902,769	1,214,407	52,929	48,542

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	
	2010	2009	2010	2009
	RM	RM	RM	RM
Fixed deposits with licensed banks (Note 11)	12,546,757	12,123,046	5,269,175	3,447,634
Cash and bank balances	9,592,782	16,017,275	5,376,750	9,781,129
	22,139,539	28,140,321	10,645,925	13,228,763

29. RELATED PARTY DISCLOSURES

(a) Identities of related parties

The Company has controlling 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.

(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	
	2010	2009	2010	2009
	RM	RM	RM	RM
Entities in which certain directors are key management personnel				
- Progress billings	11,084,743	5,871,413	11,084,743	5,871,413
- Purchases	-	12,898	-	12,898
A related party of the entities in which certain directors are key management personnel				
- Progress billings	4,588,160	6,765,774	704,119	-
- Purchases	-	169,246	-	169,246
Entities in which certain directors are shareholders				
- Purchases	1,077,769	827,455	188,987	330,084
- Rental income	-	58,500	-	58,500

(c) Key management personnel compensation

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	RM	RM	RM	RM
Short-term employee benefits				
- salaries, allowances and bonus	1,502,389	1,798,036	1,294,014	1,609,950
- defined contribution plans	177,289	115,175	162,313	100,775

29. RELATED PARTY DISCLOSURES *cont'd*

(d) Outstanding balances

	THE GROUP		THE COMPANY	
	2010	2009	2010	2009
	RM	RM	RM	RM
Entities controlled by the key management personnel as included in:				
- trade receivables	1,427,349	2,742,280	2,938,265	2,742,280
- other payables and accruals	-	12,860	-	12,860
A related party of the entities in which certain directors are key management personnel as included in:				
- trade receivables	1,052,960	1,356,138	-	-
- other payables	30,736	33,014	-	-
Entities in which certain directors are shareholders as included in:				
- trade receivables	-	2,195	-	2,195
- trade payables	47,602	400	-	400

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

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

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	
	2010	2009
	RM	RM
Euro	4.08	4.92
Japanese Yen	0.04	-
New Taiwan Dollar	0.11	0.10
Chinese Renminbi	0.47	0.50
Singapore Dollar	2.39	2.44
United States Dollar	3.08	3.42

31. OPERATING SEGMENTS

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

Geographical Information

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

	REVENUE		NON-CURRENT ASSETS	
	2010 RM	2009 RM	2010 RM	2009 RM
Malaysia	40,733,548	30,504,427	6,689,852	5,392,290
Singapore	11,176,965	9,211,677	199,253	12,234
Taiwan	15,907,079	8,933,730	224,081	246,474
The People's Republic Of China	16,691,948	14,597,070	659,240	880,424
Others	-	590,304	-	-
	84,509,540	63,837,208	7,772,426	6,531,422

Major Customers

Revenue from two major customers, with revenue equal to or more than 10% of the Group's revenue, amounted to RM19,846,952 (2009 – RM9,829,824) arising from the engineering services.

32. CONTINGENT LIABILITY – UNSECURED

	THE GROUP/THE COMPANY	
	2010 RM	2009 RM
Performance bond granted to contract customers	45,000	809,000

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, United States Dollar ("USD"), 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.

NOTES to the Financial Statements
for the Financial Year Ended 31 December 2010
cont'd

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 follow:-

THE GROUP	RMB RM	USD RM	NTW RM	SGD RM	JPY RM	EURO RM
2010						
Financial assets						
Amount owing by contract customers	1,232,012	-	633,206	1,457,167	-	-
Trade receivables	2,401,632	188,144	5,272,967	2,384,164	-	-
Other receivables, deposits and prepayments	981,627	-	208,135	140,474	-	-
Cash and bank balances	1,784,876	2,644,913	1,978,868	411,377	-	2,454
	6,400,147	2,833,057	8,093,176	4,393,182	-	2,454
Financial liabilities						
Amount owing to contract customers	285,865	-	8,473	-	-	-
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	-	-
	2,254,216	2,879,255	4,894,592	3,554,614	200,756	233,852
Net financial assets/ (liabilities)	4,145,931	(46,198)	3,198,584	838,568	(200,756)	(231,398)
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(4,145,931)	-	(3,198,584)	(2,317,658)	-	-
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 GROUP	RMB RM	USD RM	NTW RM	SGD RM	EURO RM
2009					
Financial assets					
Amount owing by contract customers	2,022,419	-	527,408	218,862	-
Trade receivables	3,925,698	22,250	3,405,789	1,616,150	-
Other receivables, deposits and prepayments	401,328	-	177,040	-	-
Cash and bank balances	2,159,178	640,811	2,451,433	1,353,824	-
	8,508,623	663,061	6,516,670	3,188,836	-
Financial liabilities					
Trade payables	3,403,364	1,910,794	3,662,357	1,186,933	31,660
Other payables and accruals	702,968	-	154,890	-	-
	4,106,332	1,910,794	3,817,247	1,186,933	31,660
Net financial assets/ (liabilities)	4,402,291	(1,277,733)	2,699,423	838,568	(31,660)
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(4,402,291)	-	(2,699,423)	(857,498)	-
Net currency exposure	-	(1,277,733)	-	(18,930)	(31,660)

NOTES to the Financial Statements
for the Financial Year Ended 31 December 2010
cont'd

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			
Amount owing by contract customers	-	633,206	-
Trade receivables	-	5,272,967	-
Other receivables, deposits and prepayments	-	208,135	-
Amount owing by subsidiary	-	124,790	-
Cash and bank balances	905,550	1,978,868	1,588
	905,550	8,217,966	1,588
Financial liabilities			
Amount owing to contract customers	-	8,473	-
Trade payables	1,573,444	4,584,479	-
Other payables and accruals	-	301,640	-
	1,573,444	4,894,592	-
Net financial (liabilities)/assets	(667,894)	3,323,374	1,588
Less: Net financial (assets)/liabilities denominated in the entity's functional currency	-	(3,323,374)	-
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

THE COMPANY	USD RM	NTW RM	SGD RM
2009			
Financial assets			
Amount owing by contract customers	-	527,408	-
Trade receivables	22,250	3,405,789	-
Other receivables, deposits and prepayments	-	177,040	-
Cash and bank balances	608,326	2,451,433	1,588
	630,576	6,561,670	1,588
Financial liabilities			
Trade payables	644,625	3,662,357	-
Other payables and accruals	-	154,890	-
	644,625	3,817,247	-
Net financial (liabilities)/assets	(14,049)	2,744,423	1,588
Less: Net financial (assets)/liabilities denominated in the entity's functional currency	-	(2,744,423)	-
Net currency exposure	(14,049)	-	1,588

NOTES to the Financial Statements
for the Financial Year Ended 31 December 2010
cont'd

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 2010 Increase/ (Decrease) RM	THE COMPANY 2010 Increase/ (Decrease) RM
Effects on profit after taxation		
USD:		
- strengthened by 10%	29,872	(55,772)
- weakened by 10%	(29,872)	55,772
SGD:		
- strengthened by 10%	(143,703)	366
- weakened by 10%	143,703	(366)
JPY:		
- strengthened by 10%	(34,116)	-
- weakened by 10%	34,116	-
Euro:		
- strengthened by 10%	(17,789)	-
- weakened by 10%	17,789	-
Effects on equity		
USD:		
- strengthened by 10%	28,124	(55,519)
- weakened by 10%	(28,124)	55,519
SGD:		
- strengthened by 10%	(143,703)	366
- weakened by 10%	143,703	(366)
JPY:		
- strengthened by 10%	(34,116)	-
- weakened by 10%	34,116	-
Euro:		
- strengthened by 10%	(17,789)	-
- weakened by 10%	17,789	-

33. FINANCIAL INSTRUMENTS *cont'd*

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

(i) Market Risk *cont'd*

(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 risks.

(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. For other financial assets (including quoted investments, cash and bank balances and derivatives), 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 amounts owing by three customers which constituted approximately 46% 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	
	2010	2009	2010	2009
	RM	RM	RM	RM
Malaysia	14,810,746	3,139,179	-	217,249
Singapore	2,333,189	1,616,150	-	-
Taiwan	5,272,967	3,405,789	5,279,217	3,405,789
PRC	2,401,632	3,925,698	-	-
	24,818,534	12,086,816	5,279,217	3,623,038

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 2010 is as follows:-

THE GROUP	GROSS AMOUNT RM	INDIVIDUAL IMPAIRMENT RM	CARRYING VALUE RM
2010			
Not past due	17,640,639	-	17,640,639
Past due:-			
- less than 3 months	4,612,608	-	4,612,608
- 3 to 6 months	947,232	-	947,232
- over 6 months	1,637,083	(19,028)	1,618,055
	24,837,562	(19,028)	24,818,534
2009			
Not past due	10,310,704	-	10,310,704
Past due:-			
- less than 3 months	1,058,557	-	1,058,557
- 3 to 6 months	419,901	-	419,901
- over 6 months	332,056	(34,402)	297,654
	12,121,218	(34,402)	12,086,816

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 substantially 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
2010						
Hire purchase payables	5.27	637,764	734,811	184,248	550,563	-
Term loan	6.30	778,301	1,000,622	120,972	483,888	395,762
Trust receipts	1.59	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	-	-
Amount owing to contract customers	-	3,222,193	3,222,193	3,222,193	-	-
		28,660,259	28,979,964	27,549,751	1,034,451	395,762
2009						
Hire purchase payables	4.70	480,588	558,687	124,176	434,511	-
Term loan	5.85	844,209	1,121,594	120,972	483,888	516,734
Trade payables	-	12,652,555	12,652,555	12,652,555	-	-
Other payables and accruals	-	2,570,939	2,570,939	2,570,939	-	-
Amount owing to contract customers	-	4,461,392	4,461,392	4,461,392	-	-
		21,009,683	21,365,167	19,930,034	918,399	516,734

NOTES to the Financial Statements
for the Financial Year Ended 31 December 2010
cont'd

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
2010						
Term loan	6.30	778,301	1,000,622	120,972	483,888	395,762
Trade payables	-	6,157,923	6,157,923	6,157,923	-	-
Other payables and accruals	-	550,716	550,716	550,716	-	-
Amount owing to contract customers	-	8,473	8,473	8,473	-	-
		7,495,413	7,717,734	6,838,084	483,888	395,762
2009						
Term loan	5.85	844,209	1,121,594	120,972	483,888	516,734
Trade payables	-	4,332,762	4,332,762	4,332,762	-	-
Other payables and accruals	-	1,061,503	1,061,503	1,061,503	-	-
		6,238,474	6,515,859	5,515,237	483,888	516,734

(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.

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.

33. FINANCIAL INSTRUMENTS *cont'd*

(b) Capital Risk Management *cont'd*

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

	THE GROUP 2010 RM
Hire purchase payables	637,764
Term loan	778,301
Trust receipts	2,121,504
Trade payables	18,693,241
Other payables and accruals	3,207,256
Amount owing to contract customers	3,222,193
	28,660,259
Less: Fixed deposits with licensed banks	(12,546,757)
Less: Cash and bank balances	(9,592,782)
Net debt	6,520,720
Total equity	40,238,900
Debt-to-equity ratio	0.16

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 (excluding treasury shares) of the Company. The Company has complied with this requirement.

(c) Classification Of Financial Instruments

	THE GROUP 2010 RM	THE COMPANY 2010 RM
Financial assets		
Loans and receivables financial assets		
Amount owing by contract customers	11,551,018	831,605
Trade receivables	24,818,534	5,279,217
Other receivables and deposits	1,512,683	233,331
Amount owing by subsidiaries	-	2,246,294
Fixed deposits with licensed banks	12,546,757	5,269,175
Cash and bank balances	9,592,782	5,376,750
	60,021,774	19,236,372

33. FINANCIAL INSTRUMENTS *cont'd*

(c) Classification Of Financial Instruments *cont'd*

	THE GROUP 2010 RM	THE COMPANY 2010 RM
Financial liabilities		
Other financial liabilities		
Amount owing to contract customers	3,222,193	8,473
Trade payables	18,693,241	6,157,923
Other payables and accruals	3,207,256	550,716
Hire purchase payables	637,764	-
Term loan	778,301	778,301
Trust receipts	2,121,504	2,121,504
	28,660,259	9,616,917

(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 except for the following:-

	2010		2009	
	CARRYING AMOUNT RM	FAIR VALUE RM	CARRYING AMOUNT RM	FAIR VALUE RM
THE GROUP				
Hire purchase payables	637,764	589,424	480,588	442,427
Term loan	778,301	638,645	844,209	703,124

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.

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

33. FINANCIAL INSTRUMENTS *cont'd*

(d) Fair Values Of Financial Instruments *cont'd*

The interest rates used to discount estimated cash flows, where applicable, are as follows:-

	GROUP		COMPANY	
	2010	**2009**	**2010**	**2009**
	%	**%**	**%**	**%**
Hire purchase payables	3.55	3.55	3.55	3.55
Term loan	6.30	5.85	6.30	5.85

34. SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

Subsequent to the financial year, 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 issue price of RM0.65 per share 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.

35. COMPARATIVE FIGURES

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

	THE GROUP		THE COMPANY	
	AS RESTATED	**AS PREVIOUSLY REPORTED**	**AS RESTATED**	**AS PREVIOUSLY REPORTED**
	RM	**RM**	**RM**	**RM**
Statements of financial position (extract):-				
Share premium	-	3,816,334	-	3,816,334
Capital reserve	-	2,400,616	-	-
Exchange fluctuation reserve	-	458,021	-	(6,788)
Retained profits	-	20,269,763	-	6,810,889
Reserves	26,944,734	-	10,620,435	-

NOTES to the Financial Statements

for the Financial Year Ended 31 December 2010

cont'd

36. 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 2010 RM	THE COMPANY 2010 RM
Total retained profits:		
- realised	26,862,145	3,546,154
- unrealised	(295,648)	(152,478)
At 31 December	26,566,497	3,393,676

ANALYSIS of Shareholdings
as at 5 May 2011

Authorised Share Capital	: RM25,000,000 comprising of 2,500,000,000 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	1.39	300	0.00
100 - 1,000	293	58.13	117,600	0.15
1,001 - 10,000	94	18.65	604,900	0.76
10,001 - 100,000	81	16.07	3,012,900	3.81
100,001 - less than 5%	25	4.96	26,012,525	32.88
5% and Above	4	0.79	49,361,775	62.40
TOTAL	**504**	**100**	**79,110,000**	**100**

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 5 MAY 2011
(based on Register of Substantial Shareholders)

Shareholders	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
Palace Star Sdn Bhd	39,737,125	50.23		
Sky Walker Group Limited	9,624,650	12.17		
Gan Hung Keng			39,737,125[1]	50.23[1]
Ong Weng Leong			39,737,125[1]	50.23[1]
Lim Hock San			39,737,125[1]	50.23[1]
Confederate Technology Corporation			9,624,650[2]	12.17[2]
United Industrial Gases Co Ltd			9,624,650[3]	12.17[3]
BOCLH Industrial Gases Co Ltd			9,624,650[4]	12.17[4]

Notes:
1 *Deemed interested under Section 6A of the Companies Act, 1965 by virtue of their direct interests in Palace Star Sdn Bhd.*
2 *Deemed interested under Section 6A of the Companies Act, 1965 by virtue of its direct interest in Sky Walker Group Limited.*
3 *Deemed interested under Section 6A of the Companies Act, 1965 by virtue of its direct interest in Confederate Technology Corporation.*
4 *Deemed interested under Section 6A of the Companies Act, 1965 by virtue of its direct interest in United Industrial Gases Co Ltd.*

LIST OF DIRECTORS' SHAREHOLDING IN THE COMPANY AS AT 5 MAY 2011

	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
Gan Hung Keng	-	-	39,737,125[1]	50.23[1]
Ong Weng Leong	-	-	39,737,125[1]	50.23[1]
Hsu, Chung-Kuang	-	-	-	-
Lai, Cheng-Che	-	-	3,925,484[2]	4.96[2]
Chan Thian Kiat	-	-	-	-
Tan Chuan Yong	-	-	-	-

Note:
1 *Deemed interested under Section 6A of the Companies Act, 1965 by virtue of their direct interests in Palace Star Sdn Bhd.*
2 *Deemed interested by virtue of the shares held by his spouse, direct interest in Allied Moral investments Limited.*

ANALYSIS of Shareholdings

as at 5 May 2011

cont'd

DIRECTORS' INTERESTS IN OPTIONS OVER ORDINARY SHARES

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

Director	No. of Options Granted
Gan Hung Keng	730,000
Ong Weng Leong	730,000
Hsu, Chung-Kuang	100,000
Lai, Cheng-Che	100,000
Chan Thian Kiat	100,000
Tan Chuan Yong	100,000

ANALYSIS of Shareholdings
as at 5 May 2011
cont'd

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

No.	Name	No. of shares	%
1	Palace Star Sdn Bhd	18,487,517	23.37
2	Palace Star Sdn Bhd	12,005,850	15.18
3	Sky Walker Group Limited	9,624,650	12.17
4	Palace Star Sdn Bhd	9,243,758	11.68
5	Allied Moral Investments Limited	3,925,484	4.96
6	An-Jih Co., Ltd.	3,730,000	4.71
7	Hantech Venture Capital Corporation	3,728,000	4.71
8	Grandworth Group Ltd.	3,691,300	4.67
9	Malaysia Venture Capital Management Berhad	3,198,000	4.04
10	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Chew Siow Geok*	1,918,641	2.43
11	Chew Siow Geok	1,115,000	1.41
12	Loy Boon Chen	650,000	0.82
13	Leong Ee Nung	603,000	0.76
14	Lew You Sen	500,000	0.63
15	Hung, Ta-Mu	440,000	0.56
16	Tan Tong Kai	274,000	0.35
17	Sin Huat Hing Farm Sdn Bhd	250,000	0.32
18	Too Pei Chen	242,100	0.31
19	Loo Kew @ Loh Kwai Lan	229,400	0.29
20	Goh Seow Khong	223,000	0.28
21	Lim Mui Wah	200,000	0.25
22	Wan Siew Chuan	180,000	0.23
23	Wong Yin Kee	170,000	0.21
24	Tan Kim Kiok	137,100	0.17
25	Chan Weng Choy	135,500	0.17
26	Soo Wei Keong	125,000	0.16
27	Yeoh Khoon Cheng	125,000	0.16
28	Jf Apex Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Lew You Sen*	115,000	0.15
29	Ecml Nominees (Tempatan) Sdn. Bhd *Pledged Securities Account For Lim Ta Wai*	107,000	0.14
30	Lim Wei Chen	100,000	0.13
		75,474,300	**95.40**

NOTICE of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of KELINGTON GROUP BERHAD (501386-P) ("Company" or "KGB") will be held at Mauna Lani B, Level 2, Block A, Holiday Inn Kuala Lumpur Glenmarie, 1 Jalan Usahawan U1/8, 40250 Shah Alam, Selangor Darul Ehsan on Tuesday, 14 June 2011 at 9.30 a.m. for the following purposes:

1. To lay the Audited Financial Statements for the financial year ended 31 December 2010 together with the Reports of the Directors and Auditors thereon. ***(Please refer to Note A)***

2. To re-elect the following Directors who are retiring in accordance with Article 69 of the Articles of Association of the Company:

    a. Mr Gan Hung Keng ***(Ordinary Resolution 1)***
    b. Mr Hsu, Chung-Kuang ***(Ordinary Resolution 2)***

3. To approve the payment of Directors' fees of RM102,000 for the financial year ended 31 December 2010. ***(Ordinary Resolution 3)***

4. To approve the final tax-exempt dividend of 3 sen per ordinary share of RM0.10 each for the financial year ended 31 December 2010. ***(Ordinary Resolution 4)***

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

6. **As Special Business**
    To consider and, if thought fit, , to pass the following Ordinary Resolutions with or without any modifications:

    a. **AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

    "THAT subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot 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 of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company." ***(Ordinary Resolution 6)***

    b. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")**

    "THAT, subject to the Bursa Malaysia Securities Berhad's ("Bursa Securities") ACE Market Listing Requirement, approval be and is hereby given for the Proposed Shareholders' Mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the Related Parties as specified in Section 2.1.2(I) of the Circular to Shareholders dated 20th day of May 2011; ***(Ordinary Resolution 7)***

    provided that such transactions are :

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

    (the "Mandate");

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

i. the conclusion of the next Annual General Meeting of the Company following the Annual General Meeting at which the Mandate was passed, at which time it will lapse, unless the authority is renewed by a resolution passed at the meeting;
ii. the expiration of the period within which the next Annual General Meeting is required to be held pursuant to Section 143(1) of the Companies Act, 1965 but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965; or
iii revoked or varied by resolution passed by the shareholders in a general meeting

whichever is the earlier;

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

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of Members at the Eleventh Annual General Meeting to be held on 14 June 2011, a final tax-exempt dividend of 3 sen per ordinary share of RM0.10 each for the financial year ended 31 December 2010, if approved, will be paid on Monday, 22 July 2011 to Depositors whose names appear in the Record of Depositors of the Company on Thursday, 30 June 2011.

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 Thursday, 30 June 2011 in respect of transfers; and

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

By Order of the Board

LIM MING TOONG (MAICSA 7000281)
NG LAY YEE (MAICSA 7031768)

Company Secretaries

Kuala Lumpur
20 May 2011

Explanatory notes to Special Business:

Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965

a. 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 Companies Act, 1965, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issue pursuant to the General Mandate does not exceed 10% of the issued and paid-up share capital of the Company for the time being. The General Mandate, unless revoked or varied by the Company in General Meeting, will expire at the conclusion of the next Annual General Meeting 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 so 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 acquisition(s).

NOTICE of Annual General Meeting
cont'd

As at the date of this Notice, 4,400,000 new shares in the Company were issued pursuant to the mandate granted to the Directors at the Extraordinary General Meeting held on 26 October 2010 and which will lapse at the conclusion of the Eleventh Annual General Meeting. The proceeds of RM2,860,000.00 raised from the issuance of 4,400,000 new shares via the Private Placement were utilised mainly for working capital of the Company.

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature ("Proposed Shareholders' Mandate")

b. The proposed adoption of the Ordinary Resolution 7 is to renew the shareholders' mandate granted by the shareholders of the Company at the Tenth Annual General Meeting held on 3 June 2010. The proposed renewal of the shareholders' mandate will enable the Group to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favorable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

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

Further information on the proposed Ordinary Resolution 7 is set out in the Circular to Shareholders dated 20 May 2011.

Notes:

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

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

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

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

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

STATEMENT Accompanying the Notice of Annual General Meeting

The Directors who are standing for re-election pursuant to Article 69 of the Articles of Association of the Company, at the Eleventh Annual General Meeting are as follows:

i. Mr Gan Hung Keng

ii. Mr Hsu, Chung-Kuang

The details of the above Directors who are standing for re-election are set out in the Profile of Directors from page 4 and 5 of this Annual Report. Their securities holdings in the Company are set out on page 81 of this Annual Report.

This page has been intentionally left blank.

Proxy Form

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

Number of Shares Held

* I/We ____

of ____

being a Member(s) of KELINGTON GROUP BERHAD (501386-P), hereby appoint ______________________

____

of ____

or failing him/her ____

of ____ as *my/our proxy to vote for *me/us on *my/our behalf at the Eleventh Annual General Meeting of the Company to be held at Mauna Lani B, Level 2, Block A, Holiday Inn Kuala Lumpur Glenmarie, 1 Jalan Usahawan U1/8, 40250 Shah Alam, Selangor Darul Ehsan on Tuesday, 14 June 2011 at 9.30 a.m. or at any adjournment thereof and to vote as indicated below:

Ordinary Resolutions	For	Against
1. To re-elect Director under Article 69: Gan Hung Keng		
2. To re-elect Director under Article 69: Hsu, Chung-Kuang		
3. To approve the payment of Directors' fees		
4. To approve the final dividend		
5. To re-appoint Messrs Crowe Horwath as Auditors		
6. Authority to Directors to allot and issue shares		
7. Renewal of shareholders' mandate for recurrent related party transactions of revenue or trading nature		

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

* *Delete if not applicable.*

Signed this ______________________ day of __________________ 2011

____
Signature of Member/Common Seal

Notes:

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

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

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

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

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

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP

The Company Secretary

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

1st Fold Here