4 Competitive Analysis of the Ultra High Purity Gas/Chemical Delivery System Industry – Malaysia, China and Taiwan

The UHP gas/chemical delivery system industry in Malaysia, China and Taiwan consists of three categories (***Category 1***, ***Category 2*** and ***Category 3***) as outlined below:

Chart 4-1: Differentiation of the 3 Main Categories in the Ultra High Purity Gas/Chemical Delivery System Industry

	Company	Capabilities
Category 1	Multinational specialty gas and chemical providers through their gas/chemical system engineering divisions	Total UHP gas/chemical delivery system solutions: (***including** gas/chemicals supply)* • *Design – UHP gas/chemical delivery system design service* • *Building & Construction – Building and construction of the UHP gas/chemical delivery system* • *Procurement – Procurement of the UHP gas/chemical delivery system equipment* • *Installation – Installation of the UHP gas/chemical delivery system equipment* • *QA – Qualification and verification of the UHP gas/chemical delivery system* • *Maintenance – Maintenance of the gas/chemical delivery system* • *Gas/Chemicals – Provide supply of specialty gas/chemical*
Category 2	UHP gas/chemical delivery system engineering companies	Total UHP gas/chemical delivery system solutions: (***excluding** gas/chemicals supply)* • *Design – UHP gas/chemical delivery system design service* • *Building & Construction – Building and construction of the UHP gas/chemical delivery system* • *Procurement – Procurement of the UHP gas/chemical delivery system equipment* • *Installation – Installation of the UHP gas/chemical delivery system equipment* • *QA – Qualification and verification of the UHP gas/chemical delivery system* • *Maintenance – Maintenance of the gas/chemical delivery system*
Category 3	UHP gas/chemical delivery system installation companies	Installation and building works for the UHP gas/chemical delivery system: • *Building & Construction – Building and construction of the UHP gas/chemical delivery system* • *Procurement – Procurement of the UHP gas/chemical delivery system equipment* • *Installation – Installation of the UHP gas/chemical delivery system equipment* • *Maintenance – Maintenance of the gas/chemical delivery system*

Source: Frost & Sullivan

Companies in ***Category 1*** are primarily European and U.S. multinational specialty gas and chemical providers through their gas/chemical system engineering divisions. ***Category 1*** companies have the capability to offer total UHP gas/chemical delivery system services, which would include consulting, system design, system execution, qualification, and maintenance. This is one of the advantages that main turnkey contractors for wafer and FPD fabs gain if they subcontract the total gas/chemical project to these specialty suppliers. This ensures that the gas/chemical that reaches the point of use will be contaminant–free, and if not, they will be able to hold the relevant party accountable.

Category 1 companies have the necessary resources and global reach. They usually compete against each other for big scale UHP gas/chemical delivery system projects normally from securing the contracts for the supply of gas/chemicals on an ongoing manner. As most ***Category 1*** companies are gas/chemical companies, they tend to outsource the total UHP gas/chemical delivery system solutions to ***Category 2*** companies. By outsourcing such specialized services, the gas/chemical companies are able to trim overhead costs – which aids their competitiveness - and allows them to maintain better focus on the key / core functions (or activities) – primarily the supply of gas and chemicals.

In this manner, ***Category 2*** companies such as KE have managed to obtained contracts from ***Category 1*** companies to provide total solutions for the UHP gas/chemical delivery system in semiconductor wafer fabs for foundries such as Silterra, Taiwan Semiconductor Manufacturing Corporation (TSMC) and also FPD glass substrate manufacturer Hannstar Display Corporation.

Category 2 companies include Asian (excluding Japan) UHP gas/chemical delivery system engineering companies (namely from Malaysia and Taiwan).

These ***Category 2*** companies are also able to provide total UHP gas/chemical delivery system services, which would include consulting, system design, system execution, qualification, and maintenance. However they might not posses enough resources to manage, coordinate, and/or execute large-scale projects. They tend to compete more for smaller scale projects. However, these UHP gas/chemical delivery system engineering companies should not be considered as installers as they posses a significant technical advantage and expertise in designing a UHP gas/chemical delivery system as compared with an installation company that typically works according to schematics/drawings provided.

Category 2 companies are able to provide value added services such as design, qualification and validation and much more.

The **advantages** of ***Category 2*** companies over ***Category 3*** companies are highlighted in Chart 4-1.

Depending on the working relationship between ***Category 2*** companies and the MNCs, **Category 2** companies with a strong track record can usually leverage on a good working relationship for recurring projects. The competition among the players in ***Category 2*** is medium because each player has their own expertise and is usually quite established in the local markets that they operate in. UHP gas/chemical delivery system companies with high credentials and an impeccable safety record are highly preferred by MNCs, this is especially so due to the stringent requirements of the UHP gas/chemical delivery system industry.

Category 3 are companies that typically perform subcontracting jobs such as installation, hence the name installers, for the specialty gas and chemical companies and the UHP gas/chemical engineering companies in the execution phase of the UHP gas/chemical system project. They do not posses enough experience or capability to offer total UHP gas/chemical delivery system solutions.

For some UHP gas/chemical delivery system companies, their capabilities are region/country dependent. They might not have a strong UHP gas/chemical delivery system engineering team in countries with a relatively small market size, but have a very strong presence in countries that have a lucrative market.

Chart 4-2: Leading Players in the UHP Gas/Chemical Delivery System Industry in Malaysia, China and Taiwan, (2008)

	China	Taiwan	Malaysia
Category 1	Air Liquide* Air Products* BOC China (Holdings) Co Ltd.^ Linde Electronics & Specialty Gas* Messer Group* Praxair*	Air Liquide* Air Products* BOC Lienhwa*^ Super Clean Technology Co Ltd. (Subsidiary of Taiyo Nippon Sanso)	Air Products STB Sdn Bhd MOX-LINDE Gases Sdn Bhd (MOX)#
Category 2	**Kelington Group Berhad** Marketech International Corp Wholetech System Hitech Limited Kinetics Process Systems (Shanghai/Tianjin) Ltd	**Kelington Group Berhad** Marketech International Corp Wholetech System Hitech Limited	**Kelington Group Berhad** Kinetics Process Systems Sdn Bhd
Category 3	50 – 60 companies (Companies that act as installers of UHP systems)	60 – 70 companies (Companies that act as installers of UHP systems)	2 – 4 companies (Companies that act as installers of UHP systems)

Source: Frost & Sullivan

* *Note: Denotes subsidiaries and joint ventures of MNCs with local companies of the respective countries.*
Companies are listed in alphabetical order and are not presented in any particular ranking or order.

^*Note:*

- *BOC (BOC is now a division of Linde Group)*
- *BOC Edwards (BOC Edwards was spun off from the Linde Group to become Edwards. As at 27th May 2008, Edwards sold its chemical management division of Edwards Vacuum, Inc to Air Liquide Electronics)*

#*Note: MOX is part of the Linde Group*

Chart 1-7 shows a sample of the top players in the UHP gas/chemical delivery system industry in China, Taiwan and Malaysia. ***Category 1*** is dominated by multinationals (MNCs) such as Air Liquide, BOC (BOC is now a division of Linde Group) and Linde Gas through their respective subsidiaries in these countries. These companies usually compete amongst themselves to secure the supply of gas/chemicals on an ongoing manner for semiconductor wafer and FPD fabs.

Design and construction of the UHP gas/chemical delivery system is usually a part of this agreement for the supply of gas/chemicals. Outsourcing the design and construction of the UHP gas/chemical delivery system enables these gas companies to focus on their core business, which is the supply of specialty gas/chemical.

Category 2 companies such as KE, Marketech International Corp and Wholetech System Hitech Limited **compete amongst themselves** to provide total UHP gas/chemical delivery system solutions to these Category 1 companies.

Category 3 companies comprise mostly local companies who act as installers for the UHP gas/chemical delivery system. They usually obtain contracts outsourced from ***Category 1*** or ***Category 2*** companies to install the piping and equipment for UHP gas/chemical delivery systems.

The highlighted box in Chart 1-7 represents the competitive landscape for KE.

Chart 1-8, Chart 1-9 and Chart 1-10 lists the core competencies of a sample of leading players in the UHP gas/chemical delivery system industry. Companies from ***Category 1*** and **2** are able to provide total solutions for the UHP gas/chemical delivery system, whereas companies in ***Category 3*** offer mostly installation solutions.

Chart 4-3: Leading *Category 2* and *Category 3* Players in the UHP Gas/Chemical Delivery System Industry in China (2008)

Company Name	Design	B&C	Procure	Install	QA	Maintain
Kelington Group Berhad	✓	✓	✓	✓	✓	✓
Marketech International Corp	✓	✓	✓	✓	✓	✓
Wholetech System Hitech Limited	✓	✓	✓	✓	✓	✓
Kinetics Process Systems (Shanghai/Tianjin) Ltd	✓	✓	✓	✓	✓	✓
Approximately **50-60** Companies Acting as Installers		✓	✓	✓		✓

Source: Frost & Sullivan

** Note: Denotes subsidiaries and joint ventures of MNCs with local companies of the respective countries.*

Chart 4-4: Leading *Category 2* and *Category 3* Players in the UHP Gas/Chemical Delivery System Industry in Taiwan (2008)

Company Name	Design	B&C	Procure	Install	QA	Maintain
Kelington Group Berhad	✓	✓	✓	✓	✓	✓
Marketech International Corp	✓	✓	✓	✓	✓	✓
Wholetech System Hitech Limited	✓	✓	✓	✓	✓	✓
Approximately **60-70** Companies Acting as Installers		✓	✓	✓		✓

Source: Frost & Sullivan

* *Note: Denotes subsidiaries and joint ventures of MNCs with local companies of the respective countries*

Chart 4-5: Leading *Category 2* and *Category 3* Players in the UHP Gas/Chemical Delivery System Industry in Malaysia (2008)

Company Name	Design	B&C	Procure	Install	QA	Maintain
Kinetics Process Systems Sdn Bhd	✓	✓	✓	✓	✓	✓
Kelington Group Berhad	✓	✓	✓	✓	✓	✓
Approximately **2- 4** Companies Acting as Installers		✓	✓	✓		✓

Source: Frost & Sullivan

Legend: Design – UHP gas/chemical delivery system design service
B&C – Building and construction of the UHP gas/chemical delivery system
Procure – Procurement of the UHP gas/chemical delivery system equipment
Install – Installation of the UHP gas/chemical delivery system equipment
QA – Qualification and verification of the UHP gas/chemical delivery system
Maintain – Maintenance of the gas/chemical delivery system
Gas/Chemicals – Provide supply of specialty gas/chemicals

Semiconductor wafer and FPD manufacturers usually prefer UHP gas/chemical delivery system companies that are able to provide turnkey solutions to their UHP gas/chemical delivery system needs. Leveraging on this advantage UHP gas/chemical delivery system engineering companies such as KE have the capability to gain a greater share of the UHP gas/chemical delivery system market.

5 GOVERNMENT REGULATIONS, POLICIES, AND INCENTIVES IN CHINA, TAIWAN & MALAYSIA

5.1 CHINA AND TAIWAN

There are no specific laws or regulations governing the UHP gas/chemical delivery system industry in China or Taiwan.

However, the Chinese Government does offer incentive and preferential policies to attract foreign investment – particularly sectors with high growth potential, such as manufacturing, pharmaceutical, and biotechnology. The government has specified certain areas where industrial operations are encouraged, such as industrial parks, Special Economic Zones (SEZs), and Free Trade Zones (FTZs). The types of benefits and incentives offered vary across parks or zones, but they are similar in nature and are designed to attract foreign investments.

5.2 MALAYSIA

The Malaysian Government offers a variety of incentives to promote the growth of the value-added and manufacturing sectors. The major tax incentives for companies that are in these sectors are the Pioneer Status or Investment Tax Allowance.

There are other incentives such as Incentives for Relocating Manufacturing Activities to Promoted Areas, Incentives for High Technology Companies, Incentives for Strategic Projects, and many others. All these are offered to encourage foreign direct investment and encourage local companies to invest in more value-added technology.

There are also designated FTZs where companies that set up operations would enjoy a certain amount of tax holidays.

Through agencies like the MIDA, various state governments and also the board of directors of the various FTZs, foreign corporations are enticed to set up operations in the country with incentives like Pioneer Status or Investment Tax Allowances.

6 INDUSTRY OUTLOOK

The UHP gas/chemical delivery system industry is an industry where precision counts. UHP gas/chemical delivery systems are systems that deliver gas/chemicals to the specific point of use with as little impurities (high purity) or foreign material/s (contaminants) as possible to ensure consistent and high quality yield.

UHP gas/chemical delivery systems are typically used in semiconductor wafer fabrication processes and FPD manufacturing. These are also used in other manufacturing industries like LED, pharmaceuticals, bio-sciences, solar panel manufacturing and also nanotechnology processes where purity requirements are extremely critical to product quality.

The performance of the UHP gas/chemical delivery system industry is highly correlated to the performance and prospects of its key application markets – primarily the semiconductor wafer and FPD fabs – where the extremely high levels of UHP requirements is one of the critical success factors for good yield rates and quality. Fast cyclical changes in technological advancements or the relatively short to medium life cycle nature of these key markets often result in the construction of new wafer and FPD fabs and the refurbishment of older ones.

With the increase in end-user demand for semiconductors and FPDs, existing fabs will also need to upgrade their current production capacities. Thus, UHP gas/chemical companies with the adaptability to keep up with the ever-stringent requirements of the UHP gas/chemical delivery system industry are expected to witness success both in China, Taiwan and Malaysia.

UHP gas/chemical delivery system engineering is a very precise and specialized engineering centric industry, where measurements and part sizes are measured in nanometres and *part-per-billion (ppb)* counts. This industry has extremely low margins for error (bordering on none) as slight variances in manufacturing processes causes a disproportionate effect on process Cost of Poor Quality (COPQ) resulting in losses totalling millions of dollars.

The semiconductor and FPD markets largely provide the current opportunities for UHP gas/chemical delivery system industry and Frost & Sullivan has therefore focused on these industries for providing the industry data. The UHP gas/chemical delivery system industry is an industry that is highly correlated to the performance of its dependant industries – in this case, semiconductor fabs as well as FPD (LCD) fabs, in the relatively high growth markets of China and Taiwan followed by Malaysia.

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China:

The future growth for China is much more encouraging due to the expected set up of newer fabs as well as expansion of the existing fabs for semiconductors as well as FPDs in these two countries.

China's industrial sector recorded USD1.09 trillion in its overall added industrial value in 2007, up by 18.5 percent over the same period last year, while its total investment in fixed assets grew by 25.5 percent in 2008. The fast growing economy is being reined in for a soft landing under the government's balanced development strategy and continued macroeconomic control policies. China has maintained an average annual economic growth rate of around 10 percent for the past four years, namely 10.1 percent in 2004, 10.4 percent in 2005, 10.7 percent in 2006 and 11.4 percent in 2007. In 2008 the Chinese economy experienced a slowdown and the real GDP stood at 9.0 percent.

Manufacturing and construction growth, hampered by bottlenecks in energy and transportation, land constraints, and reduced levels of investments, are expected to slow slightly. Foreign direct investment (FDI) inflow to China amounted to USD160.9 billion in 2008, up 8.0 percent from the previous year.

According to the China Semiconductor Industry Association, China currently has 47 fabs. The bulk of those produce four, five, six and eight-inch wafers, (30 percent, 19 percent, 26 percent and 21 percent of total fab capacity, respectively) but new investment is mainly flowing into 12-inch wafers, currently comprising four percent of fab capacity. Most of the newer fabs are financed by Taiwanese companies or investors.

In 2008 the China semiconductor industry stood at USD85 billion, one of the biggest drop in its growth rates in its history. This drop is attributed to the financial meltdown and subsequent pressure on the Chinese semiconductor manufacturers to sustain its operations in the face global competitive.

The Chinese FPD market is expected to closely mirror global FPD market, with revenues of USD95.6 billion and a growth rate of 18.4 percent in 2007.

Similarly, the Chinese UHP gas/chemical delivery system industry with USD238.8 million revenues in 2008 is expected to grow at a CAGR of approximately 12.96 percent in the forecast period of 2008-2013. Considering the current substantial base market size of the semiconductors and FPDS, growth rates of approximately 12.96 percent represents quite a significant value.

UHP gas/chemical delivery system companies such as KE with the ability to provide total solutions for the UHP gas/chemical delivery system of these semiconductor and FPD fabs are poised to benefit from this high growth trends in the Chinese markets. Being a qualified supplier of services with fab owners, such as KE is with SMIC, will help companies to gain a stronger foothold in the Chinese UHP gas/chemical delivery system industry.

The Chinese semiconductor and FPD industries have recorded the highest FDI in recent years. Many leading semiconductor companies have shifted their assembly and testing centres from the

Western hemisphere to Asia. For instance, in 2007 Intel chose China as the next destination to open a chip fabrication plant. Intel's planned investments totalled USD2.5 billion and this plant is Intel's first silicon-wafer fabrication plant in Asia.

Moving forward, this trend is expected to continue.

Taiwan:

The Taiwanese GDP in 2008 reached USD414.9 billion. In 2008, Taiwan's economy contracted due to severe global economic meltdown. In the last quarter of 2008, the economy contracted to 8.36 percent, marking the biggest slump since 1961. Taiwan's GDP for 2008 increased by a mere 0.12 percent, the lowest since 2001, while the country's economic growth pegged at 2.17 percent.

As a result, capital expenditure for new technologies in the semiconductor and display industries is expected to remain high from 2010 onwards, most of these investments will be used to upgrade current manufacturing capabilities, for example, from the current wafer size of 200 mm to 300 mm, thereby increasing factory capacity by two to three factors; fabs will also upgrade to more advanced lithographic nodes for semiconductor volume manufacturing, from the current 65 nm to 45 nm.

Taiwan is home to the world's top two foundries in Taiwan Semiconductor Manufacturing Corporation (TSMC) and United Microelectronics Corporation (UMC), which cumulatively hold a 65 percent share in terms of worldwide foundry revenue. In this context, the foundries are defined as semiconductor wafer manufacturing facilities that are available on a contract basis to companies that do not have wafer fab capability of their own, or semiconductor manufacturing companies that have insufficient capacity. In order to hold on to the top two positions, these foundries have to keep up with the ever-evolving volume manufacturing technologies. Thus, a significant share of these companies' profits will be reinvested to upgrade fab capacity and semiconductor manufacturing technology.

TSMC has been witnessing an upward trend in it second quarter sales in 2009. TSMC has raised its 2009 capital spending budget from a previous budget of USD1.9 billion at the beginning of financial year 2009 to USD2.3 billion. In a similar move, UMC raised its capital spending budget from USD 400 million to USD500 million. With a positive correlation of the amount of investments going into capital expenditures and the UHP gas/chemical delivery system industry, the UHP gas/chemical delivery system industry is also expected to grow further in Taiwan.

UHP gas/chemical delivery systems are a critical component of any fab, be it a semiconductor or FPD fab. Increase in investments in fabs also means the construction or refurbishment of UHP gas/chemical delivery systems.

The Taiwanese UHP gas/chemical delivery system industry with revenues of USD393.6 million in 2008 is expected to grow at a CAGR of approximately 9.59 percent in the forecast period of 2008-2013. Considering the current substantial base market size of the semiconductors and FPDs, growth rates of approximately 9.59 percent represent a very healthy growth rate.

With increasingly developed clusters of FPD and semiconductor manufacturers in Taiwan, the country looks more likely to become a high-end manufacturer of semiconductors and FPDs in the near future.

Malaysia:

For Malaysia it is expected that there will be very few new entrants into the UHP gas/chemical delivery system industry in the short term due to the high barriers of entry and the migration of multinational operations and FDI into China.

From early 2008, Malaysia has received significant investments in the solar cell manufacturing industry. As of June 2009, the country has attracted almost RM12 billion worth of investments through FDI's. Companies such as First Solar, SunPower and Q-Cells are the major investors. In June 2009, the Malaysian Industrial Development Authority has identified solar energy as one of the growth areas and is keen on promoting this industry. The solar cell manufacturing industry is expected to be one of the key drivers of the UHP gas/chemical delivery system market in Malaysia for the forecast period.

The rise in semiconductor fab capacity and upgradation of UHP gas/chemical delivery systems are expected to provide a steady stream of income for UHP gas/chemical delivery system companies. This activity of upgrading fab capacity or "hook up" is generally awarded to the company that built the UHP gas/chemical delivery system because of its familiarity with the existing UHP gas/chemical delivery system, and sometimes based on prior agreements.

Operating margins are typically higher during the "hook up" phase of the upgrading exercise as compared with the base build phase of the project as this industry is somewhat characterised by the "incumbency" factor. This means that the UHP gas/chemical delivery system engineering company (incumbent) that has been awarded the contract for the "base build" is more likely to be awarded the "hook up" contract as well since they are more familiar with the gas and chemical delivery systems and are therefore able to hook up equipment to the gas and chemical delivery systems in a more speedy and efficient manner.

This phase of the UHP gas/chemical delivery system is usually carried out by UHP gas/chemical delivery system engineering companies because specialty gas and chemical providers prefer to focus on their core business, which is the production of industrial gases to the semiconductor wafer fab. This would enable UHP gas/chemical delivery system companies to have a steady stream of income whilst diversifying into China and Taiwan in search for new projects.

The current 0.13um (micrometers) lithograph etching technology being used in most wafer fabs in Malaysia requires upgrading in order for these fabs to stay competitive. Upgrading the lithograph etching technology also requires the upgrading of UHP gas/chemical delivery system with the increase in purity requirements. Upgrading work like these is expected to be another source of revenues for UHP gas/chemical delivery system companies.

In the absence of FDI into the semiconductor wafer and FPD industries, the Malaysian government is expected to look to jumpstart these industries. The Ninth Malaysia Plan (9MP) outlines the government's aim to provide more focused incentives for *high value-added industries*. This will be particularly so for new growth areas, and will cover areas such as R&D and technology transfer, job creation, especially in E&E (Electrical and Electronics), digital content, and biotechnology. The E&E sector includes semiconductors and FPDs in addition to the other segments such as electronic contract manufacturing, consumer electronics, etc. In addition, existing companies will also be encouraged to expand and diversify into high-end industries as well as move into related services.

With the approval of new non-semiconductor or FPD related projects that involve UHP gas/chemical delivery systems, the signs are encouraging that UHP gas/chemical delivery system companies can reduce their reliance on semiconductor and FPD projects for their future revenue growth.

UHP gas/chemical delivery system companies are expected to provide their expertise in the emerging solar cells manufacturing industry in Malaysia. Malaysia is currently becoming a target destination for solar cells manufacturing activities. Industry leaders such as Q-Cells AG, First Solar GmbH and SunPower Corporation have in total committed to invest approximately USD2.4 billion to set up their respective manufacturing facilities in Malaysia. This presents a huge opportunity for the UHP gas/chemical delivery system industry in Malaysia.

With the case for outsourcing the UHP gas/chemical delivery system in semiconductor wafer and FPD fabs becoming more prevalent, the prospects are bright for companies that are able to provide total UHP gas/chemical delivery system solutions. UHP gas/chemical delivery system engineering companies such as KE, leveraging on their proven track record and physical presence in China and Taiwan have very good prospects in this industry.

Conclusion:

UHP gas/chemical delivery systems are typically used in semiconductor wafer fabrication processes and FPD manufacturing, which are its key market drivers. It is also used in other manufacturing industries like LED, pharmaceuticals, bio-sciences, and solar panel manufacturing where purity requirements are extremely critical to product quality.

The growth in the semiconductor and FPD industries in China and Taiwan is expected to drive business opportunities for UHP gas/chemical delivery systems in these markets over the forecast period of 2008 to 2013. Frost & Sullivan expects UHP gas/chemical delivery system engineering companies to secure projects in these countries either directly from the turnkey contractors or the specialty gas /chemical companies.

The companies that have already successfully penetrated into the Taiwan and China markets – with a strong track record and customer references – are expected to have the comparative advantage vis-à-vis other competitors. These companies that have an established presence can leverage on their existing reputation to increase their respective market share. Established market players also have a better understanding of the local language, culture and business practices, which will enable them to run their operations more efficiently.

Market participants like KE having the core elements of UHP gas/chemical delivery system design and engineering internally as well as installation (which can be outsourced to save costs) and qualification/validation with the appropriate business network/s and relationships in China and Taiwan are better placed to capitalise on the emerging market opportunities for UHP systems in the Semiconductor and FPD markets.

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6 FINANCIAL INFORMATION

6.1 FINANCIAL HIGHLIGHTS

6.1.1 Proforma Consolidated Income Statements

The following table is extracted from the Proforma Financial Information our Group set out in Section 13 of this Prospectus and should be read in conjunction with the notes thereto.

The summarised proforma consolidated income statements of our Group for the past three (3) financial years from FYE 31 December 2006 to FYE 31 December 2008 and the four (4)-months FPE 30 April 2009 as set out below have been prepared based on the audited financial statements of the companies within our Group for illustrative purposes after making such adjustments that are considered necessary and assuming that our Group had been in existence throughout the financial years and/or periods under review.

	(Proforma)	← (Audited)	→	(Unaudited) Four (4) months FPE	(Audited) Four (4) months FPE
	← FYE 31 December		→		
	2006*	2007	2008	30 April 2008#	30 April 2009
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	**30,256**	**57,242**	**60,058**	**24,934**	**12,724**
Cost of sales	(23,556)	(47,714)	(47,686)	(20,322)	(9,583)
Gross profit	6,700	9,528	12,372	4,612	3,241
Other income	134	239	474	103	337
	6,834	9,767	12,846	4,715	3,578
Selling and distribution expenses	(280)	(206)	(224)	(103)	(96)
Administrative expenses	(2,490)	(3,655)	(5,113)	(1,385)	(1,026)
Other expenses	(631)	(306)	(370)	(131)	(151)
Profit from operations	**3,433**	**5,600**	**7,139**	**3,096**	**2,305**
Finance costs	(82)	(126)	(79)	(24)	(30)
PBT	**3,351**	**5,474**	**7,060**	**3,072**	**2,275**
Income tax expense	(570)	(1,386)	(454)	(466)	(340)
PAT attributable to equity holders of the Company	**2,781**	**4,088**	**6,606**	**2,606**	**1,935**
Earnings before interest, depreciation and taxation	**3,775**	**5,992**	**7,533**	**3,234**	**2,425**
No. of ordinary shares of RM1.00 in issue ('000) ^	6,297	6,500	6,500	6,500	6,500
Gross EPS (sen)	53.2	84.2	108.6	47.3	35.0
Net EPS (sen)	44.2	62.9	101.6	40.1	29.8
Gross profit margin (%)	22.1	16.6	20.6	18.5	25.5
PBT margin (%)	11.1	9.6	11.8	12.3	17.9
PAT margin (%)	9.2	7.1	11.0	10.5	15.2

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Notes:

* *The proforma consolidated income statement for the FYE 31 December 2006 was prepared after taking into account the disposal of our Company's former subsidiary, VSR Technologies, via a dividend-in-specie to all our Company's then shareholders.*

^ *Assumed weighted average number of ordinary shares in issue after the Bonus Issue but before the Share Sub-Division and Public Issue.*

\# *For comparative purposes only.*

Our Group's audited financial statements for the past financial years/periods under review have not been subjected to any audit qualification.

Basis of preparation

The proforma consolidated financial information of our Group, comprising the financial information of Kelington, KE Shanghai, KTSB, KE Singapore and KTS are presented for the purpose of illustration only.

The relevant financial period for the purpose of this report (**"Relevant Financial Period"**) is as follows:-

Company	**Relevant Financial Period**
Kelington	FYE 31 December 2006, 2007 and 2008, FPE from 1 January 2009 to 30 April 2009 (**"FPE 2009"**).
KE Shanghai	FYE 31 December 2006, 2007 and 2008, FPE 2009.
KTSB	FYE 31 December 2006, 2007 and 2008, FPE 2009.
KE Singapore	Financial period from 8 June 2006 (date of incorporation) to 31 December 2006, FYE 31 December 2007 and 2008, FPE 2009.
KTS	FPE from 18 March 2009 (date of incorporation) to 30 April 2009.

The proforma consolidated financial information of our Group is prepared on the assumption that our Group had been in existence throughout the FYE 31 December 2006, 2007 and 2008, FPE from 1 January 2009 to 30 April 2009.

The proforma consolidated financial information is prepared using the audited financial statements of Kelington, KE Shanghai, KTSB and KE Singapore for the Relevant Financial Period except for:

(a) FPE 30 April 2008 which relates to the unaudited management financial statements for the financial period from 1 January 2008 to 30 April 2008 for comparison purposes; and

(b) KTS which was incorporated on 18 March 2009 and only commenced business operations in August 2009.

The proforma consolidated financial information has been prepared in accordance with Financial Reporting Standards in Malaysia (**"FRS"**) consistent with those previously adopted in the preparation of the audited financial statements of our Group for the FPE from 1 January 2009 to 30 April 2009 and after incorporating adjustments that are appropriate for the preparation of the proforma consolidated financial information.

VSR Technologies, a former 51% subsidiary of our Company was disposed of by us during the FYE 31 December 2006 via a dividend-in-specie exercise on a pro-rata basis to our then shareholders and was excluded from the proforma consolidated financial information for the FYE 2006.

Our Group has not adopted the following FRSs and Interpretation Committee (**"IC"**) Interpretations that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group:

(i) FRS issued and effective for financial periods beginning on or after 1 July 2009:

FRS 8	Operating Segments

FRS 8 replaces FRS 1142004 Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of our Group. This FRS is expected to have no material impact on the financial statements of our Group upon its initial application.

(ii) FRSs issued and effective for financial periods beginning on or after 1 January 2010:

FRS 4	Insurance contracts
FRS 7	Financial Instruments: Disclosures
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement

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

The possible impact of FRS 7 and FRS 139 on the financial statements upon their initial applications is not disclosed by virtue of the exemptions given in these standards.

The possible impact of FRS 123 on the financial statements upon its initial application is not disclosed as the existing accounting policies of our Group are consistent with the requirements under this new standard.

(iii) Amendments issued and effective for financial periods beginning on or after 1 January 2010:

Amendments to FRS 1 and FRS 127	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendment to FRS 2	Vesting Conditions and Cancellations

The above amendments are not relevant to our Group's operations.

(iv) IC Interpretations issued and effective for financial periods beginning on or after 1 January 2010:

IC Interpretation 9	Reassessment of Embedded Derivatives
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

The above IC Interpretations are not relevant to our Group's operations except for IC interpretation 10 which will become relevant to the Group for the financial year ending 31 December 2010 and the subsequent financial years. IC interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation is expected to have no material impact on the financial statements of our Group upon its initial application.

The translation of the financial statements of our Company's Taiwan Branch and the financial statements of our foreign subsidiaries from NTD, RMB and SGD to RM are based on the following exchange rates:-

Based on average rates for the period:	FYE 31 December 2006	FYE 31 December 2007	FYE 31 December 2008	FPE 30 April 2008	FPE 30 April 2009
NTD	0.1125	0.1043	0.1059	0.1032	0.1070
RMB	0.4593	0.4518	0.4820	0.4519	0.5310
SGD	2.2932	2.3193	2.3652	2.3029	2.3991

The translation of the financial statements of our Company's Taiwan Branch and the financial statements of its foreign subsidiaries from NTD, RMB and SGD to RM are based on the following exchange rates:-

Based on closing rates at the balance sheet date:	FYE 31 December 2006	FYE 31 December 2007	FYE 31 December 2008	FPE 30 April 2009
NTD	0.1083	0.1028	0.1056	0.1074
RMB	0.4523	0.4563	0.5076	0.5216
SGD	2.2932	2.3193	2.4070	2.4117

Our auditors have reported our financial statements above without any audit qualification for the financial years/periods under review.

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6.1.2 Proforma Consolidated Balance Sheets / Statements of Assets and Liabilities

The proforma consolidated balance sheets as set out below are provided for illustrative purposes only to show the effects on the audited balance sheets of the Kelington Group as at 30 April 2009 had the IPO been completed on that date.

	(Audited)	Proforma (I)	Proforma (II)	Proforma (III)
	As at 30 April 2009	After the Increase in Authorised Share Capital and Bonus Issue	After Proforma I, the Share Sub-Division and Shares Transfer	After Proforma II, the Offer for Sale, Public Issue and Proposed Utilisation of Proceeds
	RM'000	RM'000	RM'000	RM'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	5,081	5,081	5,081	5,581
Goodwill on consolidation	199	199	199	199
Development costs	108	108	108	108
	5,388	5,388	5,388	5,888
CURRENT ASSETS				
Amount owing by contract customers	9,037	9,037	9,037	9,037
Trade receivables	9,289	9,289	9,289	9,289
Other receivables, deposits and prepayments	1,565	1,565	1,565	735
Fixed deposits with licensed banks	12,320	12,320	12,320	12,320
Cash and bank balances	9,669	9,669	9,669	13,140
	41,880	41,880	41,880	44,521
TOTAL ASSETS	**47,268**	**47,268**	**47,268**	**50,409**
EQUITY AND LIABILITIES				
Share capital	5,000	6,500	6,500	7,471
Share premium account	599	-	-	3,769
Capital reserve	2,401	2,401	2,401	2,401
Exchange fluctuation reserve	704	704	704	704
Retained profits	15,033	14,132	14,132	12,533
TOTAL EQUITY	**23,737**	**23,737**	**23,737**	**26,878**
NON-CURRENT LIABILITIES				
Deferred tax liabilities	611	611	611	611
Term loan	826	826	826	826
	1,437	1,437	1,437	1,437
CURRENT LIABILITIES				
Amount owing to contract customers	9,260	9,260	9,260	9,260
Trade payables	8,985	8,985	8,985	8,985
Other payables and payables	3,060	3,060	3,060	3,060
Provision for taxation	727	727	727	727
Term loan	62	62	62	62
	22,094	22,094	22,094	22,094
TOTAL LIABILITIES	23,531	23,531	23,531	23,531
TOTAL EQUITY AND LIABILITIES	**47,268**	**47,268**	**47,268**	**50,409**

6 FINANCIAL INFORMATION (Cont'd)

	(Audited) As at 30 April 2009 RM'000	Proforma (I) After the Increase in Authorised Share Capital and Bonus Issue RM'000	Proforma (II) After Proforma I, the Share Sub-Division and Shares Transfer RM'000	Proforma (III) After Proforma II, the Offer for Sale, Public Issue and Proposed Utilisation of Proceeds RM'000
No. of ordinary shares of RM1.00 each ('000)	5,000	6,500	-	-
No. of ordinary shares of RM0.10 each ('000)	-	-	65,000	74,710
Net tangible assets per share (RM)	4.69	3.60	0.36	0.36

The proforma consolidated balance sheets of our Group, for which our Directors are solely responsible, have been prepared solely for illustrative purposes and are consistent with the accounting policies adopted in the preparation of the interim audited financial statements of our Group as at 30 April 2009 which have been prepared in accordance with applicable FRS and after making such adjustments that are appropriate for the preparation of the proforma consolidated balance sheets. The details of the adjustments have been set out in the Proforma Balance Sheets as set out in Section 13 of this Prospectus.

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6.1.3 Proforma Consolidated Cash Flow Statements

The proforma consolidated cash flow statements for the FYE 31 December 2008 and the FPE 30 April 2009 have been prepared, solely for illustrative purposes, to show our Group's cashflow had our Group been in existence during the financial years / periods presented.

	(Audited) FYE 31 December 2008 RM'000	(Unudited) FPE 30 April 2008 RM'000#	(Audited) FPE 30 April 2009 RM'000
CASH FLOW FOR OPERATING ACTIVITIES			
PBT	7,060	3,072	2,275
Adjustments for:-			
Allowance for doubtful debts	29	-	*
Bad debts written off	35	-	-
Depreciation for property, plant and equipment	578	166	222
Equipment written off	16		-
Interest expense	79	24	30
(Gain)/Loss on foreign exchange-unrealised	(51)	75	15
Interest income	(184)	(28)	(102)
Writeback of allowance of doubtful debts	(42)	(35)	(22)
Operating profit before working capital changes	7,520	3,274	2,418
Increase in amount owing by contract customers	(643)	1,250	(1,149)
Decrease in trade and other receivables	6,153	7,266	533
Increase/(Decrease) in amount owing to contract customers	5,425	(2,492)	(796)
(Decrease)/Increase in trade and other payables	(6,381)	(6,928)	285
Cash from Operations	**12,074**	**2,370**	**1,291**
Income tax paid	(655)	(294)	(55)
Interest paid	(79)	(24)	(30)
Interest received	184	28	102
Net Cash From Operating Activities	**11,524**	**2,080**	**1,308**
CASH FLOW FOR INVESTING ACTIVITIES			
Purchase of plant and equipment	(951)	(262)	(49)
Development costs paid	-		(14)
Net Cash For Investing Activities	**(951)**	**(262)**	**(63)**
CASH FLOW FOR FINANCING ACTIVITIES			
Repayment of lease and hire purchase obligations	(83)	(62)	-
Drawdown of bills payables	(1,885)	(1,885)	-
Repayment of term loan	(67)	(24)	(22)
Net Cash For Financing Activities	**(2,035)**	**(1,971)**	**(22)**
Net Increase in Cash and Cash Equivalents	8,538	(153)	1,223
Effect of Foreign Exchange Translation Differences	395	(4)	68
Cash and Cash Equivalents at the beginning of the financial year / period	11,765	11,765	20,698
Cash and Cash Equivalents at the end of the financial year / period	**20,698**	**11,608**	**21,989**

Notes:

* *Less than RM1,000*

\# *For comparative purposes only.*

For the purpose of the cash flow statements, cash and cash equivalents comprise of fixed deposits with licensed banks and cash and bank balances.

6.1.4 Exchange Rates

As our Group's reporting currency is in RM, the financial statements of our Group were translated from NTD, RMB and SGD to RM for consolidation purposes. As such, our Group faces translation risk in that any material fluctuation in NTD, RMB and SGD will have an effect on our consolidated financial statements which are presented in RM. For illustrative purposes, we have set out below the applicable historical exchange rates which are illustrated based on units of RM per 1 unit of NTD, RMB and SGD.

(a) Foreign exchange rate as at the Latest Practicable Date

Foreign currency	Closing exchange rate as at the Latest Practicable Date
NTD	9.3283
RMB	1.6958
SGD	0.4066

(Source: Bloomberg)

(b) High and low exchange rates for each month for the six (6) months preceding the date of this Prospectus

Months	NTD		RMB		SGD	
	High	Low	High	Low	High	Low
2009						
April	9.3955	9.2185	1.9191	1.8723	0.4217	0.4135
May	9.4242	9.2358	1.9654	1.9150	0.4195	0.4127
June	9.3485	9.2829	1.9657	1.9293	0.4149	0.4112
July	9.3467	9.2157	1.9456	1.8956	0.4122	0.4066
August	9.3735	9.2901	1.9552	1.9255	0.4118	0.4086
September	9.3582	9.2424	1.9716	1.9286	0.4087	0.3969

(Source: Bloomberg)

(c) Average exchange rates for the past three (3) FYE 31 December 2006, 2007 and 2008, and the four (4)-months FPE 30 April 2008 and FPE 30 April 2009 calculated using the average of the exchange rates on the last day of each month during the financial year/period

	FYE 31 December			4-months FPE 30 April 2008	4-months FPE 30 April 2009
Foreign currency	2006	2007	2008		
NTD	8.8838	9.5747	9.4577	9.6914	9.3391
RMB	2.1740	2.2128	2.0813	2.2126	1.8824
SGD	0.4324	0.4384	0.4234	0.4341	0.4166

(Source: Bloomberg)

6.2 CAPITALISATION AND INDEBTEDNESS

The following table summarises our Group's cash and cash equivalents, capitalisation and indebtedness:-

(i) as at 30 April 2009 based on our latest available audited consolidated financial statements; and

(ii) as adjusted for the net proceeds arising from the issue of the Issue Shares pursuant to our IPO and the utilisation of proceeds as set out in Section 2.7 of this Prospectus.

	(Audited) As at 30 April 2009 RM'000	After the IPO and utilisation of proceeds RM'000
Cash and cash equivalents	21,989	25,460
Indebtedness		
Short term borrowings	62	62
Long term borrowings	826	826
Total	**888**	**888**
Secured borrowings	888	888
Unsecured borrowings	-	-
Total	888	888
Guaranteed borrowings *	888	888
Unguaranteed borrowings	-	-
Total	888	888
Capitalisation		
Total shareholders' equity	23,737	26,878
Total capitalisation	23,737	26,878
Total capitalisation and indebtedness	**24,625**	**27,766**

Note:
* *Amount is guaranteed by some of our Directors for and on behalf of our Company.*

The indirect and contingent liabilities of our Group are as set out in Section 6.6 of this Prospectus.

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6.3 MANAGEMENT'S DISCUSSION AND ANALYSIS ON FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of our Group's past financial performances and results of operations should be read in conjunction with the proforma consolidated financial information and the related notes thereon for the past three (3) FYE 31 December 2006, 2007 and 2008 and the four (4)-months FPE 30 April 2009 included in Section 13 of this Prospectus.

This discussion and analysis contained data derived from our audited financial statements as well as forward-looking statements that involve risks and uncertainties. The results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 3 of this Prospectus.

6.3.1 Overview

Revenue

FYE 31 December 2006

For the FYE 31 December 2006, our Group's revenue increased by approximately RM6.50 million or 27.4% as compared to the previous financial year, due mainly to an increase of RM11.15 million in revenue from RM0.83 million to RM11.98 million from our Malaysian market, which is primarily contributed by the Base Build of a major wafer fabrication project in the country.

Similarly, revenue contribution from the PRC market also increased by approximately RM3.78 million or 44.9% as compared to the previous financial year as we managed to secure several Base Build projects for TFT-LCD, Wafer Fab and gas companies. This is however offset to a certain extent by a decrease in revenue contribution from our Taiwanese market as a result of resources constraint whereby we had to reallocate our technical staff and equipment from our Taiwanese operations to meet the increased demand for our services in both the PRC and Malaysia markets.

Collectively, Base Build represents the largest revenue contributor during the financial year at approximately 83.0%, predominantly made up from the aforesaid wafer fabrication project in Malaysia and various other wafer fabrication projects in the PRC and Taiwan.

FYE 31 December 2007

For the FYE 31 December 2007, our Group's revenue increased by approximately RM26.99 million or 89.2% as compared to the previous financial year, due mainly to a Base Build project for an electronic hard disk manufacturing plant which we participated in Malaysia amounting to approximately RM18.65 million, of which RM12.50 million was realised during the financial year, coupled with an equipment and material procurement order we delivered in the PRC amounting to approximately RM8.06 million. Taking into account the abovementioned, our operations from the Malaysian and PRC markets collectively accounted for approximately 71.4% of the total revenue for the financial year, representing an increase by RM11.26 million (or 93.9%) and RM5.46 million (or 44.9%) for the Malaysian and PRC markets, respectively.

An electronic hard disk manufacturing plant project in Malaysia represented our first foray into the application of UHP chemical delivery system. This is a significant development for our Group as chemical delivery system has always been one of our key development priorities. With the successful completion of this project, we expect our UHP chemical delivery systems to be further deployed in other similar industries as well as in our other markets, which opens up an additional revenue stream for us.

On the other hand, while equipment and material trading is not traditionally our core business, the equipment and material procurement order we delivered in the PRC was intended to serve as strategic project reference for our subsequent project bidding in the PRC, with the same customer.

The revenue contribution from the Taiwanese market had also increased by RM7.76 million or 127.3% as compared to the relatively low contribution of only RM6.10 million in the previous financial year as we increase our participation in several wafer fabrication projects by increasing our Group's overall headcount.

FYE 31 December 2008

For the FYE 31 December 2008, our consolidated revenue increased by approximately RM2.82 million or 4.9% as compared to the previous financial year, due mainly to the recognition of the balance revenue as well as additional revenue amounting to approximately RM14.10 million in total from the additional contract secured for the aforementioned electronic hard disk manufacturing plant project in Malaysia. The increase is also contributed by the Base Build of a wafer fabrication project in the PRC of RM11.6 million attributed to the equipment and material procurement order.

With the exception of the Malaysian market which showed a slight decrease in revenue contribution by approximately RM0.75 million or 3.2%, while revenue contribution from the PRC and Taiwan markets have increased by approximately RM2.65 million (or 15.0%) and RM2.70 million (or 19.5%) respectively.

The increased revenue from our PRC and Taiwanese operations is attributed to an increase in the provision of both Base Build and Hook Up services by a mix of customers from the Wafer Fabrication, TFT-LCD, and solar industries. Evidently, we have gradually reduced our reliance on the Wafer Fabrication industry, which has traditionally been the key revenue contributor, and diversified into other industries for the application of our UHP delivery system solutions.

4-month FPE 30 April 2009

For the 4-month FPE 30 April 2009, our consolidated revenue was approximately RM12.72 million, contributed mainly from the Malaysian market with approximately 57.3% revenue contribution and our PRC and Taiwanese operations with approximately 20.9% and 20.4% revenue contribution respectively.

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It should be noted that traditionally the majority of our revenue is recognised towards the second half of the financial year, due to seasonal effects such as winter along with festive celebrations which delays our billing milestones. Furthermore, as at 30 April 2009, we have also ventured into the Singapore market and secured our maiden Base Build project for an integrated solar cell manufacturing facility in Singapore. This project, together with several other Base Build projects in Malaysia and the PRC, all of which have yet to contribute to our revenue as at 30 April 2009, are expected to contribute to our revenue for the remainder of the FYE 31 December 2009. Taking this into consideration, our Group's total secured contract value throughout the markets in which we operate in amounted to approximately RM58.2 million as at 30 September 2009.

Gross profit

FYE 31 December 2006

Our Group's gross profit margin remained fairly constant during the FYE 31 December 2006 at approximately 22.1% as compared to the FYE 31 December 2005 at approximately 21.1%.

FYE 31 December 2007

The decrease in our Group's gross profit margin to approximately 16.6% during the FYE 31 December 2007 was mainly due to the aforesaid equipment and material procurement order in the PRC undertaken with relatively low gross profit margins with the prospect of securing future additional contracts with the same customer at higher gross profit margins. The low gross profit margins is also attributed to a certain extent to the increased revenue contribution from our Taiwanese market during the financial year which has always traditionally contributed lower margins due to the relative maturity of its semiconductor market. Furthermore, we incurred additional staff cost amounting to RM1.03 million or an increase of approximately 50.0% due to the increase in our Group's average headcount from 51 in the FYE 31 December 2006 to 87 in the FYE 31 December 2007.

However, due to the increase in revenue during the financial year, the aggregate gross profit increased by approximately 42.2% as compared to FYE 31 December 2006.

FYE 31 December 2008

The increase in gross profit margin to approximately 20.6% in the FYE 31 December 2008 as compared to the previous financial year was mainly due to the relatively lower gross profit margin for equipment and material procurement order project undertaken in the PRC in the previous financial year as well as several large projects secured in Malaysia in the FYE 31 December 2008, including the aforementioned electronic hard disk manufacturing plant project, which was relatively more profitable and resulted in an increase in our Group's overall average gross profit margin.

4-month FPE 30 April 2009

The increase in gross profit margin to approximately 25.5% in the FPE 30 April 2009 as compared to the previous corresponding financial period was mainly due to the revenue recognition for a special liquified gas production plant project with relatively higher gross profit margin in Malaysia.

PBT

FYE 31 December 2006

For the FYE 31 December 2006, the PBT of RM3.35 million was higher compared to PBT for the FYE 31 December 2005 of RM2.15 million (after excluding results of VSR), mainly due to the increase in gross profit by 33.5% while incurring only a 16.3% increase in selling and distribution, other operating and administrative expenses and finance cost.

FYE 31 December 2007

For the FYE 31 December 2007, as a result of the increase in revenue, the PBT increased by approximately 63.3% from RM3.35 million in FYE 31 December 2006 to RM5.47 million. The PBT margin, however, decreased from 11.1% in FYE 31 December 2006 to 9.6% in FYE 31 December 2007, due mainly to the overall lower gross profit margin made in FYE 31 December 2007, driven by the strategic equipment procurement order described above.

FYE 31 December 2008

The higher PBT margin of approximately 11.8% in the FYE 31 December 2008 was due to the overall increase in revenue while achieving a higher gross profit margin of approximately 20.6% as compared to the previous FYE 31 December 2007. However, this was slightly offset by an increase in administrative expenses as in addition to expensing our Director's fees and benefits for the FYE 31 December 2007 during the financial year, we also made a provision for directors' fees and benefits for the FYE 31 December 2008. The Directors' fees and benefits take into account the services rendered by the Directors in all their capacities and during the two (2) financial years up to 31 December 2008. Going forward, such Directors' fees and benefits shall be accrued in the respective financial years of service.

4-month FPE 30 April 2009

The higher PBT margin of 17.9% in the FPE 30 April 2009 was mainly driven by a number of projects, which contributed to a higher gross profit margin.

For the FYE 31 December 2009, our Group expects the operating and administrative expenses to increase due in part to the one-off expenses relating to the Listing, the details of which are set out in Section 13 of this Prospectus. These expenditures are one-off in nature and non-operational and which are totally funded from the Listing proceeds.

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Effective Tax Rate

The Malaysian statutory tax rates and the effective tax rates for our Group during the financial years / periods under review are set out as follow:-

	(Proforma)	← (Audited)	→	(Unaudited)	(Audited)
	← FYE 31 December		→	Four (4) months ended	Four (4) months ended
	2006*	2007	2008	30 April 2008#	30 April 2009
	RM'000	RM'000	RM'000	RM'000	RM'000
PBT	3,351	5,474	7,060	3,072	2,275
Income tax expense	(570)	(1,386)	(454)	(466)	(340)
PAT	**2,781**	**4,088**	**6,606**	**2,606**	**1,935**
Effective tax rate	**17.0%**	**25.3%**	**6.4%**	**15.2%**	**14.9%**
Malaysian statutory tax rate	**28.0%**	**27.0%**	**26.0%**	**26.0%**	**25.0%**

Notes:

* *The proforma consolidated income statement for the FYE 31 December 2006 was prepared after taking into account the disposal of our Company's former subsidiary, VSR Technologies, via a dividend-in-specie to all our Company's then shareholders.*

\# *For comparative purposes only.*

The effective tax rate for FYE 31 December 2008 is significantly lower than the statutory tax rate due primarily to the following:-

(i) income exempted under pioneer status from KTSB and foreign source income; and

(ii) an overprovision of current tax in respect of the FYE 31 December 2007. The overprovision was mainly because KTSB has been granted Pioneer Status under the Promotion of Investment Act, 1986 from 28 May 2007 to 27 May 2012 and accordingly income generated from qualifying activities was tax-exempted.

As a result of the aforementioned tax exemption, the effective tax rate for FPE 30 April 2009 is also lower than the statutory tax rate.

6.3.2 Factors and Trends Affecting Future Financial Condition and Results

Our Group is principally engaged in the business of providing engineering services and general trading specifically in the provision of UHP gas and chemical delivery systems solutions that comprise products and services such as (a) system design and installation; (b) gas and chemical delivery equipment; (c) control and instrumentation; (d) quality assurance and control services; and (e) maintenance and servicing to various Foundries as well as customers who require UHP gas or chemical delivery systems in Malaysia, the PRC, Taiwan and Singapore.

The main factors that have affected the results of our operations historically are expected to continue to affect the results of our operations going forward. Furthermore, various other external factors which are out of the control of management including the economic and financial conditions in the countries where we operate could also affect our Group's performance.

Revenue Growth

The UHP gas / chemical delivery system industry is essentially a supporting industry to the high technology industries such as semiconductor wafer fabrication, TFT-LCD manufacturing and solar cell manufacturing. As such, when demand in the major end markets such as cell phones, personal computers, LCD televisions and solar-powered home applications increases, the semiconductor, TFT-LCD and solar cell manufacturing industries will have to construct newer and more advanced fabs which will result in a demand for our services. The industry growth is also driven by the outsourcing trend of specialty gas / chemical companies to outsource the UHP delivery system solutions to UHP engineering companies in order for the specialty gas / chemical companies to focus on their core business of specialty gas / chemical supplies, further details of which are set out in Section 5 of this Prospectus.

In addition to our local presence, we have strategic presence in the PRC, Taiwan and Singapore as the Asia Pacific region is expected to continue to dominate the global semiconductor market in the near term, driven by the shift in of the next generation of semiconductor and electronics manufacturing to low cost countries such as the PRC and India. Although Taiwan's growth is expected to be less than that of the PRC, it is one of the world's largest semiconductor manufacturers, housing some of the world's largest foundries and had also recently become the world's largest manufacturer of FPD. *(Source: The IMR)*

The solar industry is an emerging industry that had shown significant growth rate in the past, and is expected to continue its growth going forward with the PRC leading the way as the top solar cell manufacturer in the world for 2007 and 2008. The PRC's investment in solar cell is expected to continue with the PRC government providing incentives to the alternative energy industry in 2009. Furthermore, the solar cell manufacturing industry is expected to be one of the key drivers of UHP delivery systems in Malaysia for the next few years. *(Source: The IMR)*

Taking into account the abovementioned, our strategic presence in the PRC and Malaysia are expected to benefit from this growth trend.

Knowledge

The convergence of our knowledge in the areas of specialty gas and chemical properties and fluid dynamics simulation, together with that of high-level engineering technical knowledge has set us apart from the general engineering companies. To this end, we have worked with a majority of the world's largest specialty gas and chemical companies.

Therefore in order to stay competitive, we have to keep ourselves abreast in the knowledge of specialised gas and chemical properties, so as to adhere to the stringent requirements of the Wafer Fabrication manufacturing processes. Driven by the miniaturisation of chip size as well as the minimisation of chip cost achieved through larger wafers, the requirements of Wafer Fabrication plants are expected to be increasingly more stringent.

Furthermore, we will continue to develop our UHP chemical delivery system competencies after the successful completion of our first UHP chemical delivery system in 2007. We have also started to distribute a number of in-house designed and manufactured chemical equipment for on-site testing which are already ready for commercialisation. This will provide us a more diverse clientele which would reduce our reliance on the Wafer Fabrication industry. Such diversification has allowed us to secure projects from various industries which resulted in our Group's continuous growth in both our revenue and PAT for the FYE 31 December 2008 amidst the global financial crisis and downturn in the Semiconductor industry in 2008.

In addition, we will also further diversify into the solar industry by extending our expertise in the UHP gas and chemical delivery solution to the solar cell manufacturing plants.

Raw Materials and Labour Supplies

Our current usage of raw materials and labour supplies are sufficiently covered by our working capital. However, it is our intention to secure and undertake larger and more profitable projects in the future. We expect that with the increase in the number of projects along with the increase in size of the projects, we will require additional raw materials and labour supplies which may require us to increase our current number of suppliers and staff strength. From this, the proceeds from the IPO will to a certain extent supplement our increased working capital requirements to take on larger projects. We will work closely with our suppliers and also monitor the sufficiency of qualified engineers on site so as to prevent project delays and/or compromised work quality as a result of the shortage of raw materials and labour supplies.

We will also ensure that the credit terms between our suppliers and customers are adhered to as so to ensure our working capital requirements and the raw materials are not held back due to late payment by customers. Currently, a majority of the credit terms from our suppliers is 60 days while the credit terms to our customers are between 45 to 60 days.

Income Tax Expense

Our Group had been granted two (2) tax incentive schemes, one of which is for KE Shanghai by the Shanghai Tax Bureau on 10 July 2005 for 100% tax exemption from January 2005 to December 2006 and 50% tax exemption from January 2007 to December 2009, while KTSB was granted Pioneer Status under the Investment Promotion Act 1986 by the MITI on 14 May 2008, which provides for a tax exemption of up to 100% for a period of ten (10) years for the manufacturing of UHP gas/chemical/pure water distribution systems and parts thereof for the electronics and pharmaceuticals industry.

We note that even though our tax incentive scheme for the PRC will expire by the end of the FYE 31 December 2009, our Group will still be able to benefit from of the tax incentive awarded to KTSB pursuant to its Pioneer Status.

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6.3.3 Segmental Analysis

The following is the segmental analysis of the proforma consolidated results of our Group for the past three (3) FYE 31 December 2006, 2007 and 2008, and the four (4)-months FPE 30 April 2009. The proforma consolidated results are provided for illustrative purposes only and on the assumption that the current structure of our Group has been in existence throughout the financial years/period under review.

(a) Analysis of revenue and profits by subsidiaries

	(Proforma) FYE 31 December 2006		(Audited) FYE 31 December 2007		2008		(Audited) FPE 30 April 2009	
	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%
Revenue								
Kelington	22,118	73.1	43,181	75.4	31,305	52.1	6,549	51.5
KE Shanghai	8,138	26.9	9,433	16.5	13,880	23.1	2,534	19.9
KTSB	-	-	4,628	8.1	14,872	24.8	3,641	28.6
Total	**30,256**	**100.0**	**57,242**	**100.0**	**60,058**	**100.0**	12,724	100.0
Gross Profit								
Kelington	4,291	64.0	6,328	66.4	5,436	43.9	1,695	52.3
KE Shanghai	2,409	36.0	2,374	24.9	3,821	30.9	698	21.5
KTSB	-	-	826	8.7	3,115	25.2	848	26.2
Total	**6,700**	**100.0**	**9,528**	**100.0**	**12,372**	**100.0**	**3,241**	**100.0**

Historically Kelington accounts for the majority of our revenue and gross profit, followed by KE Shanghai. It should also be noted that the results of Kelington includes the results of our Taiwan branch entity as well.

Going forward, taking into account the Pioneer Status granted to KTSB, we expect KTSB to participate in more qualified projects to take advantage of the tax exemption it enjoys, and therefore higher revenue and gross profit contributions.

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(b) Analysis of revenue and profits by services

	(Proforma) FYE 31 December 2006		(Audited) FYE 31 December 2007		(Audited) FYE 31 December 2008		(Audited) FPE 30 April 2009	
	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%
Revenue								
Base Build	25,102	83.0	47,858	83.6	49,026	81.6	7,079	55.6
Hook-Up	3,358	11.1	8,002	14.0	7,923	13.2	1,961	15.4
QA and QC	938	3.1	96	0.2	-	-	-	-
Others	858	2.8	1,286	2.2	3,109	5.2	3,684	29.0
Total	**30,256**	**100.0**	**57,242**	**100.0**	**60,058**	**100.0**	12,724	100.0
Gross Profit								
Base Build	5,108	76.2	8,109	85.1	9,907	80.1	1,686	52.0
Hook-Up	1,304	19.5	1,403	14.7	1,870	15.1	404	12.5
QA and QC	236	3.5	33	0.4	-	-	-	-
Others	52	0.8	(17)	(0.2)	595	4.8	1,151	35.5
Total	**6,700**	**100.0**	**9,528**	**100.0**	**12,372**	**100.0**	**3,241**	**100.0**

From the above, it can be shown that revenue contribution Base Build generally accounts for the majority of our revenue, followed by Hook Up. Going forward, we expect the contribution from Base Build and Hook Up to remain relatively constant, as they have traditionally been the core revenue contributors to our Group.

Notwithstanding the above, as set out in Section 4.7 of this Prospectus, we also possess the capabilities to perform QA and QC as well as manufacture UHP related equipment. Going forward, we intend to maintain such products and services as our core business activities due to their complementary nature.

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(c) **Analysis of revenue and profits by markets**

	(Proforma) FYE 31 December		(Audited) FYE 31 December				(Audited) FPE 30 April	
	2006		2007		2008		2009	
	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%
Revenue								
Wafer Fabrication	17,544	58.0	30,977	54.1	30,789	51.3	3,954	31.1
TFT-LCD	7,173	23.7	856	1.5	4,988	8.3	1,467	11.5
Storage Media	-	-	12,496	21.8	14,108	23.5	1,166	9.2
Solar	-	-	5,922	10.4	6,692	11.1	2,022	15.9
Special application	3,520	11.6	193	0.3	-	-	-	-
Others	2,019	6.7	6,798	11.9	3,481	5.8	4,115	32.3
Total	**30,256**	**100.0**	**57,242**	**100.0**	**60,058**	**100.0**	**12,724**	**100.0**
Gross Profit								
Wafer Fabrication	3,469	51.8	4,631	48.6	5,509	44.5	1,146	35.4
TFT-LCD	980	14.6	85	0.9	825	6.7	228	7.0
Storage Media	-	-	2,656	27.9	3,627	29.3	244	7.5
Solar	-	-	841	8.8	1,694	13.7	437	13.5
Special application	1,884	28.1	75	0.8	-	-	-	-
Others	367	5.5	1,240	13.0	716	5.8	1,186	36.6
Total	**6,700**	**100.0**	**9,528**	**100.0**	**12,372**	**100.0**	**3,241**	**100.0**

To date, the Wafer Fabrication industry accounts for the single largest share of our revenue and gross profit contribution. However, as shown in the table above, we have also successfully diversified into other industries such as TFT-LCD, storage media, solar and special application industries, which will allow us to maintain our growth during the Wafer Fabrication industry's cyclical downturn. Nonetheless, we expect that the Wafer Fabrication industry will continue to play a crucial role in our Group's revenue and profit as well as allow us to keep abreast with the latest developments in the Semiconductor industry.

The special application industry generally entails the industrial gas production facility comprising (i) gas production and distribution facility and (ii) the storage facility for the plant. Others consist of services provided to, amongst others, LED, pharmaceutical / medical, test and assembly and other general industries.

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(d) **Analysis of revenue and profits by geographical location**

	(Proforma) FYE 31 December 2006		← (Audited) FYE 31 December → 2007		2008		(Audited) FPE 30 April 2009	
	(RM'000)	**%**	**(RM'000)**	**%**	**(RM'000)**	**%**	**(RM'000)**	**%**
Revenue								
Malaysia	11,981	39.6	23,237	40.6	22,484	37.4	7,293	57.3
PRC	12,179	40.3	17,644	30.8	20,299	33.8	2,659	20.9
Taiwan	6,096	20.1	13,855	24.2	16,552	27.6	2,601	20.4
Indonesia	-	-	2,506	4.4	723	1.2	171	1.4
Total	**30,256**	**100.0**	**57,242**	**100.0**	**60,058**	**100.0**	**12,724**	**100.0**
Gross Profit								
Malaysia	3,137	46.8	4,268	44.8	5,509	44.5	1,892	58.4
PRC	3,026	45.2	2,882	30.2	4,615	37.3	715	22.1
Taiwan	537	8.0	1,766	18.6	2,065	16.7	591	18.2
Indonesia	-	-	611	6.4	183	1.5	43	1.3
Total	**6,700**	**100.0**	**9,528**	**100.0**	**12,372**	**100.0**	**3,241**	**100.0**

Our revenue and gross profits contribution has traditionally been derived from the Malaysian, the PRC and the Taiwan markets, with the foreign markets generally contributing the majority of our revenue with the Malaysia market contributing a large portion of our gross profit.

As mentioned in Section 6.3.1 above, we have also secured our maiden project in Singapore, the revenue and profits of which are expected to be recognised in FYE 31 December 2009 post-30 April 2009. Going forward, we expect the Singapore market to represent a key new market for our products and services, due primarily to the proximity to our local market and our more competitive pricing as compared to the local competitors, which further enhances our competitiveness.

6.3.4 Significant factors affecting our profits

Section 3 of this Prospectus details a number of risk factors relating to our business. Some of these risk factors have an impact on our Group's revenue and profits. The main factors which affect revenues and profits include but are not limited to:-

(i) Expiry of Tax Incentive in the PRC

KE Shanghai contributed between 16.5% to 26.9% of our Group's total revenue for the FYE 31 December 2006 to FYE 31 December 2008 and the FPE 30 April 2009 and we expect that KE Shanghai will continue to be a major contribution to our Group in the near future.

As mentioned in Section 4.5.2(a) of this Prospectus, KE Shanghai was granted a tax incentive by the Shanghai Tax Bureau with a 100% tax exemption from January 2005 to December 2006 and 50% tax exemption from January 2007 to December 2009. For the FYE 31 December 2010 and onwards, revenue recognised by KE Shanghai is expected to be assessed at the statutory tax rate of 25% which is expected to result in increases in income tax expenses.

Despite the cessation of tax incentive for KE Shanghai for the FYE 31 December 2010, we will still continue to enjoy tax incentive under KTSB pursuant to the Pioneer Status obtained by KTSB which provides for a tax exemption of up to 100% for a period of ten (10) years for the manufacturing of UHP gas/chemical/pure water distribution systems and parts thereof for the electronics and pharmaceuticals industry.

6.3.5 Material changes in Sales / Revenue

A discussion on the reasons on the material changes in our revenue for the past three (3) FYE 31 December 2006, 2007 and 2008, and the four (4)-months FPE 30 April 2009 is as set out in Section 6.3.1 of this Prospectus.

6.3.6 Impact of foreign exchange / interest rates / commodity prices

Save as disclosed below, there is no material impact of foreign exchange, interest rates and commodity prices on our historical profits for the past three (3) FYE 31 December 2006, 2007 and 2008 and the four (4)-months FPE 30 April 2009.

We have business transactions in foreign currencies in the normal course of our business, which include purchase of raw materials and supplies, and the export of our products and services.

Our Group's customers are located in four (4) main countries, namely the PRC, Taiwan, Malaysia and Singapore, hence part of our Group's revenues are denominated in foreign currencies including RMB, NTD and SGD. Please refer to Section 6.4.5 of this Prospectus for further details on our foreign currency exposure.

In terms of raw materials such as steel piping and fittings, we generally minimise our exposure to the fluctuating price by securing the quantity and price of such raw materials through our procurement process with the suppliers at the point of securing the projects with end-customers. As a result of this, we have historically been able to secure projects at times where the cost of raw materials is at an industry high. Please refer to Section 3.2(g) for further details on the risk of fluctuation in the price of raw materials.

6.3.7 Impact of inflation

There is no material impact of inflation on our historical profits for the past three (3) FYE 31 December 2006, 2007 and 2008, and the four (4)-months FPE 30 April 2009.

6.3.8 Government / economic / fiscal / monetary policies

Risks relating to government, economic, fiscal and monetary policies or factors, which may materially affect our operations, are as set out in Section 3 of this Prospectus.

There is no government, economic, fiscal and monetary policies or factors that have materially impacted our historical profits for the past three (3) FYE 31 December 2006, 2007 and 2008, and the four (4)-months FPE 30 April 2009.

6.4 LIQUIDITY AND CAPITAL RESOURCES

6.4.1 Working capital

Our Group has been financing our operations through cash generated from operations and external sources of funds. Our Group's external source of funds comprises mainly shareholders' funds and to a lesser extent, bank borrowings.

Our Directors are of the opinion that after taking into account our cash flow position, banking facilities available and net proceeds from the Public Issue, our Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

6.4.2 Cash flow

A summary of our Group's proforma cash flow for the FYE 31 December 2008 and the four (4)-months FPE 30 April 2009 based on the proforma cash flow statement as set out in Section 6.1.3 of this Prospectus, is as follows:-

	Audited FYE 31 December 2008 RM'000	**Unaudited FPE 30 April 2008* RM'000**	**Audited FPE 30 April 2009 RM'000**
Net Cash From Operating Activities	11,524	2,080	1,308
Net Cash For Investing Activities	(951)	262	(63)
Net Cash For Financing Activities	(2,035)	(1,971)	(22)
Net increase in cash and cash equivalents	8,538	(153)	1,223
Effect of foreign exchange translation differences	395	4	68
Cash and cash equivalents at the beginning of the financial year	11,765	11,765	20,698
Cash and cash equivalents at the end of the financial year / period	**20,698**	**11,608**	**21,989**

Note:
* *For comparative purposes only.*

To the best of our Director's knowledge and subject to the risk factors as set out in Section 3 of this Prospectus, there is currently no legal, financial or economic restriction on the ability of our subsidiary or requirements to obtain any approvals to transfer funds to our Company in the form of cash dividends, loans or advances.

(a) Net Cashflow from Operating Activities

For the FYE 31 December 2008, the net cash inflow was mainly due to our operating profits coupled with an increase in collection from trade receivables, which was offset to a certain extent by payments to our other suppliers during the financial year.

For the FPE 30 April 2009, the net cash inflow was mainly due to our operating profits which were slightly offset by the increase in amounts due from our contract customers.

(b) Net Cashflow For Investing Activities

During the FYE 31 December 2008, the net cash outflow was due to purchases of plant and equipments, of which approximately RM0.74 million or 77.81% was used to purchase/acquire tools and equipment for our Group.

During the FPE 30 April 2009, the net cash outflow was due to the purchase of further tools and equipment for our projects as well as R&D expenditure.

(c) Net Cashflow For Financing Activities

For the FYE 31 December 2008, the net cash outflow was due to repayment of our external financing which included bills payables of RM1.89 million, lease and hire purchase facilities as well as term loan. There were no additional external funds received during the financial year.

For the FPE 30 April 2009, the net cash outflow was due to repayment of the principal amount of our existing term loan. There were no additional external funds received during the financial period.

6.4.3 Borrowings

As at 30 April 2009, the total outstanding bank borrowings in the form of term loan financing amounted to approximately RM0.89 million. The borrowings can be analysed further as follows:-

Short term (Due within 12 months)	**Amount RM'000**
Term loan	62
Long term (Due after 12 months)	**Amount RM'000**
Term loan	826
Total interest-bearing borrowings	**888**
Gearing ratio as at 30 April 2009[1]	0.04
Gearing ratio after IPO [2]	0.03

All of our Group's outstanding bank borrowings are denominated in RM.

Notes:

(1) Based on the audited shareholders' funds as at 30 April 2009 of RM23.74 million.

(2) Based on the proforma shareholders' funds as at 30 April 2009 of RM26.73 million upon completion of the IPO and after the utilisation of proceeds as set out in Section 2.7 of this Prospectus.

Save as disclosed below, our Group has no further borrowings for the period after 30 April 2009 up till the date immediately preceding the date of this Prospectus.

In June 2009, KTSB had drawn down an additional RM0.80 million in the form of hire purchase for motor vehicles.

Our Group has not defaulted on payments of either interest and/or principal sums in respect of any borrowings throughout the past FYE 31 December 2008 and FPE 30 April 2009 thereof and the period immediately preceding the date of this Prospectus.

6.4.4 Breach of terms and conditions or covenants associated with credit arrangement / bank loan

To the best of our Directors' knowledge, as at the Latest Practicable Date, neither we nor any of our subsidiaries are in breach of any terms and conditions or covenants associated with credit arrangement or bank loan, which can materially affect our financial position and results or business operations, or the investments by holders of securities in our Company.

6.4.5 Treasury policies and objectives

We have been financing our operations largely through cash generated internally from our operations and to a lesser extent through external sources of funds. Our external source of funds comprises mainly of bank borrowings while we also utilise banking facilities such as letter of credit/bills payables, overdraft and bank guarantees in our operations.

We have short-term and long-term bank borrowings facilities available to our Group. Our short-term bank borrowing consists mainly of overdraft, letter of credit and bills payable which are used for working capital and project financing. The interest rates for our short-term bank borrowings are based on the base lending rate prevailing at the dates of the respective transactions as well as the base lending rate plus a margin agreed upon by our bankers when the respective loans were granted or prevailing bank lending rate plus the stipulated interest rates whenever the overdraft facilities are utilised. Recently, we have entered into foreign exchange forward contracts in order to manage our exposure to fluctuations in foreign exchange rates on specific transactions.

Our long-term bank borrowings are mainly term loan and hire purchase which are used to finance our corporate headquarters in Shah Alam, Malaysia and motor vehicles, respectively. The interest rates for our long-term bank borrowings are based on the base lending rate plus a margin agreed upon by our bankers when the respective loans were granted.

We conduct our operations in RM, as well as other foreign currencies, including but not limited to NTD, RMB, SGD and USD. As such, we maintain cash accounts in RM and multi currencies. Our Group is exposed to fluctuations in foreign exchange rates through the revenue earned and purchases made that are transacted in foreign currencies.

The foreign exchange risk is mitigated to a certain extent as the nature of our operation warrants the use of our foreign currency earnings to pay for the purchases denominated in the same foreign currency in the respective countries which we operate in. This would therefore provide to a certain extent a natural hedge against foreign exchange fluctuations. However, for transactions which we are unable to make such arrangements, we manage our exposure to fluctuations in foreign currency rates by entering into foreign exchange forward contracts with the following notional amounts, fair values and maturities for the FYE 31 December 2008 and the 4-months FPE 30 April 2009:-

	Notional Amount	At Fair Value
	USD'000	RM'000
As at 30 April 2009		
Forward used to hedge payables		
- within one year	50	12
As at 31 December 2008		
Forward used to hedge payables		
- within one year	400	75

Since the FPE 30 April 2009 up to the Latest Practicable Date, our Group had entered into a hire purchase for RM0.80 million for the financing of motor vehicles.

Save as disclosed in Section 6.4.3, the abovementioned foreign exchange forward contract and the hire purchase, there are no further borrowings and financial instruments existing as at the Latest Practicable Date.

Our Group has not entered into any interest rate swap to hedge against the fluctuation of interest rates.

6.4.6 Key financial ratios

The table below sets out the key financial ratios of our Group for the past three (3) FYE 31 December 2006, 2007 and 2008 and the four (4)-months FPE 30 April 2009 which have been prepared for illustrative purposes only based on our consolidated audited financial statements:-

	←FYE 31 December→			4-months FPE 30 April 2009 ^
	2006*	2007	2008	
Trade receivables turnover ratio	0.2	0.3	0.2	0.2
Trade payables turnover ratio	0.3	0.4	0.2	0.3
Inventories turnover ratio	N/A	N/A	N/A	N/A

Notes:

* *Proforma after taking into account the disposal of our Company's former subsidiary, VSR Technologies, via a dividend-in-specie to all our Company's then shareholders*

^ *Computed based on annualised basis*

N/A Not applicable.

Trade receivable turnover ratio= $\dfrac{\textit{Trade Receivables}}{\textit{Progress Billings}}$

Trade payables turnover ratio formula = $\dfrac{\textit{Trade Payables}}{\textit{Purchases, subcontractor charges, advisory and consultant fees and site expenses}}$

Inventories turnover ratio formula = $\dfrac{\textit{Inventories and work-in-progress}}{\textit{Cost of sales}}$

Trade receivables turnover

Our Group's normal credit period given to our trade debtors ranges from 30 days to 60 days. Other credit terms are assessed and approved on a case-by-case basis after taking into consideration, inter-alia, the background and credit-worthiness of the customer, payment history of the customer and our relationship with our customers.

Our Group's trade receivables period has been consistently within our normal credit period. However, the higher trade receivable turnover period in FYE 31 December 2007 is due mainly to the higher billings towards the financial year-end.

As at 30 April 2009, the trade receivables of our Group amounted to approximately RM9.29 million which can be analysed as follows:-

	<-- Within credit period -->		<-- Exceed credit period -->		Total
	0-30 days	31-60 days	61-90 days	> 90 days	
Trade receivables (RM'000)	4,687	2,323	652	1,628	9,290
% of total trade receivables	50.45%	25.01%	7.02%	17.52%	100.00%

As at the Latest Practicable Date, RM8.44 million of the total overdue trade receivables as at 30 April 2009 have been settled.

Trade payables turnover

The normal credit terms granted to us by our trade suppliers range from 30 days to 60 days.

Our Group's trade payables turnover period has been consistently within the normal credit. However, the relatively higher trade payables turnover periods for the FYE 31 December 2007 and FPE 30 April 2009 is due mainly to:-

(i) the increase of materials purchased for the electronic hard disk manufacturing plant project and equipment and material procurement projects in the FYE 31 December 2007; and

(ii) the purchases made towards the end of FPE 30 April 2009.

As at 30 April 2009, the trade payables of our Group amounted to approximately RM8.99 million which can be analysed as follows:-

	<-- Within credit period -->		<-- Exceed credit period -->		Total
	0-30 days	31-60 days	61-90 days	> 90 days	
Trade payables (RM'000)	2,915	2,965	598	2,507	8,985
% of total trade payables	32.44%	33.00%	6.66%	27.90%	100.00%

As at the date of this prospectus, the RM6.36 million of the total overdue trade payables as at 30 April 2009 have been settled. No legal or other action has been taken against us due to our non-payment or late payment in the amount owed to our suppliers.

Inventories turnover

Our Group does not have any inventory as all raw materials purchased from suppliers, such as steel pipes, are immediately expensed off. Therefore, the inventory turnover ratio is not applicable to our Group.

6.5 TREND INFORMATION

Based on our segmental analysis of revenue and profitability by our business activities, our overview of operations for the past three (3) FYE 31 December 2008 and the four (4)-month FPE 30 April 2009, our Board is of the opinion that:-

(i) We expect our Group's financial position and performance to remain sustainable, taking into account our order book amounting to approximately RM58.2 million as at 30 September 2009, of which approximately RM48.43 million is expected to be recognised in the current financial year, barring any unforeseen delays wherein project implementation. It should be noted that due to the nature of our project, which typically spans between three (3) to six (6) months, we do not envisage long term visibility for future order book. Nevertheless, we are actively working to secure additional projects to increase our Group's revenue and profitability in the next FYE 31 December 2010.

(ii) The demand for UHP delivery systems in both the PRC and Taiwan is expected to increase in the coming years, which is consistent with the industry outlook of the IMR, as many of the Wafer Fabrication and TFT-LCD manufacturing plants are expected to recover in the near future. Furthermore, we are optimistic that our excellent track record together with our existing relationship with the various gas companies and turnkey main contractors will enable to us to competitively secure further contracts in the future.

(iii) The current challenging economic condition is not expected to have a significant impact on our Group's current financial performance given the current state of our order book and as set out in the IMR, the general trend for specialty gas/chemical companies to outsource the total UHP gas/chemical delivery system solutions to specialist such as Kelington in order to focus on their core business which is the supply of specialty gases/chemicals.

(iv) Raw materials and subcontracted labour form a major component of our cost of sales. We do not expect fluctuations in such costs to have a material impact on our profitability due to the nature of the procurement where we secure the quantity and price of these expenses after the finalisation of the design.

(v) Our liquidity is expected to improve further subsequent to our IPO given that additional funds are injected into our Group to enable us to carry out our future plans as stated in Section 2.7 of this Prospectus.

(vi) Our profitability and liquidity are expected to improve taking into account the tax incentives we enjoy pursuant to the Pioneer Status granted by MITI to KTSB.

In addition to the above and barring any unforeseen circumstances, our Board is not aware of any circumstances which would result in a significant decline in our revenue and gross profit margins.

As at the Latest Practicable Date, to the best of our Group's knowledge and belief, our conditions and operations have not been and are not expected to be affected by any of the following:-

(i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those disclosed in this section, Sections 3 and 4 of this Prospectus;

(ii) material commitment for capital expenditure, as set out in Section 6.6(c) of this Prospectus;

(iii) unusual, infrequent events or transactions or any significant economic changes that have resulted in a material impact on our Group's revenue and/or profits, save for those that have been disclosed in this section, Sections 3 and 4 of this Prospectus;

(iv) known trends, demands, commitments, events or uncertainties that have had or that we reasonably to expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those disclosed in this section, Sections 3 and 4 of this Prospectus; and

(v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and in Section 3 of this Prospectus.

Our Board is optimistic about the future prospects of our Group after taking into account the recovering outlook of the Semiconductor industry, particularly Wafer Fabrication, FPD and the solar industries as set out in Section 5 of this Prospectus, our Group's competitive advantages as set out in Section 4.10 and our Group's commitment to implement our future plans and strategies as set out in Section 7 of this Prospectus.

6.6 MATERIAL LITIGATION, MATERIAL CONTINGENT LIABILITIES AND MATERIAL CAPITAL COMMITMENT

(a) Material Litigation

As at the Latest Practicable Date, our Group is not engaged, whether as plaintiff or defendant, in any legal action, proceedings, arbitration or prosecution for any criminal offence, which has a material effect on the financial performance and position of our Group and our Board has no knowledge of any proceedings pending or threatened against our Group or any facts likely to give rise to any proceedings which might materially affect the position and business of our Group.

(b) Material Contingent Liabilities

Save for performance bonds granted to contract customers amounting to RM1.40 million as part of our operations, there are no further material contingent liabilities incurred by us, which upon becoming enforceable may have a material impact on our Group as at the Latest Practicable Date.

(c) Material Commitment

There are no material commitments for capital expenditure incurred or known to be incurred by our Group which may have a substantial impact on the results or the financial position of our Group as at the Latest Practicable Date.

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7 SUMMARY OF THE BUSINESS DEVELOPMENT PLAN

The following is a summary of our Business Development Plan prepared for the purpose of inclusion in this Prospectus.

7.1 BUSINESS OBJECTIVES

Our Company's business vision is to be the leading integrated UHP hazardous utilities (gas, chemical, water, high vacuum and exhaust) systems solutions provider in the Asia Pacific region. In order to achieve our business vision, we aim to differentiate ourselves by adhering to the following business missions:-

(i) To develop and grow our Group as a profitable enterprise that continuously provides total UHP engineering solutions with the highest quality delivery services to meet and exceed our clients' requirements in terms of utmost safety considerations and costs effectiveness;

(ii) To continually maintain and improve our Group's safety and service record with our clients and suppliers;

(iii) To continuously focus on R&D, specifically in the areas of design, system equipment and installation technologies so as to remain competitive among our peers and also to foster a working environment that encourages innovation among our Group's employees; and

(iv) To continue to leverage on our market position, especially in the PRC and Taiwan to take advantage of the industry's current outsourcing trend.

7.2 PRODUCT DEVELOPMENT PLAN

As set out in Section 4.17 of this Prospectus, our overall product development plan centres on four (4) aspects as follows:-

(i) Improving existing Base Build and Hook Up capabilities;
(ii) Improving in-house capabilities;
(iii) Gas sub-assembly in process tools; and
(iv) Equipment.

The results of the above product development plan is expected to improve the quality, efficiency and cost of our current products and services as well as introduction of new products and services which will complement and enhance our existing stable of products and services thus eventually positioning ourselves as a total solutions provider. The Product Development Plan will serve to enhance and complement our business vision set out above.

7.3 BUSINESS DIRECTION

Our business direction and focus over the next three (3) years in pursuit of our business objectives as set out above will be:-

(i) To build on productivity improvements on our Group's existing products and services in the design of UHP delivery systems to take advantage of technological developments, new design approaches and metallurgical advancements especially in the area of improving purity levels for the next threshold of technological advancement and innovation;

(ii) Leverage on the expected organic growth of the UHP industry via technological advancements in miniaturization and manufacturing processes which will impose greater importance towards UHP requirements;

(iii) The introduction of new products, services and enhancements as described in Section 7.2 above; and

(iv) Geographical expansion in the Asia Pacific region to expand our footprint in the region.

8 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT EMPLOYEES

8.1 INFORMATION ON PROMOTERS / SUBSTANTIAL SHAREHOLDERS

8.1.1 Shareholdings in Kelington

The shareholdings of our Promoters before and after the IPO based on their shareholdings as at the Latest Practicable Date are as follows:-

Promoters	Country of Incorporation / Nationality	Designation	Before the IPO				After the IPO			
			Direct		Indirect		Direct		Indirect	
			No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Palace Star	Malaysia	-	45,007,125	69.24	-	-	39,737,125	53.19	-	-
Gan Hung Keng	Malaysian	Executive Director	-	-	45,007,125 (1)	69.24	-	-	39,737,125 (1)	53.19
Ong Weng Leong	Malaysian	Executive Director	-	-	45,007,125 (1)	69.24	-	-	39,737,125 (1)	53.19
Lim Hock San	Malaysian	-	-	-	45,007,125 (1)	69.24	-	-	39,737,125 (1)	53.19
Allied Moral	Samoa	-	9,618,225	14.80	-	-	5,888,225	7.88	-	-
Lee Lin-Ti	Taiwanese	-	-	-	9,618,225 (2)	14.80	-	-	5,888,225 (2)	7.88
Lin Hsiu-Fen	Taiwanese	-	-	-	9,618,225 (2)	14.80	-	-	5,888,225 (2)	7.88
Tang Wang Tsung-Ling (3)	Taiwanese	-	-	-	-	-	-	-	-	-
Kung Mei-Ying (3)	Taiwanese	-	-	-	-	-	-	-	-	-

Notes:-

(1) Deemed interested under Section 6A of the Act by virtue of their direct interests in Palace Star.
(2) Deemed interested under Section 6A of the Act by virtue of their direct interests in Allied Moral.
(3) Deemed as a Promoter by virtue of their direct shareholding interest in Allied Moral. However, they do not have any indirect shareholdings in our Company as they each hold less than 15% shareholding interest in Allied Moral.

8 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT EMPLOYEES (Cont'd)

The shareholdings of our substantial shareholders before and after the IPO based on their shareholdings as at the Latest Practicable Date are as follows:-

Substantial Shareholders	Country of Incorporation / Nationality	Designation	Before the IPO				After the IPO			
			Direct		Indirect		Direct		Indirect	
			No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Palace Star	Malaysia	-	45,007,125	69.24	-	-	39,737,125	53.19	-	-
Allied Moral	Samoa	-	9,618,225	14.80	-	-	5,888,225	7.88	-	-
Sky Walker (6)	British Virgin Islands	-	9,624,650	14.81	-	-	9,624,650	12.88	-	-
Gan Hung Keng	Malaysian	Executive Director	-	-	45,007,125 (1)	69.24	-	-	39,737,125 (1)	53.19
Ong Weng Leong	Malaysian	Executive Director	-	-	45,007,125 (1)	69.24	-	-	39,737,125 (1)	53.19
Lim Hock San	Malaysian	-	-	-	45,007,125 (1)	69.24	-	-	39,737,125 (1)	53.19
Lin Hsiu-Fen	Taiwanese	-	-	-	9,618,225 (2)	14.80	-	-	5,888,225 (2)	7.88
Lee Lin-Ti	Taiwanese	-	-	-	9,618,225 (2)	14.80	-	-	5,888,225 (2)	7.88
CTC	Taiwan	-	-	-	9,624,650 (3)	14.81	-	-	9,624,650 (3)	12.88
UIGC	Taiwan	-	-	-	9,624,650 (4)	14.81	-	-	9,624,650 (4)	12.88
BOCLH	Taiwan	-	-	-	9,624,650 (5)	14.81	-	-	9,624,650 (5)	12.88

Notes:-

(1) Deemed interested under Section 6A of the Act by virtue of their direct interests in Palace Star.
(2) Deemed interested under Section 6A of the Act by virtue of their direct interest in Allied Moral.
(3) Deemed interested under Section 6A of the Act by virtue of its direct interest in Sky Walker.
(4) Deemed interested under Section 6A of the Act by virtue of its direct interest in CTC.
(5) Deemed interested under Section 6A of the Act by virtue of its direct interest in UIGC.
(6) Sky Walker is a substantial shareholder but not a promoter as it is not a controlling shareholder or party connected to a controlling shareholder pursuant to the definition of "promoter" under the SC Guidelines. As such, the Shares held by Sky Walker are not subject to any moratorium.

8.1.2 Profile of Promoters

There are currently no arrangements or policies which allow a person(s) or corporation(s) within our Promoters, whether directly or indirectly as well as jointly or severally, to be able to exercise control over our Group, save for the control specified to them by their own individual shareholdings.

The particulars of the Promoters and the substantial shareholders of our Company as at the Latest Practicable Date are as follows:-

(i) Palace Star

Palace Star was incorporated as a private limited company under the Act in Malaysia on 21 February 2001. The principal activity of Palace Star is an investment holding company.

The current directors of Palace Star are Gan Hung Keng, Ong Weng Leong and Lim Hock San, and its shareholders as at the Latest Practicable Date are as follows:-

		← No. of ordinary shares of RM1.00 each →			
		Direct		Indirect	
Name	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
Gan Hung Keng	Malaysian	27	27.00	-	-
Ong Weng Leong	Malaysian	27	27.00	-	-
Lim Hock San	Malaysian	46	46.00	-	-
Total		**100**	**100.00**	-	-

(a) Gan Hung Keng

Please refer to Section 8.2.1 of this Prospectus for details of Gan Hung Keng's profile.

(b) Ong Weng Leong

Please refer to Section 8.2.1 of this Prospectus for details of Ong Weng Leong's profile.

(c) Lim Hock San

Lim Hock San holds a professional qualification in Accounting.

Since 1994, Lim Hock San has held the position of the Executive Director in Unique Impression Sdn Bhd, a company principally involved in commercial printing services where he is solely responsible for the operations of the company. Through his experience of running Unique Impression Sdn Bhd for over 10 years, he has acquired the necessary administrative and managerial skills to run a business.

Lim Hock San's interest in our Company is only by virtue of his shareholding interest in Palace Star and is not involved, directly or indirectly, in the management or operations of our Group nor is he an employee of our Group.

(ii) Allied Moral

Allied Moral was incorporated as a limited liability company in Samoa on 10 October 2005. The principal activity of Allied Moral is overseas investment.

The current directors of Allied Moral are Lai, Cheng-Che and Lee Ko-Ting, and its shareholders as at the Latest Practicable Date are as follows:-

		← No. of ordinary shares of USD1.00 each →			
		Direct		**Indirect**	
Name	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
Lee Lin-Ti	Taiwanese	6,950	69.50	-	-
Lin Hsiu-Fen [(1)]	Taiwanese	1,550	15.50	-	-
Tang Wang Tsung-Ling	Taiwanese	500	5.00	-	-
Kung Mei-Ying	Taiwanese	1,000	10.00	-	-
		10,000	**100.00**	-	-

Note:-

(1) Lai, Cheng-Che, being the spouse of Lin Hsiu-Fen, is also a Director of Kelington, Sky Walker, CTC and UIGC, and a minority shareholder of both CTC (0.19%) and UIGC (0.27%), both of which are indirectly interested in Kelington by virtue of UIGC's 89.65% shareholding interests in CTC, which in turn holds 100.00% shareholding interests in Sky Walker, a 14.81% shareholder of Kelington.

All of the shareholders of Allied Moral are distinct individual financial investors who are not involved, directly or indirectly, in the management and operations of our Group, nor do they have any shareholding or involvement in other companies and/or businesses with similar principal activities as that of our Group.

8.1.3 Profile of Substantial Shareholders

The particulars of the substantial shareholders of Kelington as at the Latest Practicable Date are as follows:-

(i) Palace Star

Please refer to Section 8.1.2(i) of this Prospectus for details of Palace Star's profile.

(ii) Allied Moral

Please refer to Section 8.1.2(ii) of this Prospectus for details of Allied Moral's profile.

(iii) Sky Walker

Sky Walker was incorporated in the British Virgin Islands as a limited liability company on 20 June 2005. The principal activity of Sky Walker is overseas investment.

8 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT EMPLOYEES (Cont'd)

The current directors of Sky Walker are Lai, Cheng-Che and Lee Ko-Ting, and its shareholder as at the Latest Practicable Date is as follows:-

Name	Place of incorporation	← No. of ordinary shares of USD1.00 each →			
		Direct No. of shares	%	Indirect No. of shares	%
CTC	Taiwan	225,950	100.00	-	-

(iv) <u>CTC</u>

CTC is the 100% holding company of Sky Walker and was incorporated in Taiwan on 12 August 1996. CTC is principally involved in distribution and trading of industrial gases as well as the supply and installation of UHP gas systems.

The current directors of CTC are Lai, Cheng-Che, Alex Tong and Jason Chow and its shareholders as at the Latest Practicable Date are as follows:-

Name	Nationality / Place of incorporation	← No. of ordinary shares of NTD10.00 each →			
		Direct No. of shares	%	Indirect No. of shares	%
UIGC	Taiwan	19,275,000	89.65	-	-
Lai, Cheng-Che	Taiwanese	40,000	0.19	-	-
CTC's individual employees (1)	- (1)	2,185,000	10.16	-	-
		21,500,000	**100.00**	-	-

Note:-

(1) As at the Latest Practicable Date, CTC's individual employees comprise 638 individuals who are currently employed by CTC, of which 162 individuals (including Lai, Cheng-Che) are also shareholders of CTC. Save for Lai, Cheng-Che who is also a Director, none of the CTC's individual employees who hold shares in CTC are the Directors, shareholders or the key management employees of our Group.

(v) <u>UIGC</u>

UIGC is the 89.65% holding company of CTC and was incorporated in Taiwan on 30 November 1988. UIGC is principally a joint venture company involving BOCLH, TSMC, UMC, and Winbond to operate and maintain UHP gas supply scheme for the Hsinchu Science Park in Taiwan.

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The current directors of UIGC are Lai, Cheng-Che, Alex Tong and Jason Chow, and its shareholders as at the Latest Practicable Date are as follows:-

Name	Nationality / Place of incorporation	← No. of ordinary shares of NTD10.00 each →			
		Direct No. of shares	%	Indirect No. of shares	%
BOCLH	Taiwan	95,299,501	55.35	-	-
TSMC [1]	Taiwan	16,783,000	9.75	-	-
Vanguard International Semiconductor Corp [1]	Taiwan	3,385,204	1.96	-	-
United Microelectron Corp. [1]	Taiwan	13,185,000	7.66	-	-
Hualon Microelectronics Corporation	Taiwan	3,356,000	1.95	-	-
UMC [1]	Taiwan	5,247,000	3.05	-	-
Lai, Cheng-Che [2]	Taiwanese	468,805	0.27	-	-
UIGC's employees[2]	-[2]	21,024,201	12.21	-	-
Winbond [1]	Taiwan	13,426,000	7.80	-	-
		172,174,711	**100.00**	-	-

Notes:-

(1) Public-listed companies listed on the Taiwan Stock Exchange.

(2) As at the Latest Practicable Date, UIGC's individual employees comprise more than 600 individuals, of which 165 individuals (including Lai, Cheng-Che) are also shareholders of UIGC. Save for Lai, Cheng-Che who is also a Director, none of the UIGC's individual employees who hold shares in UIGC are the Directors, shareholders or the key management employees of our Group.

(vi) BOCLH

BOCLH holds 55.35% shareholding interest in UIGC and was incorporated in Taiwan on 1 November 1985. BOCLH is principally a joint venture company involving BOC Group Plc (now a subsidiary of Linde AG) in the United Kingdom and Lien Hwa Industrial Corp. in Taiwan. BOCLH is principally involved in the production and sale of industrial gases, installation of industrial gas equipment and provision of related technical services.

The current directors of BOCLH are Alex Tong, Peter Owen and Jason Chow, and its shareholders as at the Latest Practicable Date are as follows:-

Name	Place of incorporation	← No. of ordinary shares of NTD1,000 each →			
		Direct No. of shares	%	Indirect No. of shares	%
BOC Group Plc [1]	United Kingdom	1,647,000	50.0	-	-
Lien Hwa Industrial Corp. [2]	Taiwan	1,647,000	50.0		
		3,294,000	**100.00**	-	-

8 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT EMPLOYEES (Cont'd)

Notes:

(1) *BOC Group Plc shares were previously listed on the London Stock Exchange but with effect from 5 September 2006, the listing of the BOC Group Plc's shares on the London Stock Exchange was cancelled and BOC Group Plc has since become a subsidiary of Linde AG, a public listed company on the London Stock Exchange.*

(2) *A public-listed company listed on the Taiwan Stock Exchange.*

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8 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT EMPLOYEES (Cont'd)

8.1.4 Changes in Promoters and Substantial Shareholders

The changes in the shareholdings of our Promoters in our Company for the past three (3) years preceding the Latest Practicable Date are as follows:-

Promoters	As at 18 September 2006				As at 18 September 2007				As at 18 September 2008				As at the Latest Practicable Date			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of shares of RM1.00 each	%	No. of shares of RM1.00 each	%	No. of shares of RM1.00 each	%	No. of shares of RM1.00 each	%	No. of shares of RM1.00 each	%	No. of shares of RM1.00 each	%	No. of Shares	%	No. of Shares	%
Palace Star	3,502,500	70.05	-	-	3,502,500	70.05	-	-	3,502,500	70.05	-	-	45,007,125	69.24	-	-
Gan Hung Keng	-	-	3,502,500(1)	70.05	-	-	3,502,500(1)	70.05	-	-	3,502,500(1)	70.05	-	-	45,007,125(1)	69.24
Ong Weng Leong	-	-	3,502,500(1)	70.05	-	-	3,502,500(1)	70.05	-	-	3,502,500(1)	70.05	-	-	45,007,125(1)	69.24
Lim Hock San	-	-	3,502,500(1)	70.05	-	-	3,502,500(1)	70.05	-	-	3,502,500(1)	70.05	-	-	45,007,125(1)	69.24
Allied Moral	748,500	14.97	-	-	748,500	14.97	-	-	748,500	14.97	-	-	9,618,225	14.80	-	-
Lee Lin-Ti	-	-	748,500(2)	14.97	-	-	748,500(2)	14.97	-	-	748,500(2)	14.97	-	-	9,618,225(2)	14.80
Lin Hsiu-Fen	-	-	748,500(2)	14.97	-	-	748,500(2)	14.97	-	-	748,500(2)	14.97	-	-	9,618,225(2)	14.80
Tang Wang Tsung-Ling (3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Kung Mei-Ying (3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes:-

(1) Deemed interested under Section 6A of the Act by virtue of their direct interests in Palace Star.

(2) Deemed interested under Section 6A of the Act by virtue of their direct interests in Allied Moral.

(3) Deemed as a Promoter by virtue of their direct shareholding interest in Allied Moral. However, they do not have any indirect shareholding in our Company as they each hold less than 15% shareholding interest in Allied Moral.

8 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT EMPLOYEES (Cont'd)

The changes in the shareholdings of our substantial shareholders in our Company for the past three (3) years preceding the Latest Practicable Date are as follows:-

Substantial shareholders	As at 18 September 2006				As at 18 September 2007				As at 18 September 2008				As at the Latest Practicable Date			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of shares of RM1.00 each	%	No. of shares of RM1.00 each	%	No. of shares of RM1.00 each	%	No. of shares of RM1.00 each	%	No. of shares of RM1.00 each	%	No. of shares of RM1.00 each	%	No. of Shares	%	No. of Shares	%
Palace Star	3,502,500	70.05	-	-	3,502,500	70.05	-	-	3,502,500	70.05	-	-	45,007,125	69.24	-	-
Gan Hung Keng	-	-	3,502,500(1)	70.05	-	-	3,502,500(1)	70.05	-	-	3,502,500(1)	70.05	-	-	45,007,125(1)	69.24
Ong Weng Leong	-	-	3,502,500(1)	70.05	-	-	3,502,500(1)	70.05	-	-	3,502,500(1)	70.05	-	-	45,007,125(1)	69.24
Lim Hock San	-	-	3,502,500(1)	70.05	-	-	3,502,500(1)	70.05	-	-	3,502,500(1)	70.05	-	-	45,007,125(1)	69.24
Allied Moral	748,500	14.97	-	-	748,500	14.97	-	-	748,500	14.97	-	-	9,618,225	14.80	-	-
Lin Hsiu-Fen	-	-	748,500(2)	14.97	-	-	748,500(2)	14.97	-	-	748,500(2)	14.97	-	-	9,618,225(2)	14.80
Lee Lin-Ti	-	-	748,500(2)	14.97	-	-	748,500(2)	14.97	-	-	748,500(2)	14.97	-	-	9,618,225(2)	14.80
Sky Walker(6)	749,000	14.98	-	-	749,000	14.98	-	-	749,000	14.98	-	-	9,624,650	14.81	-	-
CTC	-	-	749,000(3)	14.98	-	-	749,000(3)	14.98	-	-	749,000(3)	14.98	-	-	9,624,650(3)	14.81
UIGC	-	-	749,000(4)	14.98	-	-	749,000(4)	14.98	-	-	749,000(4)	14.98	-	-	9,624,650(4)	14.81
BOCLH	-	-	749,000(5)	14.98	-	-	749,000(5)	14.98	-	-	749,000(5)	14.98	-	-	9,624,650(5)	14.81

Notes:-

(1) *Deemed interested under Section 6A of the Act by virtue of their direct interests in Palace Star.*

(2) *Deemed interested under Section 6A of the Act by virtue of their direct interests in Allied Moral.*

(3) *Deemed interested under Section 6A of the Act by virtue of its direct interest in Sky Walker.*

(4) *Deemed interested under Section 6A of the Act by virtue of its direct interest in CTC.*

(5) *Deemed interested under Section 6A of the Act by virtue of its direct interest in UIGC.*

(6) *Sky Walker is a substantial shareholder but not a promoter as it is not a controlling shareholder or party connected to a controlling shareholder pursuant to the definition of "promoter" under the SC Guidelines. As such, the Shares held by Sky Walker are not subject to any moratorium.*

8.2 INFORMATION ON DIRECTORS

8.2.1 Profiles of Directors

GAN HUNG KENG, aged 45, has been a Director of our 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 Kelington Group and in particular, our Group's new ventures. He graduated with a Bachelor of Chemical & Process Engineering degree from Universiti Kebangsaan Malaysia, Malaysia. He is also a Professional Engineer on the Board of Engineers, Malaysia.

He has held various managerial roles beginning with United Professional Engineering Pte Ltd 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 FPD 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.

Gan Hung Keng is a corporate representative of Palace Star, a substantial shareholder of our Company.

ONG WENG LEONG, aged 41, has been a Director of our Company since 22 November 2004 and 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 our Group in Taiwan and the PRC. 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 our Company in 2005 as the General Manager.

Throughout more than ten (10) years at MOX and more than four (4) years at Kelington 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 our Company.

HSU, CHUNG-KUANG, aged 52, was appointed as a Director of our Company on 22 November 2004. 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 UIGC.

Hsu, Chung-Kuang is a corporate representative of Allied Moral, a substantial shareholder of our Company.

LAI, CHENG-CHE, aged 55, was appointed as a Director of our Company on 22 November 2004. 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 group 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, the substantial shareholders of our Company and also a director of CTC and UIGC.

Lai, Cheng-Che is a corporate representative of Sky Walker, a substantial shareholder of our Company.

CHAN THIAN KIAT, aged 53, was appointed as the Independent Non-Executive Director in our Company on 11 September 2009. 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 Kelington as a Director. He left Bank of America Malaysia Berhad as the Principal, Head of Corporate Finance which he held from 1997 to 2001. His responsibilities at Bank of America Malaysia Berhad included providing financial solutions to clients from treasury products, cross-currency swaps, to equity derivatives, various hedging instruments, foreign currency denominated debts, cross-border leasing, project financing as well as mergers and acquisitions. At BA Associates, he provides corporate finance consultancy services, assist clients in debt and equity capital raising, and advising in mergers and acquisitions.

TAN CHUAN YONG, aged 53, was appointed as the Independent Non-Executive Director in our Company on 11 September 2009. 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 few private limited companies.

8.2.2 Shareholdings in Kelington

The direct and indirect shareholdings of our Directors before and after the completion of the IPO based on their shareholding as at the Latest Practicable Date are as follows:-

Directors	Country of Incorporation / Nationality	Designation	Before the IPO				After the IPO			
			Direct		Indirect		Direct		Indirect	
			No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Gan Hung Keng	Malaysian	Executive Director	-	-	45,007,125 [(1)]	69.24	-	-	39,737,125 [(1)]	53.19
Ong Weng Leong	Malaysian	Executive Director	-	-	45,007,125 [(1)]	69.24	-	-	39,737,125 [(1)]	53.19
Hsu, Chung-Kuang	Taiwanese	Non-Independent Non-Executive Director	-	-	-	-	-	-	-	-
Lai, Cheng-Che	Taiwanese	Non-Independent Non-Executive Director	-	-	9,618,225 [(2)]	14.80	-	-	5,888,225 [(2)]	7.88
Chan Thian Kiat	Malaysian	Independent Non-Executive Director	-	-	-	-	-	-	-	-
Tan Chuan Yong	Malaysian	Independent Non-Executive Director	-	-	-	-	-	-	-	-

Notes:-

(1) *Deemed interested under Section 6A of the Act by virtue of their direct interests in Palace Star.*

(2) *Deemed interested under Section 6A of the Act by virtue of his spouse's, Lin Hsiu-Fen, 15.50% direct shareholding interest in Allied Moral. He is also a Director of Kelington, Sky Walker, CTC and UIGC, and a minority shareholder of both CTC (0.19%) and UIGC (0.27%), both of which are indirectly interested in Kelington by virtue of UIGC's 89.65% shareholding interests in CTC, which in turn holds 100.00% shareholding interests in Sky Walker, a 14.81% shareholder of Kelington.*

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8.2.3 Principal Activities Outside the Company

Save as disclosed below and that in Sections 8.1.3, 8.2.1 and 8.5 of this Prospectus, none of our Directors is involved in any principal activities outside the Company, including other directorship at present and in the past five (5) year preceding the date of this Prospectus:

Director	Name of Company	Principal Activities	Position	Effective shareholding (%)
Gan Hung Keng	RG Enterprise Sdn Bhd *	Investment holding company	Director	100.00%
	Corporate Commander Sdn Bhd *	Dormant	Director	100.00%
Ong Weng Leong	OWL Solutions Sdn Bhd *	Management consultancy	Director	100.00%
Hsu, Chung-Kuang	UIGC	Provision of bulk gases	Assistant Vice President of Procurement	-
Lai, Cheng-Che	UIGC	Provision of bulk gases	Vice President-Finance	0.28%
	CTC	Distribution and trading of industrial gases as well as the supply and installation of UHP gas systems	Director	0.19%
	Goal Reach Limited	Trading and services of UHP equipment and materials	Director	-(1)
	Lien Hwa Industrial Gas (HK) Co. Ltd.	Special gases trading company	Director	-
Chan Thian Kiat	BA Associates Sdn Bhd	Provision of corporate finance consultancy services	Principal	51.00%
	Ever Galant (M) Sdn Bhd	Investment holding company	Director	-
	Sentinel Asset Management Sdn Bhd	Inactive	Director	33.33%
Tan Chuan Yong	Tafi Industries Berhad	Furniture Exporter	Independent Non-Executive Director	-
	Grundfos Pump Sdn Bhd	Pump Manufacturer	Director	-
	Binary Avenue Sdn Bhd	Property Investment	Director	99.00%
	Canary Choice Sdn Bhd	Property Investment	Director	-
	Exclusive Property Sdn Bhd	Property Investment	Director	25.00%

Notes:

(1) Deemed interested in 13.18% of the shareholdings in Goal Reach Limited by virtue of his spouse, Lin Hsiu-Fen's shareholding in Allied Moral of 15.50% which in turn holds 85.00% in Goal Reach Limited.

* *As at the Latest Practicable Date, these companies have been struck-off from the ROC.*

8.2.4 Directors' Remuneration and Benefits

The aggregate remuneration and benefits paid and proposed to be paid for services rendered to our Group according to bands of RM50,000 for the FYE 31 December 2008 and FYE 31 December 2009 are as follows:-

	Remuneration Band (RM)	
	<---FYE 31 December 2008--->	<---FYE 31 December 2009--->
Gan Hung Keng [(1)]	750,000 – 800,000	400,000 – 450,000
Ong Weng Leong [(1)]	750,000 – 800,000	400,000 – 450,000
Hsu, Chung-Kuang [(2)]	-	200,000 – 250,000
Lai, Cheng-Che[(2)]	-	200,000 – 250,000
Chan Thian Kiat [(3)]	N/A	0 – 50,000
Tan Chuan Yong [(3)]	N/A	0 – 50,000

Notes:

(1) *The Directors' fees and benefits for Gan Hung Keng and Ong Weng Leong for the FYE 31 December 2008 amounts to RM0.79 million and RM0.76 million, respectively which is due to the fees and benefits for the FYE 31 December 2007 recognised during the FYE 31 December 2008, as well as a provision for directors' fees and benefits for the FYE 31 December 2008. Going forward, the Directors' fees and benefits will be provided for and recognised during the year of service accordingly.*

(2) *It should be noted that the fees payable to Hsu, Chung-Kuang and Lai, Cheng-Che for the FYE 31 December 2009 represents a one-time payment pursuant to their services rendered to our Company since FYE 31 December 2004 and to be rendered to our Company for the FYE 31 December 2009. Prior to this one-time payment, no Directors' fees and benefits were paid to them since their respective appointments to our Board in 2004.*

(3) *Not applicable as they were only appointed to our Board on 11 September 2009.*

There is no contingent or deferred compensation accrued for the year.

8.2.5 Directors' Appointment and Retirement by Rotation

All our Directors were appointed to the Board and have served in their respective capacity since their respective dates of appointment as set out under Section 8.2.1 of this Prospectus and are subject to retirement by rotation according to our Company's Articles of Association.

According to Article 69 of our Company's Articles of Association on Directors appointment, *"an election of Directors shall take place each year. At the first annual general meeting of the Company all the Directors shall retire from office, and at the annual general meeting in every subsequent year one-third (1/3) of the Directors for the time being, or if their number is not three (3) or a multiple of three (3) then the number nearest one-third (1/3) shall retire from office, and an election of Directors shall take place every year PROVIDED ALWAYS that each Director shall retire once in every three (3) years but shall be eligible for re-election. A Director retiring at a meeting shall retain office until the close of the meeting whether adjourned or not."*

8.3 AUDIT, REMUNERATION AND NOMINATION COMMITTEES

8.3.1 Audit Committee

The composition of our Audit Committee is as follows:-

Name	Designation	Directorship
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

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

8.3.2 Remuneration Committee

The composition of our Remuneration Committee is as follows:-

Name	Designation	Directorship
Ong Weng Leong	Chairman	Executive Director
Chan Thian Kiat	Member	Independent Non-Executive Director
Hsu, Chung-Kuang	Member	Non-Independent Non-Executive Director

Our Remuneration Committee reviews and proposes, subject to the approval of our Board, the remuneration policy and terms and conditions of service of each Director for his services as a member of our Board as well as Committees of our Board. Nevertheless, the remuneration of the non-executive Directors is a matter for our Board as a whole and our Directors are required to abstain from deliberation and voting on decisions in respect of his individual remuneration. The remuneration of Directors is generally based on market conditions, responsibilities held and the overall financial performance of our Group. Decisions and recommendations of our Remuneration Committee shall be reported back to our Board for approval and where required by rules and regulations governing our Company, for approval of shareholders at the annual general meeting.

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8.3.3 Nomination Committee

The composition of our Nomination Committee is as follows:-

Name	Designation	Directorship
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

Our Nomination Committee is responsible for identifying and recommending new nominees to our Board as well as committees of our Board. Our Nomination Committee will assess the effectiveness of our Board as a whole, our Board Committees and each individual Director on an annual basis. In developing such recommendations, our Nomination Committee will consult all Directors and reflect that consultation in any recommendation brought forward to our Board. Our Board makes all decisions on appointments after considering the recommendations of our Nomination Committee.

8.4 KEY MANAGEMENT EMPLOYEES

8.4.1 Profiles of Key Management Employees

GAN HUNG KENG, is the CEO of our Company and also oversees our Technology Development Division at Kelington. His profile has been disclosed in Section 8.2.1 of this Prospectus.

ONG WENG LEONG, is the COO of our Company and also oversees the PRC and Taiwan operations. His profile has been disclosed in Section 8.2.1 of this Prospectus.

JONG YU HUAT, aged 38, is the Group Financial Controller of our Company. He obtained his Diploma in Commerce in 1995 from Tunku Abdul Rahman College and is also a member of the Chartered Institute of Management Accountants since 1999. He has been responsible for the accounts, financial and administrative matters of Kelington since he joined our Company in 2003.

TAN TONG KAI, aged 39, is the Senior Vice President, Business Development and Taiwan at our Company. He graduated in 1996 with a Bachelor of Mechanical & Production Engineering degree from Nanyang Technological University, Singapore. He started taking up managerial roles in 2000 where he worked as the Production Manager at Tradeway Industry Southeast Asia, and he subsequently joined our Company in 2002 as the Business Development & Commercial Manager responsible for the sales and marketing function in the PRC and Taiwan. In 2004, he was also assigned the role of the Country Manager - Taiwan which carries the responsibility of managing the operational function of our Company in Taiwan. Through his years of experience, he has acquired expertise in costing and project management for UHP gas and chemical engineering projects.

8 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT EMPLOYEES (Cont'd)

WAN SIEW CHUAN, aged 36, is the Senior Vice President, China for our Company. He graduated with a First Class Bachelor of Mechanical Engineering degree from Universiti Malaya, Malaysia in 1998. Prior to joining Kelington, he held various positions at MOX from 1998 to 2004. These positions include Production Engineer, UCT Project Engineer and UCT Manager where he managed UHP gases systems related projects such as installation and fabrication, etc. In his current position, he is responsible for the daily management of our Group's operations in the PRC besides carrying out engineering, costing of UHP gas systems and project management where he utilises his expertise in detailed engineering of all UHP specialty gas delivery systems for the Semiconductor industry, detailed engineering of all UHP bulk gas distribution systems, including project execution and management.

SOO WEI KEONG, aged 33, is the Vice President, Taiwan of our Company. He graduated with a Bachelor of Chemical Engineering degree from Universiti Sains Malaysia, Malaysia in 2000. He has also obtained certification as a Certified Associate Welding Inspector from the American Welding Society in 2003. He joined our Company in 2001 and has since been provided various responsibilities beginning with QA Engineer in charge with QA and QC on UHP gas systems. He was then promoted to Senior Engineer in 2003, Project & Design Manager in 2004 and subsequently to his current position in 2005. He is currently responsible for engineering, costing of UHP gas systems and project management in Taiwan. His expertise lies in detailed design of UHP gas systems, engineering, project and construction management of Semiconductor gas and chemical related projects, quality management of UHP protocol for Semiconductor related projects and welding joint inspection.

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8.4.2 Shareholdings in Kelington

The direct and indirect shareholdings of the Key Management Employees in Kelington before and after the IPO are as follows:-

			Before the IPO				After the IPO			
			Direct		Indirect		Direct		Indirect	
Key employees	Country of Incorporation / Nationality	Designation	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Gan Hung Keng	Malaysian	CEO	-	-	45,007,125 (1)	69.24	-	-	39,737,125 (1)	53.19
Ong Weng Leong	Malaysian	COO	-	-	45,007,125 (1)	69.24	-	-	39,737,125 (1)	53.19
Jong Yu Huat	Malaysian	Group Financial Controller	50,000 (3)	0.08	-	-	50,000(2)	0.07	-	-
Tan Tong Kai	Malaysian	Senior Vice President, Business Development and Taiwan	180,000 (3)	0.28	-	-	180,000(2)	0.24	-	-
Wan Siew Chuan	Malaysian	Senior Vice President, China	180,000 (3)	0.28	-	-	180,000(2)	0.24	-	-
Soo Wei Keong	Malaysian	Vice President, Taiwan	150,000 (3)	0.23	-	-	150,000(2)	0.20	-	-

Notes:-

(1) *Deemed interested under Section 6A of the Act by virtue of their direct interests in Palace Star.*
(2) *Assuming that they will not subscribe for any of the Issue Shares under the Listing.*
(3) *Represents the number of Transfer Shares held by them as at the Latest Practicable Date pursuant to the Share Transfer which is detailed in Section 4.2(c) of this Prospectus.*

8 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT EMPLOYEES (Cont'd)

8.5 INVOLVEMENT OF EXECUTIVE DIRECTORS AND KEY MANAGEMENT EMPLOYEES IN OTHER BUSINESSES/CORPORATIONS

Save as disclosed below, none of our Executive Directors or Key Management Employees have any interests in other businesses or corporations as at the Latest Practicable Date:-

Executive Director	Name of Company	Principal Activities	Effective shareholding (%)
Gan Hung Keng	VSR Technologies	Supplying, installing and servicing of engineering and medical equipment, fabrication and installation of control panel systems, as well as the trading and distribution of telemetry and remote monitoring products	9.65 [(1)]
Ong Weng Leong	VSR Technologies	Supplying, installing and servicing of engineering and medical equipment, fabrication and installation of control panel systems, as well as the trading and distribution of telemetry and remote monitoring products	9.65 [(1)]

Note:

(1) By virtue of their respective individual interests in Palace Star which directly holds 35.72% shareholding interest in VSR Technologies.

8.6 DECLARATION OF PROMOTERS, DIRECTORS AND KEY MANAGEMENT EMPLOYEES

None of our Promoters, Directors and Key Management Employees are or were involved in the following events, whether in or outside Malaysia:-

(a) a petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;

(b) was disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(c) was charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

(d) judgement was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or

(e) the subject of any order, judgement or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

8.7 RELATIONSHIPS AND ASSOCIATES

Save for Lai, Cheng-Che who is the spouse of Lin Hsiu-Fen, an indirect shareholder of our Company by virtue of her 15.50% direct shareholding interest in Allied Moral, which in turn holds 14.80% shareholding interest in our Company, there are no other family relationships or associations amongst the substantial shareholders, Promoters, Directors and Key Management Employees.

8.8 BENEFITS PAID OR INTENDED TO BE PAID OR GIVEN TO ANY PROMOTER, DIRECTOR, OR SUBSTANTIAL SHAREHOLDER

Save as described below, there is no other amount or benefit paid or intended to be paid or given to any of our Promoters, Directors or substantial shareholders, within the two (2) years preceding the date of this Prospectus:-

(i) our Company's ordinary shares issued to our shareholders under the Bonus Issue as described in Section 4.2(a) of this Prospectus;

(ii) the expenditure incurred for the use of motor vehicles by our Executive Directors amounting to an aggregate of approximately RM129,000; and

(iii) the remuneration and benefits paid/accrued to Directors for services rendered in all their capacities within our Group amounting to an aggregate of approximately RM2.6 million during the two (2) financial years up to 31 December 2008 and the four (4)-month FPE 30 April 2009 preceding the date of this Prospectus.

8.9 EMPLOYEES

The average number of employees employed by our Group for the past three (3) financial years by capacities are as follows:-

Employee Category	Average number of employees for the FYE 31 December		
	2006	2007	2008
Executive Directors			
(i) Managing Director	1	1	1
(ii) General Manager	1	1	1
Technology Development Division	1	1	1
Sales and marketing	4	3	6
Operation and project execution	22	42	63
Design, technical support and customer service	12	27	41
Finance, human resource and administration	10	12	17
Total	**51**	**87**	**127**

We also employ contractual / temporary employees but the number of such employees is not significant.

8 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT EMPLOYEES (Cont'd)

The average number of employees employed by our Group for the past three (3) financial years by geography are as follows:-

Geographical Category	Average number of employees for the FYE 31 December		
	2006	2007	2008
PRC	22	40	54
Taiwan	11	14	15
Malaysia	18	33	58
Singapore	-	-	-
Others	-	-	-
Total	**51**	**87**	**127**

We place strong emphasis on human resource development. Our employees are given various training to improve their skills and knowledge and also on-the-job training. Our management enjoys a good working relationship with the employees.

Our employees do not belong to any labour union and enjoy a cordial relationship with the management. There has been no labour or industrial dispute between our employees and management.

8.10 TRAINING AND DEVELOPMENT

Our Group recognises the importance of human resources as a central element to our success. We encourage our employees to attend training courses and seminars to upgrade their skills and to keep abreast with the technological developments in the industry. Hence, as part of our human resource development, our Group constantly conducts in-house training for all employees to update them on new developments within our business operations. In addition, for employees of supervisory level and above, we arrange for them to attend various public programs in technical areas pertaining to our operations to further enhance their skill and knowledge on the job.

Some of the training programmes which we have participated for the past two (2) FYE 31 December 2007 and FYE 31 December 2008, preceding the date of this Prospectus, are as follows:-

Period	Programme	Organiser
FYE 31 December 2007	1. Tax Management of Employee's Benefit	Malaysian Employers Federation
	2. Strategic Marketing Planning	MIM Education Sdn Bhd
	3. Effective Project Management	IEA Management Consultancy
	4. 2008 Budget & Tax Planning	Horwath CPE Sdn Bhd
	5. CIDB Green Card Safety and Health Induction Course	Construction Industry Development Board, Malaysia
FYE 31 December 2008	1. Fundamentals of Process Plant Layout and Piping Design	IDC Technology (Malaysia) Sdn Bhd
	2. Disciplinary Procedures	MEF Academy Sdn Bhd
	3. Quality & Productivity Related Skill	Kelington
	4. Positive Work Culture	Malaysian Employers Federation
	5. Programmable Logic Controllers (PLC) for Automation and Process Control	IDC Technology (Malaysia) Sdn Bhd
	6. CIDB Green Card Safety and Health Induction Course	Construction Industry Development Board, Malaysia

8.11 SERVICE AGREEMENT

All our employees have standard employment contracts in each of their respective jurisdiction. There is no other existing or proposed service agreements between our Group or any other company within our Group, with our Key Management Employees and/or any other employees of our Group.

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9 APPROVALS AND CONDITIONS

9.1 CONDITIONS TO THE APPROVALS AND COMPLIANCE THEREOF

The SC had granted its approval for the Listing (including the approval under the Equity Requirements of Public Companies[(1)]) pursuant to its letter dated 31 March 2008 (as varied by its letter dated 18 September 2009) in addition to the SC's approval letters to extend the implementation of the Listing dated 15 October 2008 and 23 March 2009 (collectively, the **"SC Approval Letters"**). The terms and conditions as stipulated in the SC Approval Letters are set out as follows:-

	Terms	Remarks
(i)	Transfer of subscriber shares held by Palace Star, Sky Walker and Allied Moral of 750,000 shares to 16 key employees at a nominal consideration of RM1.00 per employee	The Share Transfer was completed on 11 September 2009 as described in Section 4.2(c) of this Prospectus
(ii)	Proposed offer for sale of 9,000,000 shares at an offer price of RM0.53 per share by the promoters of Kelington i.e. Palace Star and Allied Moral to identified investors by way of private placement to be allocated as follows:-	The details of the Offer for Sale are set out in Section 2.4.2 of this Prospectus

Promoters	No. of shares	% of enlarged issued and paid-up capital	Gross proceeds (RM)
Palace Star	5,270,000	7.05	2,793,100
Allied Moral	3,730,000	4.99	1,976,900
Total	**9,000,000**	**12.05**	**4,770,000**

	Terms	Remarks
(iii)	Public issue of 9,710,000 new shares to be allocated as follows:-	The details of the Public Issue are set out in Section 2.4.1 of this Prospectus

Details	No. of shares	% of enlarged issued capital
Selected investors (by way of private placement)	5,941,000	8.0
Eligible employees, directors and business associates	2,809,000	3.8
Public offering	960,000	1.3
Total	**9,710,000**	**13.0**

	Terms	Remarks
(iv)	Listing and quotation for Kelington's entire enlarged issued and paid-up capital of RM7,471,000 comprising 74,710,000 shares on the Ace Market of Bursa Securities	The details of the Listing are set out in Section 4.2(f) of this Prospectus

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	Conditions	**Remarks**
(i)	Pursuant to paragraph 3.19 of the ACE Market Listing Requirements, the moratorium on the shareholdings of Kelington's promoters is as follows:-	Complied, please see Section 9.2 of this Prospectus

Promoters	**Kelington shares to be held under moratorium**	
	No. of shares	**% of enlarged issued and paid-up share capital of Kelington***
Palace Star	27,731,275	37.12
Allied Moral	5,888,225	7.88
Total	**33,619,500**	**45.00**

* *Based on the enlarged issued and paid-up share capital of 74,710,000 Kelington Shares upon admission to the ACE Market.*

(ii)	Company to disclose in the prospectus, actions taken/ to be taken to mitigate the risk of dependency on BOCLH Industrial Gases Co. Ltd. (BOCLH) Group	Complied, please see Section 3.2(f) and 10.1 of this Prospectus
(iii)	Kelington to meet the 30% Bumiputera equity requirement within 1 year after it has achieved the profit track record for companies seeking listing on the Second Board of Bursa Securities or within 5 years after admission to MESDAQ Market of Bursa Securities, whichever is the earlier, in which the shares to be allocated to Bumiputera investors should be approved by MITI	To be complied [(2)]
(iv)	Kelington to submit a preliminary proposal to SC on how the Company proposes to meet the Bumiputera equity condition, 6 months before the expiry date of the compliance	To be complied
(v)	Full compliance with all the relevant requirements in Guidelines for Initial Public Offerings and Listings on the MESDAQ Market and any other requirements	To be complied
(vi)	Approvals to be obtained from other relevant authorities, if any	Complied
(vii)	KIBB / Kelington to inform SC upon the completion of the proposed floatation scheme	To be complied

Condition relating to the SC's approval letter dated 15 October 2008

(i)	KIBB / Kelington to disclose in the prospectus the related party transactions with Gold Reach Limited	Complied, please see Section 10.1 of this Prospectus

Note:-

(1) *Formerly the FIC Guidelines.*

(2) *Following from the SC's frequently-asked questions relating to Bumiputera equity requirements for public listed companies dated 10 May 2009, for listing on the ACE Market, companies are required to allocate 12.5% of their enlarged issued and paid-up share capital to MITI-recognized Bumiputera investors within one (1) year after achieving the profit record required for a listing on the Main Market of Bursa Securities, or five (5) years after being listed on ACE Market, whichever is the earlier. This requirement also applies to all companies currently listed on the MESDAQ Market that have yet to comply with the Bumiputera equity requirements. In view of this, it is our intention to seek clarification from the SC, upon our admission to the ACE Market, on the applicability of the aforesaid condition in light of the conditions set out in the SC Approval Letters.*

9 APPROVALS AND CONDITIONS (Cont'd)

Bursa Securities had on 22 October 2009 granted its approval for the admission of our Company to the Official List of the ACE Market and the listing and quotation of our entire enlarged issued and paid-up share capital of 74,710,000 Shares.

9.2 MORATORIUM ON PROMOTERS' SHARES

In compliance with paragraph 3.19 of the Listing Requirements and pursuant to the conditions imposed under the SC Approval Letters, a moratorium will be imposed on the sale, transfer or assignment of shares held by our Promoters as follows:-

(a) The moratorium applies to the entire shareholdings held by our Promoters for a period of six (6) months from the date of admission to the ACE Market (**"6-Month Moratorium"**);

(b) Upon the expiry of the 6-Month Moratorium, our Promoters shall hold under moratorium at least 45% of the nominal issued and paid-up ordinary share capital of our Company for another period of six (6) months; and

(c) Thereafter, our Promoters may sell, transfer or assign up to a maximum of 1/3rd per annum (on a straight-line basis) of the Shares held under moratorium.

The Shares held by our Promoters which are under moratorium are as follows:-

Promoters	Shares held after Public Issue and during the 6-Month Moratorium		Shares held under moratorium after the 6-Month Moratorium	
	No. of Shares	**%**	**No. of Shares**	**%**
Palace Star	39,737,125	53.19	27,731,275	37.12
Allied Moral	5,888,225	7.88	5,888,225	7.88
Total	**45,625,350**	**61.07**	**33,619,500**	**45.00**

The restriction which is fully acknowledged by the aforesaid Promoters is specifically endorsed on the share certificates of Kelington representing the shareholding of the aforesaid shareholders, which are under moratorium to ensure that our Company's Share Registrars will not register any transfer not in compliance with the aforesaid restriction.

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10 RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS

10.1 EXISTING AND PROPOSED RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

Save as disclosed below, there are no related party transactions and/or conflict of interests, existing or proposed, entered into by our Group which involves the interest, direct or indirect, of a Promoter, a Director, substantial shareholder, persons connected to them and the Key Management Employees for the past three (3) financial years from FYE 31 December 2006 to FYE 31 December 2008 and the four (4)-months FPE 30 April 2009:-

	Related Party	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FPE 30 April 2009 RM'000
Kelington					
Entities in which certain directors are key management personnel:-					
Progress billings					
- CTC	Lai, Cheng-Che	4,181	9,953	5,818	2,290
- BOCLH	Lai, Cheng-Che and Hsu, Chung-Kuang	651	390	953	131
- UIGC		597	3,180	1,562	885
Purchases					
- Gold Reach Ltd [1]	Lai, Cheng-Che	-	3,490	2,276	-
- Gold Reach Ltd Taiwan Branch [1]		-	1,721	37	-
- CTC		-	19	-	-
A related party of entities in which certain directors are key management personnel:-					
Progress billings					
- BOC Lienhwa (BVI) Holding Co., Ltd	Companies which are related to/form part of the BOCLH Group.	5,054	4,835	9,492	-
- Lian Fong Industrial Gases Co., Ltd.		-	27	60	-
- Lian Sheng Industrial Gases Co., Ltd.		-	10	-	-
- Lian Tong Gases Co. Ltd.		-	-	16	-
- BOCLH Industrial Gases (Chengdu) Co., Ltd.		1,707	3,022	-	-
- BOCLH Industrial Gases (Suzhou) Co., Ltd.		1,183	-	6,526	-
- BOCLH Industrial Gases (Shanghai) Co., Ltd.		249	275	406	1,182
- BOCLH Industrial Gases (Dalian) Co., Ltd.		-	-	14	-
Purchases					
- Lien Jeh Transportation Co. Ltd.	Companies which are related to/form part of the BOCLH Group.	97	-	53	-
- Lian Sheng Industrial Gases Co., Ltd.		-	-	4	110
- Lian Fong Industrial Gases Co., Ltd.		-	-	3	-

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10 RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)

	Related Party	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FPE 30 April 2009 RM'000
Entities in which certain directors are shareholders:-					
Progress billings					
- VSR Technologies (2)	Gan Hung Keng and Ong Weng Leong	-	#	-	-
- Sermax Sdn Bhd (2)	Gan Hung Keng and Ong Weng Leong	-	-	-	4
Purchases (3)					
- Sermax Sdn Bhd (2)	Gan Hung Keng and Ong Weng Leong	538	352	151	111
- VSR Automation (2)	Gan Hung Keng and Ong Weng Leong	579	425	1,066	329
Rental income (3)					
- Ciptatec Sdn Bhd (2)	Gan Hung Keng and Ong Weng Leong	14	17	22	8
- VSR Technologies (2)	Gan Hung Keng and Ong Weng Leong	37	39	44	15
KTSB					
Entities in which certain directors are shareholders:-					
Progress billings					
- Sermax Sdn Bhd(2)	Gan Hung Keng and Ong Weng Leong	-	-	-	4
Purchases (3)					
- Sermax Sdn Bhd (2)	Gan Hung Keng and Ong Weng Leong	-	11	12	75
- VSR Automation (2)	Gan Hung Keng and Ong Weng Leong	-	-	537	294
KE Shanghai					
A related party of entities in which certain directors are key management personnel:-					
Progress billings					
- BOCLH Industrial Gases (Chengdu) Co., Ltd.	Companies which are related to/form part of the BOCLH Group.	1,707	2,940	-	-
- BOCLH Industrial Gases (Shanghai) Co., Ltd.	Companies which are related to/form part of the BOCLH Group.	249	275	406	1,182
- BOCLH Industrial Gases (Suzhou) Co., Ltd.	Companies which are related to/form part of the BOCLH Group.	1,183	-	6,526	-
- BOCLH Industrial Gases (Dalian) Co., Ltd.	Companies which are related to/form part of the BOCLH Group.	-	-	14	-
Entities in which certain directors are shareholders:-					
Purchases (3)					
- Sermax Sdn Bhd (2)	Gan Hung Keng and Ong Weng Leong	-	-	7	-
- VSR Automation (2)	Gan Hung Keng and Ong Weng Leong	351	-	-	-

Notes:

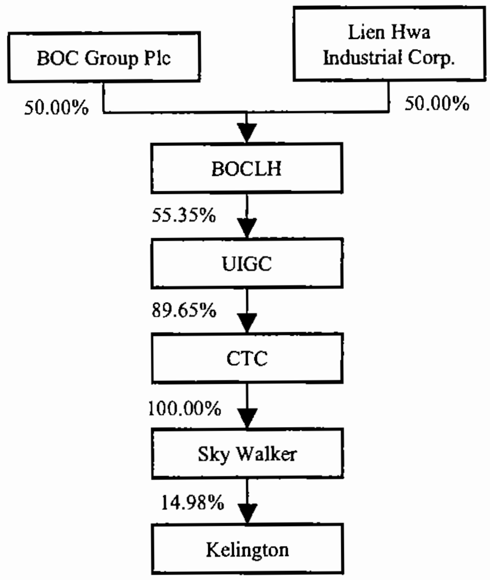
\# *Less than RM1,000*

(1) A company which is related to Allied Moral, being a substantial shareholder of our Company.

*(2) These companies form part of VSR Technologies ("**VSR Group**") and are the former subsidiaries of Kelington which have since been disposed of during the FYE 31 December 2006. Please refer to Section 10.5 of this Prospectus for further details on the disposal.*

(3) The purchases from the VSR Group consist of UHP delivery system materials as well as other general sub-contracting works in our ordinary course of business, while the rental income from the VSR Group relates to the rental of our office premises in Shah Alam, Malaysia.

As shown in the table above, a significant amount of our progress billings and purchases is derived from the BOCLH Group, a related company to our Group by virtue of their indirect interests held in our Company through Sky Walker. The progress billings are generally for services performed in relation to UHP delivery system solutions, while the purchases are generally made up of purchases of tools and equipment for UHP delivery system projects undertaken. The relationship between our Company and BOCLH is illustrated in the following diagram:-



BOCLH is a joint venture between Lien Hwa Industrial Corp. in Taiwan and BOC Group Plc (now a subsidiary of Linde AG) in the United Kingdom, and plays an important role in the burgeoning growth of Taiwan's IT industry by providing essential gases required for the production of high technology products like Semiconductor and FPD. It has in 1988 formed UIGC through a joint venture with nine (9) Semiconductor Foundries in Hsinchu Science Park. Subsequently in 1995, CTC, a subsidiary of UIGC was formed.

As a result of our Group's close working relationship with the BOCLH Group, BOCLH became an indirect substantial shareholder of our Company in December 2005. This working relationship has been present since March 2003 even before BOCLH became a shareholder of our Company. Going forward, it is expected that our Group will continue to derive contracts from the BOCLH Group due to the nature of the UHP delivery system industry which has traditionally been dominated by only a few key players, notably the major gas companies such as the Linde Group, BOCLH (in Taiwan and the PRC), Air Products and Chemicals, Inc., Praxair, Inc and the Air Liquide Group. In line with the outsourcing trend as described in the IMR, these specialty gas companies normally subcontract the delivery of the UHP delivery system to total UHP delivery solution providers like our Company.

10 RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)

It should be noted that notwithstanding the BOCLH Group is related to our Company, we are of the opinion that the transactions above have been entered into in the normal course of business and have been established on terms that are no more favourable than those generally available to other non-related customers and are conducted on arm's length basis.

Furthermore, notwithstanding that two (2) of our Non-Executive Directors, namely Lai, Cheng-Che and Hsu, Chung-Kuang are employees of UIGC and represent the BOCLH Group in the award of such related party contracts to our Group, they have and will continue to abstain from all deliberations by our Company in respect of such contracts. The deliberations in connection with the terms of such contracts are made primarily by our two (2) other Executive Directors, namely Gan Hung Keng and Ong Weng Leong, as well as our Key Management Employees who are involved in our day-to-day operations and who are independent from the BOCLH Group. Furthermore, the controlling interests of both Gan Hung Keng and Ong Weng Leong, collectively, of 54.00% in Palace Star, a 53.19% shareholder of our Company upon admission to the ACE Market, has also ensured that the effective control of our Company has and will continue to reside with our Executive Directors. Going forward, both Lai, Cheng-Che and Hsu, Chung-Kuang will continue to abstain from deliberating on the acceptance of contracts awarded by the BOCLH Group due to their relationship with UIGC and the BOCLH Group.

In addition to the BOCLH Group, our Group has also made purchases from Goal Reach Limited (**"Goal Reach"**) for tools and equipment used in the fabrication of UHP delivery systems during the past two (2) FYE up to 31 December 2008. Goal Reach is deemed a related party by virtue of a common director, being Lai, Cheng-Che as well as a common substantial shareholder, being Allied Moral as at the Latest Practicable Date. Allied Moral has a shareholding interest of approximately 85% in Goal Reach. Goal Reach is principally involved in trading and services of UHP equipment and materials. The equipment, which includes stainless steel piping, tubes, valves and other materials are commonly used in the fabrication of the UHP delivery systems. However, it should be noted that Lai, Cheng-Che has since resigned as a director of Goal Reach on 23 April 2008.

The purchases from Goal Reach were made after taking into account, amongst others, the favourable competitive pricing, longer credit terms, no down payment requirements, ability to return excess stocks, exchangeable and the delivery timing of the stocks as compared to quotations by other suppliers. In addition, our Group is not dependent on Goal Reach in order to provide any of its current services and all transactions entered into between our Group and Goal Reach up to the Latest Practicable Date were on arms-length terms. Going forward, both Lai, Cheng-Che and Hsu, Chung-Kuang will continue to abstain from deliberating on the awarding of contracts to Goal Reach due to their relationship with Allied Moral. For the four (4)-months FPE 30 April 2009, there were no transactions between our Group and Goal Reach.

In general, for suppliers who are related parties, our Group will request for a quotation to ensure that the price represents a competitive price unless such a supplier is a sole distributor of a product or service required.

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10.2 TRANSACTIONS WHICH ARE UNUSUAL IN THEIR NATURE OR CONDITIONS

There are no unusual transactions in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party to in respect of the past three (3) financial years from FYE 31 December 2006 to FYE 31 December 2008, and the four (4) - months FPE 30 April 2009 and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

10.3 OUTSTANDING LOANS MADE TO OR FOR THE BENEFIT OF RELATED PARTIES

Save as disclosed below, there are no outstanding loans (including guarantees of any kind) made by our Group to or for the benefit of related parties in respect of the past three (3) financial years from FYE 31 December 2006 to FYE 31 December 2008, the four (4) - months FPE 30 April 2009 and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

Our Company was however a corporate guarantor for VSR Technologies, a company related through common shareholders, for an amount of RM550,000 in relation to a security arrangement with Malayan Banking Berhad (**"Maybank"**). However, the corporate guarantee has subsequently been discharged by Maybank on 4 June 2007 resulting from our Company's disposal of VSR Technologies as described in Section 10.5 of this Prospectus.

10.4 CONFLICT OF INTEREST

None of our Directors and/or substantial shareholders have any interest, direct or indirect, in any other businesses and corporations carrying on a similar trade as that of our Group.

Save as disclosed in the following, none of our Directors and/or substantial shareholders have any interest, direct or indirect, in any other businesses and corporations which are customers or suppliers of our Group:-

(a) Lai, Cheng-Che, who is a Director and a minority shareholder of UIGC and CTC, as disclosed in Section 8.1.3(iv) and Section 8.1.3(v) of this Prospectus, as well as an employee of UIGC, as disclosed in Section 10.1 of this Prospectus; and

(b) Hsu, Chung Kuang, who is a Director and an employee of UIGC, as disclosed in Section 10.1 of this Prospectus.

Please refer to Section 10.1 of this Prospectus for the disclosure on our Group's transactions with UIGC and CTC.

As disclosed in Section 10.1 above, notwithstanding the conflict of interests involving Lai, Cheng-Che and Hsu, Chung Kuang, all related parties have and will continue to abstain from all deliberations in respect of such contracts. The deliberations on the terms of such contracts are made primarily by our two (2) other Executive Directors, namely Gan Hung Keng and Ong Weng Leong, as well as our Key Management Employees who are involved in our day-to-day operations and who are independent from the BOCLH Group.

10.5 PROMOTION OF ANY MATERIAL ASSETS ACQUIRED, DISPOSED OF OR LEASED

Save as disclosed below, none of our Directors and/or substantial shareholders has any interest, direct or indirect, in the promotion of or in any material assets which have, within the three (3) most recent completed financial years up to 31 December 2008, the four (4)-months FPE 30 April 2009 and the subsequent financial period thereof, immediately preceding the date of this Prospectus, been acquired or disposed off by or leased to our Group, or are proposed to be acquired or disposed off by or leased to our Group.

10 RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)

On 20 October 2006, our Company had disposed off a 51% subsidiary company, VSR Technologies by way of a dividend-in-specie to our shareholders then on a pro-rata basis.

VSR Technologies and its group of companies are principally engaged in the business of supplying, installing and servicing of engineering and medical equipment, fabrication and installation of control panel systems, as well as the trading and distribution of telemetry and remote monitoring products. As the core business of VSR Technologies does not complement that of the Kelington Group and in the interest of preserving a focused core business for the purpose of the Listing, our Board had decided that VSR Technologies shall not form part of our Group, which is the listed group under the Listing.

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11 DIRECTORS' REPORT
(Prepared for the inclusion in this Prospectus)

KELINGTON GROUP BERHAD (501386-P)
(Formerly known as Kelington Engineering Berhad)
www.kelington-group.com
3, Jalan Astaka U8/83, Seksyen U8, Bukit Jelutong Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia.
Tel: +603 7845 5696, 7848 3845 Fax: +603 7845 7097

27 October 2009

Registered Office:-
10th Floor, Menara Hap Seng
No. 1 & 3, Jalan P. Ramlee
50250 Kuala Lumpur

The Shareholders of Kelington Group Berhad

Dear Sir/ Madam,

On behalf of the Board of Directors of Kelington Group Berhad ("Kelington"), I report after due enquiry that during the interval period from 30 April 2009 (being the date of the last audited financial statements of Kelington and its subsidiaries were made) to 27 October 2009 (being a date not earlier than fourteen (14) days before the issuance of this Prospectus):-

(a) the business of our Company and our subsidiaries ("Group") have, in the opinion of our Directors, been satisfactorily maintained;

(b) in the opinion of our Directors, no circumstances have arisen subsequent to the last audited financial statements of our Group which have adversely affected the trading or the value of the assets of our Company or any of our subsidiaries within the Group;

(c) the current assets of our Group appear in the books at values, which are believed to be realisable in the ordinary course of business;

(d) save as disclosed in Section 6.6(b) of this Prospectus, no contingent liabilities have arisen by reason of any guarantees or indemnities given by our Company or any of our subsidiary companies;

(e) since 30 April 2009, being the last audited financial statements of our Group, we are not aware of any default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of our Group; and

(f) since 30 April 2009, being the last audited financial statements of our Group, there have been no material changes in the published reserves or any unusual factors affecting the profits of our Group.

Yours faithfully
For and on behalf of the Board of Directors
Kelington Group Berhad

GAN HUNG KENG
Chairman / Managing Director

Horwath

Horwath AF No 1018
Kuala Lumpur Office
Chartered Accountants

Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia

+6 03 2166 0000 Main
+6 03 2166 1000 Fax

info@horwathkl.com
www.horwath.com.my

27 October 2009

The Board of Directors
Kelington Group Berhad
3, Jalan Astaka U8/83, Seksyen U8
Bukit Jelutong Industrial Park
40150 Shah Alam
Selangor Darul Ehsan.

Dear Sirs

KELINGTON GROUP BERHAD
ACCOUNTANTS' REPORT

1. PURPOSE OF REPORT

This report has been prepared by Horwath, an approved company auditor, for inclusion in the Prospectus of KELINGTON to be dated 30 October 2009 in connection with the listing of KELINGTON on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The details of the restructuring and listing scheme are disclosed in paragraph 2.2 of this report.

2. DETAILS OF THE RESTRUCTURING AND LISTING SCHEME

2.1 THE COMPANY

KELINGTON was incorporated in Malaysia on 16 December 1999 under the Companies Act, 1965 as a private limited company. KELINGTON was converted into a public limited company on 23 July 2007 and on 5 September 2008, assumed its present name. KELINGTON is principally engaged in the business of providing engineering services and general trading.

2.2 RESTRUCTURING AND LISTING SCHEME

In conjunction with and as an integral part of the listing of KELINGTON on the ACE Market of Bursa Securities, the Company had undertaken the following transactions:-

(1) Restructuring Scheme

KELINGTON had undertaken an internal restructuring scheme comprising the following:-

(a) increase in authorised share capital from RM5,000,000 to RM25,000,000 by the creation of 20,000,000 new ordinary shares of RM1.00 each ("Increased Authorised Share Capital"). The Increased Authorised Share Capital was completed on 11 September 2009;

2. DETAILS OF THE RESTRUCTURING AND LISTING SCHEME (CONT'D)

2.2 RESTRUCTURING AND LISTING SCHEME (CONT'D)

(1) Restructuring Scheme (Cont'd)

(b) a bonus issue of 1,500,000 new ordinary shares of RM1.00 each in KELINGTON, by the capitalisation of:

(i) RM599,000 from the share premium account; and
(ii) RM901,000 from the retained profits account

in the ratio of three (3) bonus shares for every ten (10) existing ordinary shares held ("Bonus Issue"). The Bonus Issue was completed on 11 September 2009;

(c) a subdivision of the par value of the ordinary shares of KELINGTON from RM1.00 per ordinary share to RM0.10 per ordinary share ("Share Subdivision"). The Share Subdivision was completed on 11 September 2009; and

(d) the disposal of 750,000 ordinary shares of RM0.10 each representing 1.15% of the enlarged KELINGTON's issued and paid-up share capital after the Bonus Issue and Share Subdivision by the shareholders of KELINGTON, i.e. Palace Star Sdn. Bhd., Allied Moral Investments Limited and Sky Walker Group Limited to certain key employees ("Employee Share Transfer"). The Employee Share Transfer was completed on 11 September 2009.

(2) Listing Scheme

KELINGTON seeks the listing of and quotation for its entire enlarged issued and paid-up share capital on the ACE Market of Bursa Securities which comprise the following:-

(a) proposed public issue of 9,710,000 new ordinary shares of RM0.10 each at an issue price of RM0.53 per ordinary share ("Proposed Public Issue") which will be allocated and allotted in the following manner:-

(i) 960,000 new ordinary shares of RM0.10 each available for application by the Malaysian public;

(ii) 2,809,000 new ordinary shares of RM0.10 each available for application by eligible employees and business associates of KELINGTON and its subsidiaries ("the KELINGTON Group" or "the Group"); and

(iii) 5,941,000 new ordinary shares of RM0.10 each by way of private placement to selected investors.

(b) offer for sale of 9,000,000 ordinary shares of RM0.10 each at an offer price of RM0.53 per ordinary share available for application by private placement to identified investors

Horwath

2. DETAILS OF THE RESTRUCTURING AND LISTING SCHEME (CONT'D)

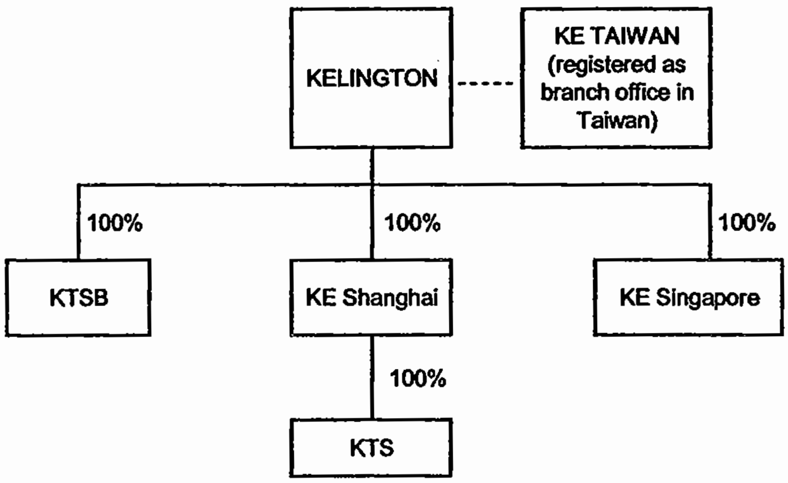
2.2 RESTRUCTURING AND LISTING SCHEME (CONT'D)

(2) Listing Scheme (Cont'd)

(c) admission to the official list of the ACE Market of Bursa Securities and listing of and quotation for KELINGTON's entire enlarged issued and paid-up share capital of RM7,471,000 comprising 74,710,000 ordinary shares of RM0.10 each on the ACE Market of Bursa Securities.

3. GROUP STRUCTURE

The Group structure of KELINGTON at the date of this report is as follows:-



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3. GROUP STRUCTURE (Cont'd)

Details of the subsidiaries are as follows:-

Name of Company	Date of Incorporation	Country of Incorporation	Issued Paid-up Capital	Effective Equity Interest 30.4.2009	Principal Activities
Kelington Technologies Sdn. Bhd. (formerly known as KE Manufacturing Sdn. Bhd.) ("KTSB")	22 October 2001	Malaysia	RM2,000,000	100%	Manufacturing of ultra high purity ("UHP") gas/ chemical pure water distribution systems and related equipment.
Kelington Engineering (Shanghai) Co. Ltd ("KE Shanghai") *	16 April 2002	The People's Republic Of China	USD200,000	100%	Design and installation of mechanical and piping engineering systems and provision of related technical consulting services.
Kelington Engineering (S) Pte Ltd ("KE Singapore") *	8 June 2006	Singapore	S$200,000	100%	Provision of UHP delivery systems and related services.
Kelington Trading (Shanghai) Co., Ltd. ("KTS") * #	18 March 2009	The People's Republic Of China	RMB1,000,000	100%	Trading of machinery equipment and related parts and components.

* - Not audited by Horwath.
\# - Interest held by KE Shanghai.

During the financial year ended 31 December 2006, KELINGTON:

(a) acquired the entire equity interests of KTSB and KE Singapore for a total cash consideration of RM20,000 and RM5, respectively; and

(b) disposed of its 51% equity interest in VSR Technology Sdn. Bhd. and its subsidiaries ("the VSR Group") for a total cash consideration of RM180,000.

During the financial period ended 30 April 2009, KE Shanghai subscribed for a newly incorporated subsidiary, KTS for a total cash consideration of RMB1,000,000.

Horwath

4. RELEVANT FINANCIAL PERIOD

The relevant financial period for the purpose of this report ("Relevant Financial Period") and the auditors of the respective companies (other than KE Singapore and KTS which their results were considered immaterial relative to the KELINGTON Group's results) for the Relevant Financial Period is as follows: -

Company	Relevant Financial Period	Auditors	Auditors' Report
KELINGTON	Financial year ended ("FYE") 2006, 2007 and 2008, and financial period from 1 January 2009 to 30 April 2009 ("FP 2009").	Messrs. Horwath	Appendix I
KTSB	FYE 2006,	Messrs. Yeng & Co.	Appendix II
	FYE 2007, FYE 2008 and FP 2009	Messrs Horwath	Appendix III
KE Shanghai	FYE 2006, 2007 and 2008, and FP 2009.	Shu Lun Pan Certified Public Accountants Co. Ltd.	Appendix IV

The financial statements of KELINGTON, KTSB and KE Shanghai for the Relevant Financial Period under review were not subject to any audit qualification.

Horwath

5. ACCOUNTING STANDARDS AND POLICIES

5.1 BASIS OF PREPARATION

This report covers the financial information derived from the audited financial statements of KELINGTON, KTSB and KE Shanghai for the Relevant Financial Period. The financial statements of the KELINGTON Group and of the Company and KTSB 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") in Malaysia.

The financial statements of KE Shanghai were prepared based on the relevant accounting standards in The People's Republic of China. Certain adjustments and reclassification were made to the financial statements of KE Shanghai to ensure consistency with the accounting policies of the Group.

The KELINGTON Group has not adopted the following FRSs and Issues Committee ("IC") Interpretations that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group:

(i) FRS issued and effective for financial periods beginning on or after 1 July 2009:

FRS 8 Operating Segments

FRS 8 replaces FRS 114_{2004} Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the KELINGTON Group. This FRS is expected to have no material impact on the financial statements of the KELINGTON Group upon its initial application.

(ii) FRSs issued and effective for financial periods beginning on or after 1 January 2010:

FRS 4	Insurance contracts
FRS 7	Financial Instruments: Disclosures
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.1 BASIS OF PREPARATION (CONT'D)

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

The possible impacts of FRS 7 and FRS 139 on the financial statements upon their initial applications are not disclosed by virtue of the exemptions given in these standards.

The possible impact of FRS 123 on the financial statements upon its initial application is not disclosed as the existing accounting policies of the KELINGTON Group are consistent with the requirements under this new standard.

(iii) Amendments issued and effective for financial periods beginning on or after 1 January 2010:

Amendments to FRS 1 and FRS 127	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendment to FRS 2	Vesting Conditions and Cancellations

The above amendments are not relevant to the KELINGTON Group's operations.

(iv) IC Interpretations issued and effective for financial periods beginning on or after 1 January 2010:

IC Interpretation 9	Reassessment of Embedded Derivatives
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

The above IC Interpretations are not relevant to the KELINGTON Group's operations except for IC Interpretation 10 which will become relevant to the Group for the financial year ending 31 December 2010 and the subsequent financial years. IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation is expected to have no material impact on the financial statements of the Group upon its initial application.

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.2 CONSISTENCY OF APPLICATION OF ACCOUNTING POLICIES

This report is prepared on a basis consistent with the accounting policies adopted by the KELINGTON Group as disclosed in paragraph 5.3 below. There were no changes in the significant accounting policies adopted by the KELINGTON Group during the Relevant Financial Period other than the adoption of all the new and revised FRS issued by the Malaysian Accounting Standards Board which are relevant to its operations.

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates And Judgements

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

(i) Depreciation of Property, Plant and Equipment

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

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

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

(ii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The 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 period in which such determination is made.

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates And Judgements (Cont'd)

(iii) Impairment of Assets

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

(iv) Amortisation of Development Costs

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

(v) Construction Contracts

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

- *Contract Revenue*

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

- *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.

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates And Judgements (Cont'd)

(vi) Allowance for Doubtful Debts of Receivables

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

(b) Financial Instruments

(i) Financial Instruments Recognised in the Balance Sheet

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

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

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

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

Horwath

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial Instruments (CONT'D)

(ii) Financial Instruments Not Recognised in the Balance Sheet

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

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

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

(iii) Fair Value Estimate for Disclosure Purposes

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

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

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Functional and Foreign Currency

(i) Functional and Presentation Currency

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

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

(ii) Transactions and Balances

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

(iii) Foreign Operations

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

- income and expenses for the income statement are translated at the average exchange rates for the year; and

- all resulting exchange differences are recognised as a separate component of equity, as a foreign currency translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statements as part of the gain or loss on sale.

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 April 2009.

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

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 value of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

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

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

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

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Goodwill on Consolidation

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

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

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

(f) Investments in Subsidiaries

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

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

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Intangible Assets

Research and Development Expenditure

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

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

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

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

(iii) its future economic benefits are probable;

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

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

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

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

(h) Property, Plant and Equipment

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

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

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Property, Plant and Equipment (Cont'd)

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

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

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

(i) Impairment of Assets

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

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

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

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5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Assets Under Finance Leases and Hire Purchase

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

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

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

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

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

(k) Amounts Due From/To Contract Customers

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

(l) Receivables

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

(m) Payables

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

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Interest-bearing Borrowings

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

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

(o) Equity Instruments

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

(p) 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.

(q) Employee Benefits

(i) Short-term Benefits

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

(ii) Defined Contribution Plans

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

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5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Income Taxes

Income taxes for the year comprise current and deferred tax.

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

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

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

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

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

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

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Related Parties

A party is related to an entity if:-

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

(ii) the party is an associate of the entity;

(iii) the party is a joint venture in which the entity is a venturer;

(iv) the party is a member of the key management personnel of the entity or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

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

(t) 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 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.

5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Segmental Information

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

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

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

(v) Revenue Recognition

(i) Sale of Goods

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

(ii) Contract Revenue

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

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

(iii) Rental Income

Rental income is recognised on an accrual basis.

6. AUDITED FINANCIAL STATEMENTS

FINANCIAL INFORMATION

The financial information of the KELINGTON Group, KELINGTON, KTSB and KE Shanghai as presented in Section 6.1, 6.2, 6.3 and 6.4, respectively are based on the audited financial statements, modified as appropriate, for the purpose of this report.

The financial information of the subsidiaries, KE Singapore and KTS, for the Relevant Financial Periods are not presented as KE Singapore and KTS results were considered immaterial relative to the KELINGTON Group's results.

The scope of work involved in the preparation of this report does not constitute an audit in accordance with approved standards on auditing in Malaysia.

All information are extracted from the audited financial statements except for those in italics which are prepared based on calculations, representations and/or explanations provided by the management of the KELINGTON Group.

The translation of KE Taiwan and foreign subsidiaries from New Taiwan Dollar, Chinese Renminbi and Singapore Dollar to RM are based on the following exchange rates:-

	FYE 2006	*FYE2007*	*FYE2008*	*FP 2008 ***	*FP 2009*
Income statements					
Based on average rates for the period					
New Taiwan Dollar	*0.1125*	*0.1043*	*0.1059*	*0.1032*	*0.1070*
Chinese Renminbi	*0.4593*	*0.4518*	*0.4820*	*0.4519*	*0.5310*
Singapore Dollar	*2.2932*	*2.3193*	*2.3652*	*2.3029*	*2.3991*
Balance sheets					
Based on closing rates at the Balance sheet date					
New Taiwan Dollar	*0.1083*	*0.1028*	*0.1056*	-	*0.1074*
Chinese Renminbi	*0.4523*	*0.4563*	*0.5076*	-	*0.5216*
Singapore Dollar	*2.2932*	*2.3193*	*2.4070*	-	*2.4117*

Note:
** - *For comparison purposes.*

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP

6.1.1 INCOME STATEMENTS OF THE KELINGTON GROUP

		THE KELINGTON GROUP				
	Note	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
Revenue	6.1.5	40,895	57,242	60,058	24,934	12,724
Cost of sales		(30,870)	(47,714)	(47,686)	(20,322)	(9,483)
Gross profit ("GP")		10,025	9,528	12,372	4,612	3,241
Other income		62	239	474	103	337
		10,087	9,767	12,846	4,715	3,578
Selling and distribution expenses		(280)	(206)	(224)	(103)	(96)
Administrative expenses		(4,745)	(3,655)	(5,113)	(1,385)	(1,026)
Other expenses		(1,203)	(306)	(370)	(131)	(151)
Profit from operations		3,859	5,600	7,139	3,096	2,305
Finance costs		(82)	(126)	(79)	(24)	(30)
Profit before taxation ("PBT")		3,777	5,474	7,060	3,072	2,275
Depreciation		499	440	578	166	222
Interest expense		80	123	79	24	30
Interest income		(62)	(45)	(184)	(28)	(102)
Earnings before interest, depreciation and taxation		4,294	5,992	7,533	3,234	2,425
Depreciation		(499)	(440)	(578)	(166)	(222)
Interest expense		(80)	(123)	(79)	(24)	(30)
Interest income		62	45	184	28	102
PBT	6.1.6	3,777	5,474	7,060	3,072	2,275
Income tax expense	6.1.7	(838)	(1,386)	(454)	(466)	(340)
Profit after taxation ("PAT")		2,939	4,088	6,606	2,606	1,935
Attributable to:-						
Equity holders of the Company		2,521	4,088	6,606	2,606	1,935
Minority interests		418	-	-	-	-
		2,939	4,088	6,606	2,606	1,935
GP margin (%)		*24.5*	*16.6*	*20.6*	*18.5*	*25.5*
PBT margin (%)		*9.2*	*9.6*	*11.8*	*12.3*	*17.9*
PAT margin (%)		*7.2*	*7.1*	*11.0*	*10.5*	*15.2*
Effective tax rate (%)		*22.2*	*25.3*	*6.4*	*15.2*	*14.9*
Interest coverage (times)		*48.2*	*45.5*	*90.4*	*129.0*	*76.8*
*Weighted average number of ordinary shares in issue of RM1.00 each * ('000)*		*6,297*	*6,500*	*6,500*	*6,500*	*6,500*
Gross earnings per share ("EPS") (sen)		*53.3*	*84.2*	*108.6*	*47.3*	*35.0*
Net EPS (sen)		*40.0*	*62.9*	*101.6*	*40.1*	*29.8*

Notes:

* - *Assumed weighted average number of ordinary shares in issue after the Bonus Issue but before the Share Subdivision and Proposed Public Issue.*

** - *For comparison purposes.*

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.1 INCOME STATEMENTS OF THE KELINGTON GROUP (CONT'D)

The income statements of the KELINGTON Group for FYE 2006 include the results of VSR Technologies Sdn. Bhd. ("VSR") and its subsidiaries ("the VSR Group"), which was disposed of by KELINGTON during the FYE 2006. The results of the VSR Group from 1 January 2006 to 31 October 2006 ("FP 2006") are as follows:

	FP 2006 # RM'000
Revenue	11,395
PBT	998
PAT	730

Notes:
\# - *Based on unaudited financial statements of VSR Group.*

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.1 INCOME STATEMENTS OF THE KELINGTON GROUP (CONT'D)

Commentary on the Income Statements:-

(a) *Revenue increased in FYE 2006, excluding the increase in revenue contributed by the VSR Group, mainly due to the increase in number of contracts secured on base build gas piping activities. The GP margin remained fairly constant in FYE 2006 as compared to FYE 2005. Despite the loss incurred of approximately RM583,000 from the disposal of the VSR Group, the PBT was higher mainly due to the increase in revenue.*

Revenue increased in FYE 2007 as compared to FYE 2006 mainly due to two major contracts, i.e. Seagate phase one and Promos contracts, secured by KELINGTON during FYE 2007. Despite the increase in revenue, KELINGTON Group recorded a lower GP margin for FYE 2007 resulting from a lower GP margin from Promos contract. The increase in PBT was mainly due to the increase in revenue.

Revenue increased in FYE 2008 as compared to FYE 2007 mainly due to revenue generated from Seagate phase two contract by KTSB and Promos contract from KE Shanghai respectively. The GP margin was higher in FYE2008. The lower GP margin for FYE2007 was mainly due to the low profit margin contract from Promos that was secured and recognised by KELINGTON for which a significant portion of the contract value was recognised in FYE 2007. The increase in PBT was mainly due to the increase in GP margin.

*Revenue decreased by RM12.1 million in FP 2009 as compared to *FP 2008 mainly due to the decrease in contract value secured and recognised during the FP 2009. However, the GP margin improved by 6.9% mainly due to higher profit margin contracts secured during the FP 2009. The PBT decreased mainly due to the decrease in revenue.*

* - *FP 2008 relates to the unaudited management financial statements for the period from 1 January 2008 to 30 April 2008.*

(b) *The effective tax rates for FYE 2008 decreased significantly mainly due to:*

(i) income exempted under pioneer status and foreign source income; and
(ii) an overprovision of current tax in respect of the FYE2007. The overprovision was mainly because KTSB has been granted Pioneer Status under the Promotion of Investment Act, 1986 from 28 May 2007 to 27 May 2012 and accordingly income generated from qualifying activities was tax-exempted.

(c) *The gross EPS is calculated by dividing the PBT after MI by the weighted average number of ordinary shares in issue after the Bonus Issue but before the Share Subdivision and Public Issue.*

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.1 INCOME STATEMENTS OF THE KELINGTON GROUP (CONT'D)

(d) *The net EPS is calculated by dividing the PAT after MI by the weighted average number of ordinary shares in issue after the Bonus Issue but before the Share Subdivision and Public Issue.*

(e) *There was no exceptional or extraordinary item in the Relevant Financial Period under review.*

(f) *All significant intra-group transactions are eliminated on consolidation and the consolidated results reflect external transactions only.*

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.2 BALANCE SHEETS OF THE KELINGTON GROUP

		THE KELINGTON GROUP			
	Note	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Audited FP 2009 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	6.1.8	4,398	4,802	5,218	5,081
Goodwill on consolidation	6.1.9	199	199	199	199
Development costs	6.1.10	91	98	94	108
		4,688	5,099	5,511	5,388
CURRENT ASSETS					
Amount due by contract customers	6.1.11	1,363	6,911	7,749	9,037
Trade receivables	6.1.12	6,684	16,109	10,075	9,289
Other receivables, deposits and prepayments	6.1.13	775	923	1,176	1,565
Tax refundable		#	-	-	-
Fixed deposits with licensed banks	6.1.14	282	1,258	11,307	12,320
Cash and bank balances	6.1.15	4,967	10,507	9,391	9,669
		14,071	35,708	39,698	41,880
TOTAL ASSETS		18,759	40,807	45,209	47,268

Note:
 # - Less than RM1,000.

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.2 BALANCE SHEETS OF THE KELINGTON GROUP (CONT'D)

	Note	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Audited FP 2009 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	6.1.16	5,000	5,000	5,000	5,000
Share premium	6.1.17	599	599	599	599
Capital reserve	6.1.18	335	421	421	2,401
Exchange fluctuation reserve	6.1.19	(139)	(79)	518	704
Retained profits		4,470	8,472	15,078	15,033
TOTAL EQUITY		10,265	14,413	21,616	23,737
NON-CURRENT LIABILITIES					
Deferred tax liabilities	6.1.20	236	460	812	611
Lease and hire purchase payables	6.1.21	81	-	-	-
Term loan	6.1.22	923	910	848	826
		1,240	1,370	1,660	1,437
CURRENT LIABILITIES					
Amount owing to contract customers	6.1.11	-	4,579	10,049	9,260
Trade payables	6.1.23	6,392	16,543	8,852	8,985
Other payables and accruals	6.1.24	544	1,100	2,738	3,060
Provision for taxation		50	767	231	727
Short-term borrowings	6.1.25	234	2,035	63	62
Bank overdrafts	6.1.26	34	-	-	-
		7,254	25,024	21,933	22,094
TOTAL LIABILITIES		8,494	26,394	23,593	23,531
TOTAL EQUITY AND LIABILITIES		18,759	40,807	45,209	47,268
*Assumed number of ordinary shares in issue of RM1.00 each * ('000)*		*6,500*	*6,500*	*6,500*	*6,500*
Net tangible assets ("NTA") (RM'000)		*9,975*	*14,116*	*21,323*	*23,430*
NTA per ordinary share (RM)		*1.5*	*2.2*	*3.3*	*3.6*
Trade receivable turnover ratio (times)		*0.3*	*0.3*	*0.2*	*0.2* ^^
Trade payable turnover ratio (times)		*0.3*	*0.4*	*0.2*	*0.4* ^^
Gearing ratio (times)		*0.1*	*0.2*	*#*	*#*

Notes:

* - *Assumed number of ordinary shares in issue after the Bonus Issue but before the Share Subdivision and Proposed Public Issue.*

- *Less than 0.1.*

^^ - *On annualised basis.*

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.2 BALANCE SHEETS OF THE KELINGTON GROUP (CONT'D)

The summarised balance sheet of VSR Group as at 31 October 2006 is as follows:

	At 31.10.2006 RM'000
ASSETS	
NON-CURRENT ASSETS	162
CURRENT ASSETS	4,296
TOTAL ASSETS	4,458
EQUITY AND LIABILITIES	
EQUITY	1,497
MINORITY INTERESTS	276
	1,773
CURRENT LIABILITIES	2,685
TOTAL EQUITY AND LIABILITIES	4,458

Commentary on the Balance Sheets:-

(a) The higher trade receivable turnover ratio in FYE 2007 was mainly due to higher billings towards the year-end.

(b) The relatively higher trade payable turnover ratio for FYE 2007 and FP2009 was mainly due to:

(i) the increase of materials purchased for Seagate and Promos contracts in FYE 2007; and
(ii) the purchases towards the end of the FP 2009.

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.3 CASH FLOW STATEMENTS OF THE KELINGTON GROUP

		THE KELINGTON GROUP				
	Note	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
CASH FLOW FROM OPERATING ACTIVITIES						
Profit before taxation		3,777	5,474	7,060	3,072	2,275
Adjustments for:-						
Allowance for doubtful debts		16	45	29	-	#
Bad debts written off		154	-	35	-	-
Depreciation for property, plant and equipment		499	440	578	166	222
Equipment written off		38	6	16	-	-
Interest expense		80	123	79	24	30
Loss on disposal of subsidiaries		583	-	-	-	-
(Gain)/Loss on foreign exchange - unrealised		(5)	(96)	(51)	75	15
Interest income		(62)	(45)	(184)	(28)	(102)
Writeback of allowance for doubtful debts		-	-	(42)	(35)	(22)
Operating profit before working capital changes		5,080	5,947	7,520	3,274	2,418
Increase in inventories		(127)	-	-	-	-
(Increase)/Decrease in amount owing by contract customers		(1,117)	(5,462)	(643)	1,250	(1,149)
(Increase)/Decrease in trade and other receivables		(1,537)	(9,617)	8,153	7,266	533
(Decrease)/Increase in amount owing to contract customers		(455)	4,493	5,425	(2,492)	(796)
(Decrease)/Increase in trade and other payables		(690)	10,802	(6,381)	(6,928)	285
CASH FROM OPERATIONS		1,154	6,163	12,074	2,370	1,291
Income tax paid		(675)	(445)	(655)	(294)	(55)
Interest paid		(80)	(123)	(79)	(24)	(30)
Interest received		62	45	184	28	102
NET CASH FROM OPERATING ACTIVITIES		461	5,640	11,524	2,080	1,308
CASH FLOW FOR INVESTING ACTIVITIES						
Purchase of plant and equipment		(169)	(863)	(951)	(262)	(49)
Acquisition of subsidiaries		(18)	-	-	-	-
Development costs paid		(91)	(7)	-	-	(14)
Disposal of subsidiaries, net of cash	6.1.27	(1,204)	-	-	-	-
NET CASH FOR INVESTING ACTIVITIES		(1,482)	(870)	(951)	(262)	(63)
BALANCE CARRIED FORWARD		(1,021)	4,770	10,573	1,818	1,245

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.3 CASH FLOW STATEMENTS OF THE KELINGTON GROUP

	Note	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
		THE KELINGTON GROUP				
BALANCE BROUGHT FORWARD		(1,021)	4,770	10,573	1,818	1,245
CASH FLOW FROM/(FOR) FINANCING ACTIVITIES						
Proceeds from issuance of shares		1,500	-	-	-	-
Repayment of lease and hire purchase obligations		(136)	(118)	(83)	(62)	-
Net Drawdown/(Repayment) of bills payable		-	1,885	(1,885)	(1,885)	-
Drawdown of term loan		600	978	-	-	-
Dividend paid		(180)	-	-	-	-
Repayment of term loan		(100)	(1,038)	(67)	(24)	(22)
NET CASH FROM/(FOR) FINANCING ACTIVITIES		1,684	1,707	(2,035)	(1,971)	(22)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		663	6,477	8,538	(153)	1,223
EFFECT OF FOREIGN EXCHANGE TRANSLATION DIFFERENCES		(134)	73	395	(4)	68
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		4,686	5,215	11,765	11,765	20,698
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	6.1.28	5,215	11,765	20,698	11,608	21,989

Note:

\# - *Less than RM1,000.*

** - *For comparison purposes.*

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.4 STATEMENTS OF CHANGES IN EQUITY OF THE KELINGTON GROUP

	Attributable To Equity Holders Of The Parent							
	Non-Distributable				Distributable			
Audited	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
Balance at 1.1.2006	2,000	599	131	17	3,833	6,580	592	7,172
Bonus issue	1,500	-	-	-	(1,500)	-	-	-
Issuance of shares	1,500	-	-	-	-	1,500	-	1,500
Transfer	-	-	204	-	(204)	-	-	-
Currency exchange translation differences #	-	-	-	(156)	-	(156)	-	(156)
Profit after taxation	-	-	-	-	2,521	2,521	418	2,939
Dividend paid	-	-	-	-	(180)	(180)	-	(180)
Disposal of subsidiaries	-	-	-	-	-	-	(1,010)	(1,010)
Balance at 31.12.2006/ 1.1.2007	5,000	599	335	(139)	4,470	10,265	-	10,265
Transfer	-	-	86	-	(86)	-	-	-
Currency exchange translation differences #	-	-	-	60	-	60	-	60
Profit after taxation	-	-	-	-	4,088	4,088	-	4,088
Balance at 31.12.2007/ 1.1.2008	5,000	599	421	(79)	8,472	14,413	-	14,413
Currency exchange translation differences #	-	-	-	597	-	597	-	597
Profit after taxation	-	-	-	-	6,606	6,606	-	6,606
Balance at 31.12.2008/ 1.1.2009	5,000	599	421	518	15,078	21,616	-	21,616
Capitalisation of retained profits for bonus issue by subsidiary	-	-	1,980	-	(1,980)	-	-	-
Currency exchange translation differences #	-	-	-	186	-	186	-	186
Profit after taxation	-	-	-	-	1,935	1,935	-	1,935
Balance at 30.04.2009	5,000	599	2,401	704	15,033	23,737	-	23,737
Unaudited **								
Balance at 1.1.2008	5,000	599	421	(79)	8,472	14,413	-	14,413
Currency exchange translation differences #	-	-	-	(34)	-	(34)	-	(34)
Profit after taxation	-	-	-	-	2,606	2,606	-	2,606
Balance at 30.4.2008	5,000	599	421	(113)	11,078	16,985	-	16,985

Note:
\# - *Represents net gain/(loss) not recognised in the income statements.*
** - *For comparison purposes.*

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.5 REVENUE

	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
Sale of goods and services	10,640	-	-	-	-
Contract revenue	30,255	57,242	60,058	24,934	12,724
	40,895	57,242	60,058	24,934	12,724

** - *For comparison purposes.*

6.1.6 PROFIT BEFORE TAXATION

	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
Profit before taxation is arrived at after charging/(crediting):-					
Allowance for doubtful debts	16	45	29	-	#
Audit fee					
- for the financial year	29	50	60	6	7
- underprovision in the previous financial year	4	-	-	-	-
Bad debts written off	154	-	35	-	-
Contract expenses	30,870	47,714	47,686	20,322	9,483
Depreciation of property, plant and equipment	499	440	578	166	222
Directors' fee	226	432	908	280	102
Directors' non-fee emoluments	904	396	636	271	92
Equipment written off	38	6	16	-	-
Interest expense					
- bank overdraft	10	11	1	1	1
- lease and hire purchase	15	11	8	#	#
- term loan	51	86	37	10	14
- others	4	15	33	13	15
Loss on disposal of subsidiaries	583	-	-	-	-
Preliminary expenses written off	1	-	-	-	-
Rental expenses	339	286	337	100	126
Staff costs	2,775	3,083	3,111	880	1,028
Loss/(Gain) on foreign exchange:					
- realised	253	34	146	(18)	(81)
- unrealised	(5)	(96)	(51)	75	15
Interest income	(62)	(45)	(184)	(28)	(102)
Rental income	(51)	(56)	(67)	(22)	(23)
Writeback of allowance for doubtful debts	-	-	(42)	(35)	(22)

Note:
\# - *Less than RM1,000.*
** - *For comparison purposes.*

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.7 INCOME TAX EXPENSE

	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
Current tax					
- Malaysian tax	623	854	346	192	212
- Foreign tax	-	273	252	127	336
	623	1,127	598	319	548
Under/(Over)provision in previous financial years					
- Malaysian tax	6	35	(494)	-	-
	629	1,162	104	319	548
Deferred tax					
- relating to origination and reversal of temporary differences	(17)	224	407	147	(215)
- underprovision in previous financial years	226	-	(57)	-	7
	838	1,386	454	466	340

	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
Profit before taxation	3,777	5,474	7,060	3,072	2,275
Tax at Malaysian statutory tax rate of:					
FYE2006 - 28%	1,058	-	-	-	-
FYE2007 - 27%	-	1,478	-	-	-
FYE2008 - 26%	-	-	1,836	799	-
FP2009 - 25%	-	-	-	-	569
-	1,058	1,478	1,836	799	569
Tax effects of:-					
Change in tax rate	-	(2)	-	-	-
Differential in tax rates	(59)	(54)	(17)	4	10
Non-deductible expenses	240	341	620	144	11
Tax-exempt income	(676)	(412)	(1,462)	(481)	(257)
Under/(Over)provision in previous financial years					
- current tax	6	35	(494)	-	-
- deferred tax	226	-	(57)	-	7
Deferred tax assets not recognised during the financial year	43	-	28	-	-
	838	1,386	454	466	340

Note:
** - *For comparison purposes.*

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.8 PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Building RM'000	Motor vehicle RM'000	Office and computer equipment RM'000	Tools and equipment RM'000	Furniture, fittings and renovation RM'000	Total RM'000
Net Book Value							
At 1.1.2006	1,300	1,316	150	258	1,479	389	4,892
Disposal of subsidiaries	-	-	(2)	(35)	(29)	(37)	(103)
Additions	-	-	-	97	69	3	169
Written off	-	-	-	(27)	(2)	(9)	(38)
Depreciation charge	-	(28)	(32)	(87)	(254)	(98)	(499)
Exchange fluctuation differences	-	-	-	(2)	(19)	(2)	(23)
At 31.12.2006	1,300	1,288	116	204	1,244	246	4,398
At 1.1.2007	1,300	1,288	116	204	1,244	246	4,398
Additions	-	-	-	186	673	4	863
Written off	-	-	-	(6)	-	-	(6)
Depreciation charge	-	(28)	(19)	(75)	(266)	(52)	(440)
Exchange fluctuation differences	-	-	-	#	(12)	(1)	(13)
At 31.12.2007	1,300	1,260	97	309	1,639	197	4,802
At 1.1.2008	1,300	1,260	97	309	1,639	197	4,802
Additions	-	-	101	71	740	39	951
Written off	-	-	-	#	(16)	-	(16)
Depreciation charge	-	(28)	(33)	(90)	(386)	(41)	(578)
Exchange fluctuation differences	-	-	#	11	48	#	59
At 31.12.2008	1,300	1,232	165	301	2,025	195	5,218
At 1.1.2009	1,300	1,232	165	301	2,025	195	5,218
Additions	-	-	-	18	17	14	49
Depreciation charge	-	(9)	(13)	(30)	(154)	(16)	(222)
Exchange fluctuation differences	-	-	2	4	29	1	36
At 30.04.2009	1,300	1,223	154	293	1,917	194	5,081

Note:
- *Less than RM1,000.*

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.8 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land RM'000	Building RM'000	Motor vehicle RM'000	Office and computer equipment RM'000	Tools and equipment RM'000	Furniture, fittings and renovation RM'000	Total RM'000
At 31.12.2006							
Cost	1,300	1,400	193	412	1,964	457	5,726
Accumulated depreciation	-	(112)	(77)	(208)	(720)	(211)	(1,328)
Net book value	1,300	1,288	116	204	1,244	246	4,398
At 31.12.2007							
Cost	1,300	1,400	193	584	2,618	460	6,555
Accumulated depreciation	-	(140)	(96)	(275)	(979)	(263)	(1,753)
Net book value	1,300	1,260	97	309	1,639	197	4,802
At 31.12.2008							
Cost	1,300	1,400	294	660	3,355	504	7,513
Accumulated depreciation	-	(168)	(129)	(359)	(1,330)	(309)	(2,295)
Net book value	1,300	1,232	165	301	2,025	195	5,218
At 30.04.2009							
Cost	1,300	1,400	296	684	3,408	521	7,609
Accumulated depreciation	-	(177)	(142)	(391)	(1,491)	(327)	(2,528)
Net book value	1,300	1,223	154	293	1,917	194	5,081

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

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.9 GOODWILL ON CONSOLIDATION

Goodwill on consolidation represents goodwill arising from the acquisition of certain subsidiaries, i.e. KE Shanghai, KTSB, and KE Singapore.

6.1.10 DEVELOPMENT COSTS

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

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

6.1.11 AMOUNTS OWING BY/(TO) CONTRACT CUSTOMERS

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Costs incurred on contract to date	2,448	41,794	58,166	64,252
Attributable profits	472	7,987	16,107	17,671
	2,920	49,781	74,273	81,923
Foreseeable losses	-	(11)	-	-
Progress billings	(1,557)	(47,438)	(76,573)	(82,146)
	1,363	2,332	(2,300)	(223)
Amount owing by contract customers	1,363	6,911	7,749	9,037
Amount owing to contract customers	-	(4,579)	(10,049)	(9,260)

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.12 TRADE RECEIVABLES

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Trade receivables	6,700	16,169	10,123	9,316
Allowance for doubtful debts				
At 1 January	-	(16)	(60)	(48)
Allowance during the financial year	(16)	(45)	(29)	(#)
Writeback during the financial year	-	-	42	22
Effect of foreign exchange translation	-	1	(1)	(1)
At 31 December/30 April	(16)	(60)	(48)	(27)
	6,684	16,109	10,075	9,289

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

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

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
New Taiwan Dollar	1,598	5,791	4,756	2,628
Chinese Renminbi	3,382	1,826	969	1,759
Singapore Dollar	-	-	-	662
United States Dollar	1	38	5	181
	4,981	7,655	5,730	5,230

6.1.13 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
New Taiwan Dollar	36	57	50	41
Chinese Renminbi	389	270	225	559
Singapore Dollar	-	-	-	67
	425	327	275	667

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.14 FIXED DEPOSITS WITH LICENSED BANKS

	FYE 2006	FYE 2007	FYE 2008	FP 2009
Effective interest rate (%)	3.70	3.70	2.90	2.18
Average maturity (days)	365	365	30 - 365	7 - 365

Certain fixed deposits amounting to RM1,416,000 have been pledged to a licensed bank in FP 2009 for banking facilities granted to KELINGTON.

The foreign currency exposure profile of the fixed deposits with licensed banks is as follows:-

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
New Taiwan Dollar	17	-	528	-

6.1.15 CASH AND BANK BALANCES

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

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Euro	1	1	-	-
Japanese Yen	1	1	-	-
New Taiwan Dollar	2,032	2,286	874	2,359
Chinese Renminbi	394	2,892	2,289	1,616
Singapore Dollar	588	2	38	842
United States Dollar	1,728	287	865	3,078
	4,744	5,469	4,066	7,895

6.1.16 SHARE CAPITAL

	FYE 2006	FYE 2007	FYE 2008	FP 2009	FYE 2006	FYE 2007	FYE 2008	FP 2009
		Number of shares						
	('000)	('000)	('000)	('000)	RM'000	RM'000	RM'000	RM'000
Ordinary shares of RM1 each:-								
Authorised	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Issued and fully paid-up								
At 1 January	2,000	5,000	5,000	5,000	2,000	5,000	5,000	5,000
Bonus issue	1,500	-	-	-	1,500	-	-	-
Allotment	1,500	-	-	-	1,500	-	-	-
At 31 December/30 April	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.17 SHARE PREMIUM

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

6.1.18 CAPITAL RESERVE

The capital reserve is not distributable by way of cash dividends.

6.1.19 EXCHANGE FLUCTUATION RESERVE

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

6.1.20 DEFERRED TAX LIABILITIES

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
At 1 January	27	236	460	812
Recognised in income statements	209	224	350	(208)
Effect of foreign exchange	-	-	2	7
At 31 December/30 April	236	460	812	611
The components of the deferred tax liabilities are as follows:-				
Accelerated capital allowances	220	232	188	188
Amount owing by contract customers	16	208	611	420
Unrealised gain on foreign exchange	-	20	13	3
	236	460	812	611

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.21 LEASE AND HIRE PURCHASE PAYABLES

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Minimum lease and hire purchase payables:				
- not later than one year	130	90	-	-
- later than one year and not later than five years	89	-	-	-
	219	90	-	-
Future finance charges	(19)	(8)	-	
Present value of lease and hire purchase payables	200	82	-	-
Current:				
- not later than one year (Note 6.1.25)	119	82	-	-
Non-current:				
- later than one year and not later than five years	81	-	-	-
	200	82	-	-
Weighted average effective interest rate (%)	4.30	4.30	-	-

6.1.22 TERM LOAN

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Current protion:				
- repayable within one year (Note 6.1.25)	115	68	63	62
Non-current:				
- repayable between one and two years	119	63	63	65
- repayable between two and five years	406	204	220	224
- repayable after five years	398	643	565	537
	923	910	848	826
	1,038	978	911	888
Weighted average effective interest rate (%)	5.07	3.00	4.00	4.00

The term loan is secured in the same manner as the short-term borrowings disclosed in Note 6.1.25 to this report.

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.23 TRADE PAYABLES

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

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

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Japanese Yen	-	714	-	-
New Taiwan Dollar	2,799	5,605	3,352	2,040
Chinese Renminbi	1,389	1,664	1,005	877
Singapore Dollar	-	564	508	1,045
United States Dollar	345	2,733	1,936	2,474
	4,533	11,280	6,801	6,436

6.1.24 OTHER PAYABLES AND ACCRUALS

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

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
New Taiwan Dollar	76	321	258	139
Chinese Renminbi	215	252	1,356	2,174
Singapore Dollar	-	-	-	1
	291	573	1,614	2,314

6.1.25 SHORT-TERM BORROWINGS

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Bills payable	-	1,885	-	-
Lease and hire purchase payables (Note 6.1.21)	119	82	-	-
Term loan (Note 6.1.22)	115	68	63	62
	234	2,035	63	62

The Group's bills payable and term loan are secured by:-

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

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

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

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.26 BANK OVERDRAFTS

	FYE 2006	FYE 2007	FYE 2008	FP 2009
Weighted average interest rate (%)	7.75	-	-	-

The bank overdrafts are secured in the same manner as the short-term borrowings disclosed in Note 6.1.25 to this report.

6.1.27 DISPOSAL OF SUBSIDIARIES

The effects of the disposal of subsidiaries on the financial position of the KELINGTON Group for the FYE 2006 were as follows:-

	At 31.10.2006 RM'000
Non-current assets	162
Current assets	4,296
Current liabilities	(2,685)
Minority interests	(1,010)
Net assets disposed	763
Total disposal proceeds	(180)
Loss on disposal	583

	FYE 2006 RM'000
Disposal proceeds settled by:	
Cash	180
Cash flow arising from disposal:	
Cash consideration	180
Cash and cash equivalents of subsidiary disposed	(1,384)
Net cash outflow on disposal of subsidiary	(1,204)

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.28 CASH AND CASH EQUIVALENTS

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

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Fixed deposits with licensed banks	282	1,258	11,307	12,320
Cash and bank balances	4,967	10,507	9,391	9,669
Bank overdrafts	(34)	-	-	-
	5,215	11,765	20,698	21,989

6.1.29 RELATED PARTY DISCLOSURES

(a) Identities of related parties:-

(i) KELINGTON has controlling related party relationships with its subsidiaries as disclosed in Note 3 to this Report;

(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 Accountants' Report, KELINGTON Group carried out the following transactions with the related parties during the Relevant Financial Periods:

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2008 ** RM'000	FP 2009 RM'000
Entities in which certain directors are key management personnel					
- Progress billings	5,429	13,523	8,332	5,751	3,305
- Purchases	-	5,230	2,312	2,312	-
A related party of entities in which certain key management personnel					
- Progress billings	8,194	8,169	16,514	10,192	1,182
- Purchases	97	-	60	32	110
Entities in which certain directors are shareholders					
- Progress billings	-	#	-	-	4
- Purchases	1,117	777	1,217	595	440
- Rental income	51	56	67	22	23

Note:
\# - *Less than RM1,000.*
** - *For comparison purposes.*

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.29 RELATED PARTY DISCLOSURES (CONT'D)

(c) Key management personnel compensation

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2008 ** RM'000	FP 2009 RM'000
Short-term employee benefits	1,130	829	1,544	551	194

Note:
** - *For comparison purposes.*

(d) Outstanding balances

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Entities controlled by the key management personnel as included in:				
- trade receivables	919	5,477	1,127	2,260
- other receivables, deposits and prepayments	1	1	-	-
- trade payables	-	-	-	-
- other payables and accruals	129	111	-	-
A related party of entities in which certain directors are key management personnel as included in:				
- trade receivables	2,000	453	483	1,296
- trade payables	-	-	-	111
- other payables and accruals	-	-	353	160
Entities in which certain directors are shareholders as included in:				
- trade receivables	-	9	-	11
- other receivables, deposits and prepayments	61	24	6	-
- trade payables	14	374	77	296
- other payables and accruals	-	5	8	-

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.30 FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis on one unit of foreign currency to Ringgit Malaysia equivalent, unless otherwise stated) in the translation of foreign currency monetary assets and liabilities are as follows:

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Euro	4.65	4.64	-	-
Japanese Yen	0.03	0.03	-	-
New Taiwan Dollar	0.11	0.10	0.10	0.10
Chinese Renminbi	0.45	0.46	0.51	0.52
Singapore Dollar	2.30	2.32	2.41	2.40
United States Dollar	3.53	3.31	3.46	3.60

6.1.31 CONTINGENT LIABILITY - UNSECURED

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Corporate guarantee to a financial institution for banking facilities granted to a former subsidiary, VSR Automation Sdn. Bhd.	550	-	-	-
Performance bond granted to contract customers	-	104	2,319	1,395

The corporate guarantee had been discharged by KELINGTON on 4 June 2007, subsequent to the disposal of the VSR Group.

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.32 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

(b) Long Term Bank Loans, Lease and Hire Purchase Payables

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

(c) Contingent Liability

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

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 KELINGTON GROUP (CONT'D)

6.1.32 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

(d) Foreign Currency Forward Contracts

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

As at the balance sheet date, the Group and the Company had entered into forward foreign exchange contracts with the following notional amounts, fair values and maturities:-

	Currency	Notional Amount	At Fair Value RM'000
As at 31 December 2008			
Forward used to hedge payables			
- within one year	USD'000	400	75
As at 30 April 2009			
Forward used to hedge payables			
- within one year	USD'000	50	12

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON

6.2.1 INCOME STATEMENTS OF KELINGTON

		THE COMPANY				
		Audited	Audited	Audited	Unaudited	Audited
		FYE 2006	FYE 2007	FYE 2008	FP 2008 **	FP 2009
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	6.2.5	22,118	43,181	31,305	16,135	6,590
Cost of sales		(17,827)	(36,853)	(25,869)	(13,328)	(4,895)
GP		4,291	6,328	5,436	2,807	1,695
Other income		121	175	2,293	92	1,758
		4,412	6,503	7,729	2,899	3,453
Selling and distribution expenses		(207)	(168)	(217)	(73)	(47)
Administrative expenses		(1,980)	(2,681)	(3,054)	(967)	(630)
Other expenses		(592)	(280)	(309)	(124)	(121)
Profit from operations		1,633	3,374	4,149	1,735	2,655
Finance costs		(79)	(123)	(79)	(24)	(30)
PBT		1,554	3,251	4,070	1,711	2,625
Depreciation		368	391	396	129	130
Interest expense		76	123	79	24	30
Interest income		(53)	(45)	(112)	(18)	(23)
Earnings before interest, depreciation and taxation		1,945	3,720	4,433	1,846	2,762
Depreciation		(368)	(391)	(396)	(129)	(130)
Interest expense		(76)	(123)	(79)	(24)	(30)
Interest income		53	45	112	18	23
PBT	6.2.6	1,554	3,251	4,070	1,711	2,625
Income tax expense	6.2.7	(570)	(962)	(304)	(237)	(284)
PAT		984	2,289	3,766	1,474	2,341
GP margin (%)		*19.4*	*14.7*	*17.4*	*17.4*	*25.7*
PBT margin (%)		*7.0*	*7.5*	*13.0*	*10.6*	*39.8*
PAT margin (%)		*4.4*	*5.3*	*12.0*	*9.1*	*35.5*
Effective tax rate (%)		*36.7*	*29.6*	*7.5*	*13.9*	*10.8*
Interest coverage (times)		*21.4*	*27.4*	*52.5*	*72.3*	*88.5*
*Weighted average number of ordinary shares in issue of RM1.00 * each ('000)*		*6,297*	*6,500*	*6,500*	*6,500*	*6,500*
Gross EPS (sen)		*24.7*	*50.0*	*62.6*	*26.3*	*40.4*
Net EPS (sen)		*15.6*	*35.2*	*57.9*	*22.7*	*36.0*

Note:

* - *Assumed weighted average number of ordinary shares in issue after the Bonus Issue but before the Share Subdivision and Proposed Public Issue.*

** - *For comparison purposes.*

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON (CONT'D)

6.2.1 INCOME STATEMENTS OF KELINGTON (CONT'D)

Commentary on the Income Statements:-

(a) Revenue increased in FYE 2006 as compared to FYE 2005 mainly due to the increase in number of contracts secured by the Malaysian operations. The increase in the revenue from the Malaysian operations was partly offset by the decrease in revenue by the Taiwan branch operations. PBT was increased mainly due to the improvement in overall GP margin.

Revenue increased significantly in FYE 2007 as compared to FYE 2006 mainly due to two major contracts secured during FYE 2007, i.e. Seagate phase one and Promos contracts secured by KELINGTON during FYE 2007. Despite the increase in revenue, KELINGTON recorded a lower GP margin for FYE 2007 resulting from a lower profit margin contract, i.e. Promos contract. The increase in PBT was mainly due to the increase in revenue.

Revenue decreased in FYE 2008 as compared to FYE 2007 was mainly due the decrease in contract value secured and recognised in FYE 2008 by Malaysian operations. The GP margin was higher in FYE 2008 due to the low profit margin contract from Promos for which a significant portion of the contract value was recognised in FYE 2007. The increase in PBT was mainly due to the dividend income received from KE Shanghai by KELINGTON.

*Revenue decreased by RM9.5 million in FP 2009 as compared to *FP 2008 mainly due to no major contract secured by Malaysian operations. The GP margin increased by 8.3% mainly due to higher profit margin contract secured and recognised during the FP 2009. The increase in PBT was mainly due to the dividend income received from KTSB by KELINGTON.*

* - *FP 2008 relates to the unaudited management financial statements for the period from 1 January 2008 to 30 April 2008.*

(b) By eliminating the underprovision of deferred tax in FYE 2006, the effective tax rate was lower than the statutory tax rate mainly due to the foreign sourced income exempted for income tax.

The effective tax rate for FYE 2008 decreased significantly mainly due to:

(i) foreign source income which was tax-exempted; and
(ii) an overprovision of current tax in respect of FYE 2007. The overprovision was mainly due to foreign source income which was tax-exempted.

The effective tax rate for FP 2009 was lower than statutory tax rate of 25% mainly due to the foreign source income which was tax-exempted.

(c) The gross EPS is calculated by dividing the PBT by the weighted average number of ordinary shares in issue after the Bonus Issue but before the Share Subdivision and Proposed Public Issue.

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON (CONT'D)

6.2.1 INCOME STATEMENTS OF KELINGTON (CONT'D)

(d) The net EPS is calculated by dividing the PAT by the weighted average number of ordinary shares in issue after the Bonus Issue but before the Share Subdivision and Proposed Public Issue.

(e) There was no exceptional or extraordinary item in the Relevant Financial Period under review.

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON (CONT'D)

6.2.2 BALANCE SHEETS OF KELINGTON

		THE COMPANY			
	Note	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Audited FP 2009 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investment in subsidiaries	6.2.8	782	782	782	1,265
Property, plant and equipment	6.2.9	4,247	4,277	3,988	3,879
Development costs	6.2.10	91	97	94	108
		5,120	5,156	4,864	5,252
CURRENT ASSETS					
Amount due by contract customers	6.2.11	53	4,785	3,848	3,430
Trade receivables	6.2.12	3,302	12,248	5,209	3,972
Other receivables, deposits and prepayments	6.2.13	384	651	936	923
Amount owing by subsidiaries	6.2.14	11	392	266	3,453
Tax refundable		#	-	-	-
Fixed deposits with licensed banks	6.2.15	281	1,258	4,455	1,416
Cash and bank balances	6.2.16	4,572	7,568	3,573	5,709
		8,603	26,902	18,287	18,903
TOTAL ASSETS		13,723	32,058	23,151	24,155

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON (CONT'D)

6.2.2 BALANCE SHEETS OF KELINGTON (CONT'D)

		THE COMPANY				
	Note	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Audited FP 2009 RM'000	
EQUITY AND LIABILITIES						
EQUITY						
Share capital	6.2.17	5,000	5,000	5,000	5,000	
Share premium	6.2.18	599	599	599	599	
Capital reserve	6.2.19	67	-	-	-	
Exchange fluctuation reserve	6.2.20	(70)	(54)	(24)	13	
Retained profits	6.2.21	1,500	3,855	7,621	9,962	
TOTAL EQUITY		7,096	9,400	13,196	15,574	
NON-CURRENT LIABILITIES						
Deferred tax liabilities	6.2.22	236	453	686	448	
Lease and hire purchase payables	6.2.23	81	-	-	-	
Term loan	6.2.24	923	910	848	826	
		1,240	1,363	1,534	1,274	
CURRENT LIABILITIES						
Amount owing to contract customers	6.2.11	-	4,493	1,322	1,068	
Trade payables	6.2.25	4,744	13,430	5,888	4,944	
Other payables and accruals	6.2.26	325	829	946	553	
Provision for taxation		50	508	203	680	
Short term borrowings	6.2.27	234	2,035	62	62	
Bank overdrafts	6.2.28	34	-	-	-	
		5,387	21,295	8,421	7,307	
TOTAL LIABILITIES		6,627	22,658	9,955	8,581	
TOTAL EQUITY AND LIABILITIES		13,723	32,058	23,151	24,155	
*Assumed number of ordinary shares in issue of RM1.00 * each ('000)*		*6,500*	*6,500*	*6,500*	*6,500*	
NTA (RM'000)		*7,005*	*9,303*	*13,102*	*15,466*	
NTA per ordinary share (RM)		*1.1*	*1.4*	*2.0*	*2.4*	
Trade receivable turnover ratio (times)		*0.2*	*0.3*	*0.2*	*0.2*	^^
Trade payable turnover ratio (times)		*0.3*	*0.4*	*0.2*	*0.4*	^^
Gearing ratio (times)		*0.2*	*0.3*	*0.1*	*0.1*	

Note:

^^ - *On annualised basis.*

- *Less than RM1,000.*

* - *Assumed number of ordinary shares in issue after the Bonus Issue but before the Share Subdivision and Proposed Public Issue.*

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON (CONT'D)

6.2.2 BALANCE SHEETS OF KELINGTON (CONT'D)

Commentary on the Balance Sheets:-

(a) The higher trade receivable turnover ratio in FYE 2007 was mainly due to higher billings towards the year end from a customer from Malaysian operations which amounted to approximately RM5.6 million.

(b) The relatively higher trade payable turnover ratio for FYE 2007 and FP2009 was mainly due to:

(i) the increase of materials purchased for Seagate and Promos contracts in FYE 2007; and
(ii) the purchases towards the end of the FP 2009.

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON (CONT'D)

6.2.3 CASH FLOW STATEMENTS OF KELINGTON

	Note	THE COMPANY Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
CASH FLOW FROM/(FOR) OPERATING ACTIVITIES						
Profit before taxation		1,554	3,251	4,070	1,711	2,625
Adjustments for:-						
Allowance for doubtful debts		16	45	29	-	#
Bad debts written off		-	-	35	-	-
Depreciation for property, plant and equipment		368	391	396	129	130
Equipment written off		38	3	17	-	-
Interest expense		76	123	79	24	30
Interest income		(53)	(45)	(112)	(18)	(23)
(Gain)/Loss on foreign exchange - unrealised		-	(75)	(51)	75	#
Dividend income		-	-	(1,891)	-	(1,500)
Writeback of allowance for doubtful debts		-	-	(42)	(35)	(22)
Operating profit before working capital changes		1,999	3,693	2,530	1,886	1,240
Decrease/(Increase) in amount owing by contract customers		109	(4,732)	937	1,667	449
(Decrease)/Increase in amount owing to contract customers		(292)	4,493	(3,172)	(3,757)	(251)
Decrease/(Increase) in trade and other receivables		1,602 ^	(9,258)	6,732	6,797	1,353
(Decrease)/Increase in trade and other payables		(2,649) ^	9,265	(7,369)	(6,095)	(1,423)
CASH FROM/(FOR) OPERATIONS		769	3,461	(342)	498	1,368
Income tax paid		(616)	(287)	(381)	(85)	(53)
Interest paid		(76)	(123)	(79)	(24)	(30)
Interest received		53	45	112	18	23
NET CASH FROM/(FOR) OPERATING ACTIVITIES		130	3,096	(690)	407	1,308
CASH FLOW (FOR)/FROM INVESTING ACTIVITIES						
Purchase of plant and equipment		(49)	(437)	(116)	(42)	(15)
Acquisition of subsidiaries		(20)	-	-	-	-
Development costs paid		(91)	(7)	-	-	(14)
Additional investment in a subsidiary		-	-	-	-	(484)
Dividend received		-	-	1,891	-	1,500
(Advances to)/Repayment from a subsidiary		(11) ^	(381)	126	364	(3,187)
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(171)	(825)	1,901	322	(2,200)
BALANCE CARRIED FORWARD		(41)	2,271	1,211	729	(892)

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON (CONT'D)

6.2.3 CASH FLOW STATEMENTS OF KELINGTON (CONT'D)

	Note	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
		THE COMPANY				
BALANCE BROUGHT FORWARD		(41)	2,271	1,211	729	(892)
CASH FLOW FROM/(FOR) FINANCING ACTIVITIES						
Proceeds from issuance of shares		1,500	-	-	-	-
Repayment of lease and hire purchase obligations		(126)	(118)	(82)	(62)	-
Net drawdown of bills payable		-	1,885	(1,885)	(1,885)	-
Drawdown of term loan		600	978	-	-	-
Dividend paid		(180)	-	-	-	-
Repayment of term loans		(100)	(1,038)	(67)	(23)	(22)
NET CASH FROM/(FOR) FINANCING ACTIVITIES		1,694	1,707	(2,034)	(1,970)	(22)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,653	3,978	(823)	(1,241)	(914)
EFFECT OF FOREIGN EXCHANGE TRANSLATION DIFFERENCES		(39)	29	25	26	11
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		3,205	4,819	8,826	8,826	8,028
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	6.2.29	4,819	8,826	8,028	7,611	7,125

Note:-

\# - *Less than RM1,000.*

** - *For comparison purposes.*

^ - *Investment in a former subsidiary, VSR Technologies Sdn. Bhd. ("VSR"), amounts owing by/to VSR and its subsidiaries, and amount owing to a transportation company have been reclassified to other receivables and payables respectively.*

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON (CONT'D)

6.2.4 STATEMENTS OF CHANGES IN EQUITY OF KELINGTON

	← Non-Distributable			→	Distributable	
Audited	**Share capital RM'000**	**Share premium RM'000**	**Capital reserve RM'000**	**Exchange fluctuation reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
Balance at 1.1.2006	2,000	599	11	(12)	2,252	4,850
Bonus issue	1,500	-	-	-	(1,500)	-
Issuance of shares	1,500	-	-	-	-	1,500
Transfer	-	-	56	-	(56)	-
Currency exchange translation differences #	-	-	-	(58)	-	(58)
Profit after taxation	-	-	-	-	984	984
Dividend paid	-	-	-	-	(180)	(180)
Balance at 31.12.2006/ Balance at 1.1.2007	5,000	599	67	(70)	1,500	7,096
Transfer	-	-	(67)	-	67	-
Currency exchange translation differences #	-	-	-	16	-	16
Profit after taxation	-	-	-	-	2,288	2,288
Balance at 31.12.2007/ Balance at 1.1.2008	5,000	599	-	(54)	3,855	9,400
Currency exchange translation differences #	-	-	-	30	-	30
Profit after taxation	-	-	-	-	3,766	3,766
Balance at 31.12.2008/ Balance at 1.1.2009	5,000	599	-	(24)	7,621	13,196
Currency exchange translation differences #	-	-	-	37	-	37
Profit after taxation	-	-	-	-	2,341	2,341
Balance at 30.4.2009	5,000	599	-	13	9,962	15,574
Unaudited **						
Balance at 1.1.2008	5,000	599	-	(54)	3,855	9,400
Currency exchange translation differences #	-	-	-	13	-	13
Profit after taxation	-	-	-	-	1,474	1,474
Balance at 30.4.2008	5,000	599	-	(41)	5,329	10,887

Note:
\# - *Represents net gain/(loss) not recognised in the income statements.*
** - *For comparison purposes.*

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON (CONT'D)

6.2.5 REVENUE

Revenue represents the proportionate contract value attributable to work performed.

6.2.6 PROFIT BEFORE TAXATION

	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
Profit before taxation is arrived at after charging/(crediting):-					
Allowance for doubtful debts	16	45	29	-	#
Audit fee					
- for the financial year	12	38	40	-	-
- under/(over)provision in the previous financial year	4	-	-	-	-
Bad debts written off	-	-	35	-	-
Contract expenses	17,827	36,853	25,869	13,328	4,895
Depreciation of property, plant and equipment	368	391	396	129	130
Directors' fee	166	432	608	280	102
Directors' non-fee emoluments	529	396	636	271	92
Equipment written off	38	3	17	-	-
Interest expense					
- bank overdrafts	10	11	1	1	1
- lease and hire purchase	15	11	8	#	#
- term loans	51	86	37	10	14
- others	-	15	33	13	15
Loss on foreign exchange					
- realised	170	34	91	-	-
- unrealised	-	-	-	75	#
Rental expenses	103	87	116	33	44
Research and development expenses	-	-	-	-	-
Staff costs	1,279	1,901	1,121	358	468
Dividend income	-	-	(1,891)	-	(1,500)
Interest income	(53)	(45)	(112)	(18)	(23)
Gain on foreign exchange					
- realised	#	-	(16)	(18)	(83)
- unrealised	-	(75)	(51)	-	#
Rental income	(51)	(56)	(67)	(22)	(23)
Writeback of allowance for doubtful debts	-	-	(42)	(35)	(22)

Note:
\# - *Less than RM1,000.*
** - *For comparison purposes.*

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON (CONT'D)

6.2.7 INCOME TAX EXPENSE

	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
Current tax					
- Malaysian tax	355	671	334	89	194
- Foreign tax	-	39	50	-	335
	355	710	384	89	529
Under/(over)provision in previous financial years					
- Malaysian tax	6	35	(311)	-	-
	361	745	73	89	529
Deferred tax					
- relating to origination and reversal of temporary differences	(17)	217	288	148	(245)
- under/(over)provision in the previous financial year	226	-	(57)	-	-
	209	217	231	148	(245)
	570	962	304	237	284

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

	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
Profit before taxation	1,554	3,251	4,070	1,711	2,625
Tax at Malaysian statutory tax rate of:					
FYE2006 - 28%	434	-	-	-	-
FYE2007 - 27%	-	878	-	-	-
FYE2008 - 26%	-	-	1,058	445	-
FP2009 - 25%	-	-	-		656
	434	878	1,058	445	656
Tax effects of:-					
Change in tax rates	-	(2)	-	-	-
Differential in tax rates	(40)	(20)	(12)	(4)	-
Non-deductible expenses	90	336	90	28	3
Tax-exempt income	(189)	(265)	(492)	(232)	(375)
Under/(Over)provision in previous financial years					
- current tax	6	35	(311)	-	-
- deferred tax	226	-	(57)	-	-
Deferred tax assets not recognised during the financial year	43	-	28	-	-
	570	962	304	237	284

Notes:-
** - *For comparison purposes.*

Horwath

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON (CONT'D)

6.2.8 INVESTMENT IN SUBSIDIARIES

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Unquoted shares, at cost	782	782	782	1,265

Details of the subsidiaries, are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest FYE 2006	FYE 2007	FYE 2008	FP 2009	Principle Activities
KE Shanghai *	The People's Republic of China	100%	100%	100%	100%	Design and installation of mechanical and piping engineering systems and provision of related technical consulting services.
KTSB	Malaysia	100%	100%	100%	100%	Manufacturing of ultra high purity ("UHP") gas/ chemical pure water distribution systems and related equipment.
KE Singapore *	Singapore	100%	100%	100%	100%	Provision of UHP delivery systems and related services.
KTS *#	The People's Republic of China	-	-	-	100%	Trading of machinery equipment and related parts and components.

Notes:-

* - *Not audited by Horwath.*

\# - *Interest held by KE Shanghai.*

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON (CONT'D)

6.2.9 PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Building RM'000	Motor vechicle RM'000	Office and computer equipment RM'000	Tools and equipment RM'000	Furniture, fittings and renovation RM'000	Total RM'000
Net Book Value							
At 1.1.2006	1,300	1,316	136	190	1,392	289	4,623
Additions	-	-	-	22	27	-	49
Written off	-	-	-	(27)	(2)	(9)	(38)
Depreciation charge	-	(28)	(19)	(50)	(224)	(47)	(368)
Exchange fluctuation differences	-	-	-	(1)	(17)	(1)	(19)
At 31.12.2006	1,300	1,288	117	134	1,176	232	4,247
At 1.1.2007	1,300	1,288	117	134	1,176	232	4,247
Additions	-	-	-	132	302	3	437
Written off	-	-	-	(3)	-	-	(3)
Depreciation charge	-	(28)	(20)	(58)	(247)	(38)	(391)
Exchange fluctuation differences	-	-	-	(1)	(12)	#	(13)
At 31.12.2007	1,300	1,260	97	204	1,219	197	4,277
At 1.1.2008	1,300	1,260	97	204	1,219	197	4,277
Additions	-	-	35	25	17	39	116
Written off	-	-		#	(17)	-	(17)
Depreciation charge	-	(28)	(25)	(60)	(243)	(40)	(396)
Exchange fluctuation differences	-	-	#	1	7	#	8
At 31.12.2008	1,300	1,232	107	170	983	196	3,988
At 1.1.2009	1,300	1,232	107	170	983	196	3,988
Additions	-	-	-	1	-	14	15
Written off	-	-	-	-	-	-	-
Depreciation charge	-	(9)	(8)	(18)	(79)	(16)	(130)
Exchange fluctuation differences	-	-	#	#	6	#	6
At 30.04.2009	1,300	1,223	99	153	910	194	3,879

Note:-
\# - *Less than RM1,000.*

Horwath

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON (CONT'D)

6.2.9 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land RM'000	Building RM'000	Motor vechicle RM'000	Office and computer equipment RM'000	Tools and equipment RM'000	Furniture, fittings and renovation RM'000	Total RM'000
At 31.12.2006							
Cost	1,300	1,400	193	318	1,879	403	5,493
Accumulated depreciation	-	(112)	(76)	(184)	(703)	(171)	(1,246)
Net book value	1,300	1,288	117	134	1,176	232	4,247
At 31.12.2007							
Cost	1,300	1,400	193	438	2,161	404	5,896
Accumulated depreciation	-	(140)	(97)	(234)	(941)	(207)	(1,619)
Net book value	1,300	1,260	96	204	1,220	197	4,277
At 31.12.2008							
Cost	1,300	1,400	228	452	2,124	444	5,948
Accumulated depreciation	-	(168)	(121)	(283)	(1,139)	(249)	(1,960)
Net book value	1,300	1,232	107	169	985	195	3,988
At 30.04.2009							
Cost	1,300	1,400	229	454	2,132	458	5,973
Accumulated depreciation	-	(177)	(130)	(301)	(1,222)	(264)	(2,094)
Net book value	1,300	1,223	99	153	910	194	3,879

6.2.10 DEVELOPMENT COSTS

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

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

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON (CONT'D)

6.2.11 AMOUNTS OWING BY/(TO) CONTRACT CUSTOMERS

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Costs incurred on contract to date	392	30,759	28,341	33,017
Attributable profits	64	5,790	7,481	8,845
	456	36,549	35,822	41,862
Foreseeable losses	-	(11)	-	-
Progress billings	(403)	(36,246)	(33,296)	(39,500)
	53	292	2,526	2,362
Amount owing by contract customers	53	4,785	3,848	3,430
Amount owing to contract customers	-	(4,493)	(1,322)	(1,068)

6.2.12 TRADE RECEIVABLES

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Trade receivables	3,318	12,308	5,257	3,999
Allowance for doubtful debts				
At 1 January	-	(16)	(60)	(48)
Allowance during the financial year/period	(16)	(45)	(29)	#
Writeback during the financial year/period	-	-	42	22
Effect of foreign exchange translation	-	1	(1)	(1)
At 31 December/30 April	(16)	(60)	(48)	(27)
	3,302	12,248	5,209	3,972

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

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

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
New Taiwan Dollar	1,598	5,791	4,756	2,628
United States Dollar	1	38	5	5
	1,599	5,829	4,761	2,633

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON (CONT'D)

6.2.13 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
New Taiwan Dollar	36	57	50	41

6.2.14 AMOUNT OWING BY SUBSIDIARIES

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

6.2.15 FIXED DEPOSITS WITH LICENSED BANKS

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Effective interest rate (%)	3.70	-	3.10	3.00
Average maturity (days)	365	-	210 - 365	7 - 365

The fixed deposits amounting to RM1,416,000 for FP 2009 have been pledged to a licensed bank for banking facilities granted to the Company.

The foreign currency exposure profile of the fixed deposits with licensed banks is as follows:-

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
New Taiwan Dollar	17	-	528	-

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON (CONT'D)

6.2.16 CASH AND BANK BALANCES

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

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Euro	1	1	-	-
Japanese Yen	1	1	-	-
New Taiwan Dollar	2,032	2,286	874	2,359
Singapore Dollar	589	3	2	1
United States Dollar	1,728	286	865	2,683
	4,351	2,577	1,741	5,043

6.2.17 SHARE CAPITAL

	FYE 2006 ('000)	FYE 2007 Number of shares ('000)	FYE 2008 ('000)	FP 2009 ('000)	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Ordinary shares of RM1 each:-								
Authorised	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Issued and fully paid-up								
At 1 January	2,000	5,000	5,000	5,000	2,000	5,000	5,000	5,000
Bonus issue	1,500	-	-	-	1,500	-	-	-
Issuance of shares	1,500	-	-	-	1,500	-	-	-
At 31 December/30 April	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000

6.2.18 SHARE PREMIUM

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

6.2.19 CAPITAL RESERVE

The capital reserve is not distributable by way of cash dividends.

6.2.20 EXCHANGE FLUCTUATION RESERVE

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

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON (CONT'D)

6.2.21 RETAINED PROFITS

Subject to agreement with the tax authorities, KELINGTON has:-

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

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

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

KELINGTON has elected for the irrevocable option for the single tier tax system during the current financial period. Therefore, KELINGTON will be able to distribute dividends out of its entire retained profits under the single tier tax system.

6.2.22 DEFERRED TAX LIABILITIES

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
At 1 January	27	236	453	686
Recognised in income statements	209	217	231	(245)
Effect of foreign exchange	-	-	2	7
At 31 December/30 April	236	453	686	448
The components of the deferred tax liabilities are as follows:-				
Accelerated capital allowances	220	225	188	188
Amount owing by contract customers	16	208	485	257
Unrealised gain on foreign exchange	-	20	13	3
	236	453	686	448

Horwath

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON (CONT'D)

6.2.23 LEASE AND HIRE PURCHASE PAYABLES

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Minimum lease and hire purchase payables:				
- not later than one year	130	90	-	-
- later than one year and not later than five years	89	-	-	-
	219	90	-	-
Future finance charges	(19)	(8)	-	-
Present value of lease and hire purchase payables	200	82	-	-
Current:				
- not later than one year (Note 6.2.27)	119	82	-	-
Non-current:				
- later than one year and not later than five years	81	-	-	-
	200	82	-	-
Weighted average effective interest rate (%)	4.30	4.30	-	-

6.2.24 TERM LOAN

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Current portion:				
- repayable within one year (Note 6.2.27)	115	68	62	62
Non-current:				
- repayable between one and two years	119	63	64	65
- repayable between two and five years	406	204	219	224
- repayable after five years	398	643	565	537
	923	910	848	826
	1,038	978	910	888
Weighted average effective interest rate (%)	5.07	3.00	4.00	4.00

The term loan is secured in the same manner as the short-term borrowings disclosed in Note 6.2.27 to the financial statements.

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON (CONT'D)

6.2.25 TRADE PAYABLES

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

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

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Japanese Yen	-	708	-	-
New Taiwan Dollar	2,799	5,604	3,352	2,040
Singapore Dollar	-	496	-	-
United States Dollar	85	2,184	1,846	1,929
	2,884	8,992	5,198	3,969

6.2.26 OTHER PAYABLES AND ACCRUALS

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

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
New Taiwan Dollar	76	321	258	139

6.2.27 SHORT-TERM BORROWINGS

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Bills payable	-	1,885	-	-
Lease and hire purchase payables (Note 6.2.23)	119	82	-	-
Term loan (Note 6.2.24)	115	68	62	62
	234	2,035	62	62

The Company's bills payable and term loan are secured by:-

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

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

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

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON (CONT'D)

6.2.28 BANK OVERDRAFTS

	FYE 2006	FYE 2007	FYE 2008	FP 2009
Weighted average interest rate (%)	7.75	-	-	

The bank overdrafts are secured in the same manner as the short-term borrowings disclosed in Note 6.2.27 to this report.

6.2.29 CASH AND CASH EQUIVALENTS

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

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Fixed deposits with licenced banks	281	1,258	4,455	1,416
Cash and bank balances	4,572	7,568	3,573	5,709
Bank overdrafts	(34)	-	-	-
	4,819	8,826	8,028	7,125

Note:-
** - *For comparison purposes.*

Horwath

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON (CONT'D)

6.2.30 RELATED PARTY DISCLOSURES

(a) Identities of related parties:-

(i) KELINGTON has controlling related party relationships with its subsidiaries as disclosed in Note 3 to this Report;

(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 Accountants' Report, KELINGTON carried out the following transactions with the related parties during the Relevant Financial Periods:

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2008 ** RM'000	FP 2009 RM'000
Subsidiary					
- Progress billings	-	-	-	-	41
Entities in which certain directors are key management personnel					
- Progress billings	5,429	13,523	8,332	5,751	3,305
- Purchases	-	5,230	2,312	2,312	-
A related party of entities in which certain directors are key management personnel					
- Progress billings	5,054	4,954	9,568	7,186	-
- Purchases	97	-	60	32	110
Entities in which certain directors are shareholders					
- Progress billings	-	#	-	-	-
- Purchases	766	766	661	595	72
- Rental income	51	56	67	22	23

(c) Key management personnel compensation

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2008 ** RM'000	FP 2009 RM'000
Short-term employee benefits	695	829	1,244	551	194

Note:-
** - *For comparison purposes.*

Horwath

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 KELINGTON (CONT'D)

6.2.30 RELATED PARTY DISCLOSURES (CONT'D)

(d) Outstanding balances

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Entities controlled by the key management personnel as included in:				
- trade receivables	909	5,477	1,127	2,260
A related party of entities in which certain directors are key management personnel as included in:				
- trade payables	-	-	-	111
Entities in which certain directors are shareholders as included in:				
- trade receivables	-	9	-	7
- other receivables, deposits and prepayments	61	24	6	-
- trade payables	14	307	7	62
- other payables and accruals	18	5	8	-

Horwath

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 KTSB

6.3.1 INCOME-STATEMENTS OF KTSB

	Note	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
Revenue	6.3.5	-	4,628	14,872	2,618	3,641
Cost of sales		-	(3,802)	(11,757)	(2,042)	(2,793)
GP		-	826	3,115	576	848
Other income		-	23	55	8	71
		-	849	3,170	584	919
Selling and distribution expenses		-	-	(7)	#	(2)
Administrative expenses		(3)	(21)	(599)	(72)	(46)
Other expenses		-	(1)	(24)	(1)	(5)
(Loss)/Profit from operations		(3)	827	2,540	511	866
Finance costs		-	-	-	-	-
Loss before taxation ("LBT")/PBT		(3)	827	2,540	511	866
Depreciation		-	1	23	#	8
Interest income		-	-	(55)	(8)	(72)
Earnings before interest, depreciation and taxation		(3)	828	2,508	503	802
Depreciation		-	(1)	(23)	#	(8)
Interest income		-	-	55	8	72
(LBT)/PBT	6.3.6	(3)	827	2,540	511	866
Income tax expense	6.3.7	-	(190)	171	(102)	(25)
PAT		(3)	637	2,711	409	841
GP margin (%)		*N/A*	*17.8*	*20.9*	*22.0*	*23.3*
PBT margin (%)		*N/A*	*17.9*	*17.1*	*19.5*	*23.8*
PAT margin (%)		*N/A*	*13.8*	*18.2*	*15.6*	*23.1*
Effective tax rate (%)		*N/A*	*23.0*	*(6.7)*	*20.0*	*2.9*
Interest coverage (times)		*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Weighted average number of ordinary shares in issue of RM1.00 each ('000)		*871*	*2,000*	*2,000*	*2,000*	*2,000*
Gross EPS (sen)		*N/A*	*41.4*	*127.0*	*25.6*	*43.3*
Net EPS (sen)		*N/A*	*31.9*	*135.6*	*20.5*	*42.1*

Note:-
 # - Less than RM1,000.
*** - For comparison purposes.*
N/A - Not applicable.

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 KTSB (CONT'D)

6.3.1 INCOME STATEMENTS OF KTSB (CONT'D)

Commentary on the Income Statements:-

(a) KTSB commenced business during the FYE 2007. Revenue in FYE 2007 relates to the proportionate contract value attributable to work performed.

Revenue increased significantly in FYE 2008 as compared to FYE 2007 mainly due to a major contract secured, i.e. Seagate phase two, by KTSB. The GP margin for FYE 2008 increased by 3.1% compared to FYE 2007 mainly resulted from better profit margin contracts secured in FYE 2008. The increase in PBT was due to the increase in revenue.

*Revenue in FP 2009 increased by RM1.02 million from RM2.62 million in *FP 2008 to RM3.64 million in FP 2009 mainly due to the increase in the number of contracts secured and recognised during the FP 2009. The GP margin in FP 2009 increased as compared to *FP 2008 mainly due to higher profit margin contracts secured in FP 2009. The PBT of FP 2009 increased by RM0.36 million mainly due to the increase in revenue.*

** - FP 2008 relates to the unaudited management financial statements for the period from 1 January 2008 to 30 April 2008.*

(b) There was no tax for FYE 2006 as KTSB has not commenced operations.

(c) There was a tax income for FYE 2008 mainly due to income-exempted under pioneer status and an overprovision of current tax in respect of the FYE2007. The overprovision was mainly because KTSB has been granted Pioneer Status under the Promotions of Investment Act, 1986 from 28 May 2007 to 27 May 2012 and accordingly income generated from qualifying activities was tax-exempted.

(d) The gross EPS is calculated by dividing the PBT by the weighted average number of ordinary shares in issue for the respective financial periods under review.

(e) The net EPS is calculated by dividing the PAT by the weighted average number of ordinary shares in issue for the respective financial periods under review.

(f) There was no exceptional or extraordinary item in the Relevant Financial Period under review.

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 KTSB (CONT'D)

6.3.2 BALANCE SHEETS OF KTSB

	Note	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Audited FP 2009 RM'000
ASSETS					
NON-CURRENT ASSET					
Equipment	6.3.8	-	4	174	176
CURRENT ASSETS					
Amount owing by contract customers	6.3.9	-	502	-	171
Trade receivables	6.3.10	-	2,034	3,897	2,897
Other receivables, deposits and prepayments		2	2	15	15
Amount owing by a related company	6.3.11	-	-	-	33
Fixed deposits with licensed banks	6.3.12	-	-	6,852	10,903
Cash and bank balances		2	47	3,493	1,157
		4	2,585	14,257	15,176
TOTAL ASSETS		4	2,589	14,431	15,352

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 KTSB (CONT'D)

6.3.2 BALANCE SHEETS OF KTSB (CONT'D)

	Note	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Audited FP 2009 RM'000	
EQUITY AND LIABILITIES						
EQUITY						
Share capital	6.3.13	20	20	20	2,000	
Retained profits	6.3.14	(23)	614	3,325	686	
TOTAL EQUITY		(3)	634	3,345	2,686	
NON-CURRENT LIABILITY						
Deferred tax liability	6.1.15	-	7	7	14	
CURRENT LIABILITIES						
Amount owing to contract customers	6.3.9	-	-	8,572	8,091	
Trade payables	6.3.16	-	1,380	1,881	2,674	
Other payables and accruals		4	15	430	326	
Amount owing to holding company	6.3.17	3	373	194	1,541	
Provision for taxation		-	180	2	20	
		7	1,948	11,079	12,652	
TOTAL LIABILITIES		7	1,955	11,086	12,666	
TOTAL EQUITY AND LIABILITIES		4	2,589	14,431	15,352	
Assumed number of ordinary shares in issue of RM1.00 each ('000)		*2,000*	*2,000*	*2,000*	*2,000*	
Net tangible (liabilities) ("NTL")/NTA (RM'000)		*(3)*	*634*	*3,345*	*2,686*	
(NTL)/NTA per ordinary share (RM)		*#*	*0.3*	*1.7*	*1.3*	
Trade receivable turnover ratio (times)		*N/A*	*0.5*	*0.2*	*0.3*	^^
Trade payable turnover ratio (times)		*N/A*	*0.4*	*0.2*	*0.4*	^^
Gearing ratio (times)		*N/A*	*N/A*	*N/A*	*N/A*	

Note:
^^ - *On annualised basis.*
# - *Less than RM0.1.*

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 KTSB (CONT'D)

6.3.2 BALANCE SHEETS OF KTSB (CONT'D)

Commentary on the Balance Sheets:-

(a) The higher trade receivable turnover period in FYE 2007 was mainly due to higher billings towards the year-end.

(b) The higher trade payable turnover period in FYE 2007 and FY 2009 was mainly due to the longer period granted to KTSB to repay its suppliers in FYE 2007.

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 KTSB (CONT'D)

6.3.3 CASH FLOW STATEMENTS OF KTSB

	Note	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
CASH FLOW (FOR)/FROM OPERATING ACTIVITIES						
(Loss)/Profit before taxation		(3)	827	2,540	511	866
Adjustments for:-						
Depreciation for equipment		-	1	23	#	8
Interest income		-	-	(55)	(8)	(72)
Gain on foreign exchange - unrealised		-	(22)	-	-	-
Operating (loss)/profit before working capital changes		(3)	806	2,508	503	802
(Increase)/Decrease in amount owing by contract customers		-	(502)	9,074	407	(171)
Decrease in amount owing to contract customers		-	-	-	1,256	(461)
(Increase)/Decrease in trade and other receivables		-	(2,034)	(1,876)	(19)	1,001
(Decrease)/Increase in trade and other payables		(16)	1,414	916	(994)	688
CASH (FOR)/FROM OPERATIONS		(19)	(316)	10,622	1,153	1,839
Income tax paid		-	(3)	(7)	(3)	-
Interest received		-	-	55	8	72
NET CASH (FOR)/FROM OPERATING ACTIVITIES		(19)	(319)	10,670	1,158	1,911
NET CASH FOR INVESTING ACTIVITIES						
Purchase of equipment		-	(5)	(193)	-	(10)
CASH FLOW FROM/(FOR) FINANCING ACTIVITIES						
Proceeds from issuance of shares		20	-	-	-	-
Advance to a related company		-	-	-	-	(33)
Advances from/(Repayment to) holding company		-	369	(179)	(373)	(153)
NET CASH FROM/(FOR) FINANCING ACTIVITIES		20	369	(179)	(373)	(186)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1	45	10,298	785	1,715
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		1	2	47	47	10,345
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	6.3.18	2	47	10,345	832	12,060

Note:-
** - *For comparison purposes.*
# - *Less than RM1,000.*

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 KTSB (CONT'D)

6.3.4 STATEMENTS OF CHANGES IN EQUITY OF KTSB

Audited	Note	Share capital RM'000	(Accumulated losses)/ Retained profits RM'000	Total RM'000
Balance at 1.1.2006		#	(20)	(20)
Issuance of shares		20	-	20
Loss after taxation		-	(3)	(3)
Balance at 31.12.2006/ 1.1.2007		20	(23)	(3)
Profit after taxation		-	637	637
Balance at 31.12.2007/ 1.1.2008		20	614	634
Profit after taxation		-	2,711	2,711
Balance at 31.12.2008/ 1.1.2009		20	3,325	3,345
Bonus issue		1,980	(1,980)	-
Dividends	6.3.19	-	(1,500)	(1,500)
Profit after taxation		-	841	841
Balance at 30.04.2009		2,000	686	2,686
Unaudited **				
Balance at 1.1.2008		20	614	634
Profit after taxation		-	409	409
Balance at 30.4.2008		20	1,023	1,043

Note:-
 # - Less than RM1,000.
*** - For comparison purposes.*

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 KTSB (CONT'D)

6.3.5 REVENUE

Revenue represents the proportionate contract value attributable to work performed.

6.3.6 (LOSS)/PROFIT BEFORE TAXATION

	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
(Loss)/Profit before taxation is arrived at after charging/(crediting):-					
Audit fee					
- for the financial year	1	5	5	-	-
- under/(over)provision in the previous financial year					
Contract expenses	-	3,802	11,757	2,042	2,793
Depreciation of equipment	-	1	23	#	8
Directors' fee	-	-	300	-	-
Rental of equipment	-	8	57	8	
Staff costs	-	314	1,140	301	345
Interest income	-	-	(55)	(8)	(72)
(Loss)/Gain on foreign exchange					
- realised	-	1	18	-	2
- unrealised	-	(22)	-	-	-

Note:-
** - *For comparison purposes.*
# - *Less than RM1,000.*

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 KTSB (CONT'D)

6.3.7 INCOME TAX EXPENSE

	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
Current tax expense					
- for the financial year	-	183	12	95	18
- overprovision in the previous financial year	-	-	(183)	-	-
Deferred tax expense					
- relating to origination and reversal of temporary differences	-	7	-	7	-
- underprovision in the previous financial year	-	-	-	-	7
	-	190	(171)	102	25

A reconciliation of income tax expense applicable to the (loss)/profit before taxation at the statutory tax rates to income tax expense at the effective tax rate of the Company is as follows:-

	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
(Loss)/Profit before taxation	(3)	827	2,540	511	866
Tax at Malaysian statutory tax rate of:					
FYE2006 - 28%	(1)	-	-	-	-
FYE2007 - 27%	-	223	-	-	-
FYE2008 - 26%	-	-	660	133	-
FP2009 - 25%	-	-	-	-	216
	(1)	223	660	133	216
Tax effects of:-					
Differential in tax rates	-	(35)	(30)	-	-
Non-deductible expenses	1	2	25	#	2
Income-exempted under pioneer status	-	-	(643)	(31)	(200)
Overprovision of current tax in the previous financial year	-	-	(183)	-	-
Underprovision of deferred taxation in the previous financial year	-	-	-	-	7
	-	190	(171)	102	25

Note:-
** - *For comparison purposes.*
# - *Less than RM1,000.*

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 KTSB (CONT'D)

6.3.8 EQUIPMENT

	Computer RM'000	Tools and equipment RM'000	Total RM'000
Net Book Value			
At 1.1.2007	-	-	-
Addition	-	5	5
Depreciation charge	-	(1)	(1)
At 31.12.2007	-	4	4
At 1.1.2008	-	4	4
Additions	32	161	193
Depreciation charge	(6)	(17)	(23)
At 31.12.2008	26	148	174
At 1.1.2009	26	148	174
Additions	6	4	10
Depreciation charge	(3)	(5)	(8)
At 30.4.2009	29	147	176

	Computer RM'000	Tools and equipment RM'000	Total RM'000
At 31.12.2007			
Cost	-	5	5
Accumulated depreciation	-	(1)	(1)
Net book value	-	4	4
At 31.12.2008			
Cost	32	166	198
Accumulated depreciation	(6)	(18)	(24)
Net book value	26	148	174
At 30.4.2009			
Cost	38	170	208
Accumulated depreciation	(9)	(23)	(32)
Net book value	29	147	176

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 KTSB (CONT'D)

6.3.9 AMOUNTS OWING BY/(TO) CONTRACT CUSTOMERS

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Cost incurred on contract to date	-	3,761	14,181	12,340
Attributable profits	-	919	3,598	3,242
	-	4,680	17,779	15,582
Progress billings	-	(4,178)	(26,351)	(23,502)
	-	502	(8,572)	(7,920)
Amount owing by contract customers	-	502	-	171
Amount owing to contract customers	-	-	(8,572)	(8,091)

6.3.10 TRADE RECEIVABLES

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

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

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
United States Dollar	-	-	-	177

6.3.11 AMOUNT OWING BY A RELATED COMPANY

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

6.3.12 FIXED DEPOSITS WITH LICENSED BANKS

	FYE 2006	FYE 2007	FYE 2008	FP 2009
Effective interest rate (%)	-	-	2.82	2.07
Average maturity (days)	-	-	30	30

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 KTSB (CONT'D)

6.3.13 SHARE CAPITAL

	FYE 2006	FYE 2007	FYE 2008	FP2009	FYE 2006	FYE 2007	FYE 2008	FP 2009
	Number of shares							
	('000)	('000)	('000)	('000)	RM'000	RM'000	RM'000	RM'000
Ordinary shares of RM1 each:-								
Authorised								
At 1 January	100	100	100	100	100	100	100	100
Increase during the financial period	-	-	-	4,900	-	-	-	4,900
At 31 December/30 April	100	100	100	5,000	100	100	100	5,000
Issued and fully paid-up								
At 1 January	#	20	20	20	#	20	20	20
Bonus issue	-	-	-	1,980	-	-	-	1,980
Issuance of shares	20	-	-	-	20	-	-	-
At 31 December/30 April	20	20	20	2,000	20	20	20	2,000

Note:-
 # - Less than RM1,000

6.3.14 RETAINED PROFITS

Subject to agreement with the tax authorities, KTSB has tax-exempt income of RM4,022,000 to frank the payment of dividends out of its retained profits without incurring additional tax liabilities.

KTSB has elected for the irrevocable option for the single tier tax system during the current financial year. Therefore, KTSB will be able to distribute dividends out of its entire retained profits under the single tier tax system.

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 KTSB (CONT'D)

6.3.15 DEFERRED TAX LIABILITY

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
At 1 January	-	-	7	7
Recognised in income statements	-	7	-	-
Underprovision in the previous financial year	-	-	-	7
At 31 December	-	7	7	14

The deferred tax liability relates to accelerated capital allowances.

6.3.16 TRADE PAYABLES

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

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

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Japanese Yen	-	6	-	-
Singapore Dollar	-	69	508	634
United States Dollar	-	480	12	466
	-	555	520	1,100

6.3.17 AMOUNT OWING TO HOLDING COMPANY

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Trade balance	-	-	-	41
Non-trade balance	3	373	194	1,500
	3	373	194	1,541

The normal trade credit term is 30 days.

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

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 KTSB (CONT'D)

6.3.17 AMOUNT OWING TO HOLDING COMPANY (CONT'D)

The foreign currency exposure profile of the amount owing to the holding company is as follows:-

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
United States Dollar	-	-	-	41

6.3.18 CASH AND CASH EQUIVALENTS

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

	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
Fixed deposits with licensed banks	-	-	6,852	-	10,903
Cash and bank balances	2	47	3,493	832	1,157
	2	47	10,345	832	12,060

Note:
** - *For comparison purposes.*

6.3.19 DIVIDENDS

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Interim tax-exempt dividend of RM0.42 per ordinary share	-	-	-	843
Interim single tier tax-exempt dividend of RM0.33 per ordinary share	-	-	-	657
	-	-	-	1,500

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 KTSB (CONT'D)

6.3.20 RELATED PARTY DISCLOSURES

(a) Identities of related parties:-

(i) KTSB has related party relationships with its holding company and related companies as disclosed in Note 3 to this Report;

(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 Accountants' Report, KTSB carried out the following transactions with the related parties during the Relevant Financial Periods:

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2008 ** RM'000	FP 2009 RM'000
Purchases from holding company	-	-	-	-	41
Entities in which certain directors are shareholders					
- Progress billings	-	-	-	-	4
- Purchases	-	11	549	-	369

(c) Key management personnel compensation

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2008 ** RM'000	FP 2009 RM'000
Short-term employee benefits	-	-	300	-	-

Note:
** - *For comparison purposes.*

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 KTSB (CONT'D)

6.3.20 RELATED PARTY DISCLOSURES (CONT'D)

(d) Outstanding balances

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Entities in which certain directors are shareholders as included in:				
- trade receivables	-	-	-	4
- trade payables	-	5	120	163

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 KE SHANGHAI

6.4.1 INCOME STATEMENTS OF KE SHANGHAI ***

	Note	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
Revenue ^	6.4.5	8,138	9,433	13,880	6,179	2,534
Cost of sales ^		(5,729)	(7,059)	(10,059)	(4,951)	(1,836)
GP		2,409	2,374	3,821	1,228	698
Other income		12	41	17	3	7
		2,421	2,415	3,838	1,231	705
Selling and distribution expenses		(73)	-	-	(29)	(48)
Administrative expenses		(497)	(939)	(1,441)	(342)	(319)
Other operating expenses		(39)	(64)	-	(6)	(9)
Profit from operations		1,812	1,412	2,397	854	329
Finance costs		(3)	(2)	-	-	-
PBT		1,809	1,410	2,397	854	329
Depreciation		41	49	159	37	83
Interest income		(7)	-	(17)	(3)	(7)
Earnings before interest, depreciation and taxation		1,843	1,459	2,539	888	405
Depreciation		(41)	(49)	(159)	(37)	(83)
Interest income		7	-	17	3	7
PBT	6.4.6	1,809	1,410	2,397	854	329
Income tax expense	6.4.7	-	(234)	(321)	(127)	(32)
PAT		1,809	1,176	2,076	727	297
GP margin (%)		*29.6*	*25.2*	*27.5*	*19.9*	*27.5*
PBT margin (%)		*22.2*	*14.9*	*17.3*	*13.8*	*13.0*
PAT margin (%)		*22.2*	*12.5*	*15.0*	*11.8*	*11.7*
Effective tax rate (%)		*N/A*	*16.6*	*13.4*	*14.9*	*9.7*
Interest coverage (times)		*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Weighted average number of ordinary shares in issue of RM1.00 each ('000)						
Assumed number of shares in issue of RM1.00 each ('000)		*762*	*762*	*762*	*762*	*762*
Gross EPS (sen)		*237.4*	*185.0*	*314.6*	*112.1*	*43.2*
Net EPS (sen)		*237.4*	*154.3*	*272.4*	*95.4*	*39.0*

Note:

** - *For comparison purposes.*

*** - *In preparing the Accountants' Report, certain reclassifications were made to ensure consistency of presentation of information for comparison purposes.*

^ - *Certain adjustments were made to the financial statements of KE Shanghai to ensure consistency of accounting policy of the holding company with respect to the recognition of contract revenue.*

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 KE SHANGHAI (CONT'D)

6.4.1 INCOME STATEMENTS OF KE SHANGHAI (CONT'D)

Commentary on the Income Statements:-

(a) *Revenue increased in FYE 2006 as compared to FYE 2005 mainly due to the increase in the number of contracts secured and recognised on base build gas piping activities in FYE 2006. Despite the increase in revenue, KE Shanghai recorded a lower GP margin for FYE 2006 resulting from lower profit margin contracts secured. The PBT increased as compared to FYE 2005 mainly due to the increase in revenue in FYE 2006.*

Revenue increased in FYE 2007 as compared to FYE 2006 mainly due to the increase in the number of contracts secured and recognised by KE Shanghai in FYE 2007. Despite the increase in revenue, KE Shanghai recorded a lower GP margin for FYE 2007 resulting from lower profit margin contracts secured. The lower PBT was due to the decrease in GP margin.

Revenue increased in FYE 2008 as compared to FYE 2007 mainly due to:

(i) *the revenue recognised from Promos Base Build contract amounting to RM6.6 million; and*
(ii) *the increase in the number of contracts secured and recognised by KE Shanghai during FYE 2008.*

The GP margin for FYE 2008 increased slightly as compared to FYE 2007 mainly due to higher profit margin contracts secured in FYE 2008. The increase in PBT as compared to FYE 2007 was mainly due to the increase in revenue.

*Revenue decreased by RM3.6 million in FP 2009 as compared to *FP 2008 mainly due to a significant portion of the Promos Base Build contract value was recognised in *FP 2008. The GP margin increased by 7.7% in FP 2009 as compared to *FP 2008 mainly due to better profit margin contract secured in FP 2009. The decreased in PBT in FP 2009 was mainly due to the decrease in revenue.*

**- - FP 2008 relates to the unaudited management financial statements for the period from 1 January 2008 to 30 April 2008*

(d) *There was no income tax expense for FYE 2006 as KE Shanghai was granted by the State Tax Bureau of China the full exemption from payment of corporate income tax for a period of two years and subsequently 50% exemption for a period of three years, with effect from FYE 2005. The effective tax rates for FYE 2007, FYE 2008 and FP 2009 were lower than the statutory tax rate in PRC as explained above.*

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 KE SHANGHAI (CONT'D)

6.4.1 INCOME STATEMENTS OF KE SHANGHAI (CONT'D)

(e) Registered capital of KE Shanghai is not measured by unit of shares. For the calculation of EPS, it is assumed RM1 equal to 1 share. The gross EPS is calculated by dividing the PBT by the assumed number of shares in KE Shanghai.

(f) The net EPS is calculated by dividing the PAT by the assumed number of ordinary shares in KE Shanghai.

(g) There was no exceptional or extraordinary item in the Relevant Financial Years under review.

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 KE SHANGHAI (CONT'D)

6.4.2 BALANCE SHEETS OF KE SHANGHAI ***

	Note	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Audited FP 2009 RM'000	
ASSETS						
NON-CURRENT ASSETS						
Equipment	6.4.8	151	521	1,055	1,017	
Investment in a subsidiary		-	-	-	522	
		151	521	1,055	1,539	
CURRENT ASSETS						
Amount owing by contract customers ^	6.4.9	1,310	1,624	3,901	4,604	
Trade receivables ^	6.4.10	3,382	1,826	969	1,759	
Other receivables, deposits and prepayments	6.4.11	389	270	225	560	
Cash and bank balances	6.4.12	393	2,892	2,289	1,094	
		5,474	6,612	7,384	8,017	
TOTAL ASSETS		5,625	7,133	8,439	9,556	
EQUITY AND LIABILITIES						
EQUITY						
Share capital	6.4.13	762	762	762	762	
Capital reserve	6.4.14	267	420	420	420	
Exchange fluctuation reserve	6.4.15	(71)	(25)	543	695	
Retained profits	6.4.16	2,804	3,827	3,975	4,272	
TOTAL EQUITY		3,762	4,984	5,700	6,149	
NON-CURRENT LIABILITY						
Deferred tax liability	6.4.17	-	-	119	149	
CURRENT LIABILITIES						
Amount owing to contract customers ^	6.4.9	-	85	155	101	
Trade payables ^	6.4.18	1,648	1,733	1,082	956	
Other payables and accruals	6.4.19	215	253	1,356	2,174	
Provision for taxation		-	78	27	27	
		1,863	2,149	2,620	3,258	
TOTAL LIABILITIES		1,863	2,149	2,739	3,407	
TOTAL EQUITY AND LIABILITIES		5,625	7,133	8,439	9,556	
Assumed number of shares in issue of RM1.00 each ('000)		*762*	*762*	*762*	*762*	
NTA (RM'000)		*3,762*	*4,984*	*5,700*	*6,149*	
NTA per share (RM)		*4.9*	*6.5*	*7.5*	*8.1*	
Trade receivable turnover ratio (times)		*0.5*	*0.2*	*0.1*	*0.3*	^^
Trade payable turnover ratio (times)		*0.4*	*0.5*	*0.2*	*0.3*	^^
Gearing ratio (times)		*N/A*	*N/A*	*N/A*	*N/A*	

Note:

*** - *In preparing the Accountants' Report, certain reclassifications were made to ensure consistency of presentation of information for comparison purposes.*

^ - *Certain adjustments were made to the financial statements of KE Shanghai to ensure consistency of accounting policy with the holding company with respect to recognition of contract revenue.*

^^ - *On annualised basis.*

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 KE SHANGHAI (CONT'D)

6.4.2 BALANCE SHEETS OF KE SHANGHAI (CONT'D)

Commentary on the Balance Sheets:-

(a) *The higher trade receivable turnover ratio for FYE 2006 was mainly due to higher billings towards the year-end. The amount billed in December 2006 were approximately RM3.0 million. As represented by management, this was mainly attributed to the Chinese New Year festival whereby KE Shanghai was generally requested by its customers to complete their projects at least one month prior to the long holiday in January or February for testing and commissioning purposes.*

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 KE SHANGHAI (CONT'D)

6.4.3 CASH FLOW STATEMENTS OF KE SHANGHAI ***

	Note	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
CASH FLOW FROM/(FOR) OPERATING ACTIVITIES						
Profit before taxation		1,809	1,410	2,397	854	329
Adjustments for:-						
Depreciation for equipment		41	49	159	37	83
Equipment written off		-	2	-	-	-
Interest income		(7)	-	(17)	(3)	(7)
Gain on foreign exchange - unrealised		(5)	-	-	-	-
Operating profit before working capital changes		1,838	1,461	2,539	888	405
Increase in amount owing by contract customers		(1,226)	(314)	(2,277)	(808)	(703)
(Increase)/Decrease in trade and other receivables		(2,141)	1,675	902	508	(1,125)
(Decrease)/Increase in amount owing to contract customers		(163)	85	70	9	(54)
Increase/(Decrease) in trade and other payables		1,144	123	(452)	144	692
CASH FROM/(FOR) OPERATIONS		(548)	3,030	782	741	(785)
Interest received		7	-	17	3	7
Income tax paid		-	(156)	(372)	(209)	(32)
NET CASH FROM/(FOR) OPERATING ACTIVITIES		(541)	2,874	427	535	(810)
CASH FLOW FOR INVESTING ACTIVITIES						
Purchase of equipment		(85)	(420)	(643)	(216)	(16)
Investment in a subsidiary		-	-	-	-	(522)
NET CASH FOR INVESTING ACTIVITIES		(85)	(420)	(643)	(216)	(538)
NET INCREASE/(DECREASE) IN CASH AND CASH AND BANK BALANCES		(626)	2,454	(216)	319	(1,348)
EFFECT OF FOREIGN EXCHANGE TRANSLATION DIFFERENCES		(97)	45	(387)	(46)	153
CASH AND BANK BALANCES AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		1,116	393	2,892	2,892	2,289
CASH AND BANK BALANCES AT END OF THE FINANCIAL YEAR/PERIOD		393	2,892	2,289	3,165	1,094

Note:

** - *For comparison purposes.*

*** - *In preparing the Accountants' Report, certain reclassifications were made to ensure consistency of presentation of information for comparison purposes.*

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 KE SHANGHAI (CONT'D)

6.4.4 STATEMENTS OF CHANGES IN EQUITY OF KE SHANGHAI ***

		← Non-Distributable		→	Distributable	
Audited	Note	Share capital RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Total RM'000
1.1.2006		762	119	29	1,143	2,053
Transfer		-	148	-	(148)	-
Currency exchange translation differences #		-	-	(100)	-	(100)
Profit after taxation		-	-	-	1,809	1,809
Balance at 31.12.2006/ 1.1.2007		762	267	(71)	2,804	3,762
Transfer		-	153	-	(153)	-
Currency exchange translation differences #		-	-	46	-	46
Profit after taxation		-	-	-	1,176	1,176
Balance at 31.12.2007/ 1.1.2008		762	420	(25)	3,827	4,984
Dividend	6.4.20	-	-	-	(1,928)	(1,928)
Currency exchange translation differences #		-	-	568	-	568
Profit after taxation		-	-	-	2,076	2,076
Balance at 31.12.2008/ 1.1.2009		762	420	543	3,975	5,700
Currency exchange translation differences #		-	-	152	-	152
Profit after taxation		-	-	-	297	297
Balance at 30.4.2009		762	420	695	4,272	6,149
Unaudited **						
Balance at 1.1.2008/		762	420	(25)	3,827	4,984
Currency exchange translation differences #		-	-	(47)	-	(47)
Profit after taxation		-	-	-	727	727
Balance at 30.4.2008		762	420	(72)	4,554	5,664

Notes:

\# - *Represents net gain/(loss) not recognised in the income statements.*

** - *For comparison purposes.*

*** - *In preparing the Accountants' Report, certain reclassifications were made to ensure consistency of presentation of information for comparison purposes.*

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 KE SHANGHAI (CONT'D)

6.4.5 REVENUE

Revenue represents the proportionate contract value attributable to work performed.

6.4.6 PROFIT BEFORE TAXATION

	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
Profit before taxation is arrived at after charging/(crediting):-					
Audit fee	2	5	13	6	7
Contract expenses	5,729	7,059	10,059	4,951	1,836
Depreciation of equipment	41	49	159	37	83
Equipment written off	-	2	-	-	-
Loss on foreign exchange - realised	-	#	-	-	-
Rental expenses	186	199	164	59	63
Staff costs	776	868	850	221	215
Interest income	(7)	-	(17)	(3)	(7)
Gain on foreign exchange					
- realised	-	-	(79)	#	-
- unrealised	(5)	-	-	-	-

Note:

\# - *Less than RM1,000.*

** - *For comparison purposes.*

6.4.7 INCOME TAX EXPENSE

During FYE 2005, KE Shanghai was granted by the State Tax Bureau of China the full exemption from income tax for a period of 2 years and 50% tax exemption for the next 3 years with effect from FYE 2005.

	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
Current tax					
- for the financial year/period	-	234	202	127	2
Deferred tax					
- relating to origination and reversal of temporary differences	-	-	119	-	30
	-	234	321	127	32

Horwath

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 KE SHANGHAI (CONT'D)

6.4.7 INCOME TAX EXPENSE (CONT'D)

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

	Audited FYE 2006 RM'000	Audited FYE 2007 RM'000	Audited FYE 2008 RM'000	Unaudited FP 2008 ** RM'000	Audited FP 2009 RM'000
Profit before taxation	1,809	1,410	2,397	854	329
Tax at Malaysian statutory tax rate of:					
FYE2006 - 28%	507	-	-	-	-
FYE2007 - 27%	-	381	-	-	-
FYE2008 - 26%	-	-	623	222	-
FP2009 - 25%	-	-	-	-	82
	507	381	623	222	82
Tax effects of:-					
Differential in tax rates	-	91	24	8	7
Tax-exempt income	(507)	(235)	(326)	(115)	(57)
Others	-	(3)	-	12	-
	-	234	321	127	32

Note:
** - *For comparison purposes.*

Horwath

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 KE SHANGHAI (CONT'D)

6.4.8 EQUIPMENT

	Office and computer equipment RM'000	Tools and equipment RM'000	Furniture, fittings and renovation RM'000	Motor vehicles RM'000	Total RM'000
Net Book Value					
At 1.1.2006	40	37	33	-	110
Additions	44	41	-	-	85
Depreciation charge	(13)	(10)	(18)	-	(41)
Exchange fluctuation differences	(1)	#	(2)	-	(3)
At 31.12.2006	70	68	13	-	151
At 1.1.2007	70	68	13	-	151
Additions	54	366	-	-	420
Depreciation charge	(18)	(18)	(13)	-	(49)
Written off	(2)	-	-	-	(2)
Exchange fluctuation differences	1	#	#	-	1
At 31.12.2007	105	416	-	-	521
At 1.1.2008	105	416	-	-	521
Additions	15	562	-	66	643
Depreciation charge	(24)	(127)	-	(8)	(159)
Exchange fluctuation differences	10	40	-	#	50
At 31.12.2008	106	891	-	58	1,055
At 1.1.2009	106	891	-	58	1,055
Additions	3	13	-	-	16
Depreciation charge	(9)	(70)	-	(4)	(83)
Exchange fluctuation differences	3	25	-	1	29
At 30.04.2009	103	859	-	55	1,017
At 31.12.2006					
Cost	94	84	54	-	232
Accumulated depreciation	(24)	(16)	(41)	-	(81)
Net book value	70	68	13	-	151
At 31.12.2007					
Cost	145	452	55	-	652
Accumulated depreciation	(40)	(36)	(55)		(131)
Net book value	105	416	-	-	521
At 31.12.2008					
Cost	176	1,064	61	66	1,367
Accumulated depreciation	(70)	(173)	(61)	(8)	(312)
Net book value	106	891	-	58	1,055
At 30.04.2009					
Cost	184	1,106	63	68	1,421
Accumulated depreciation	(81)	(247)	(63)	(13)	(404)
Net book value	103	859	-	55	1,017

Note:-
 # - Less than RM1,000.

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 KE SHANGHAI (CONT'D)

6.4.9 AMOUNTS OWING BY/(TO) CONTRACT CUSTOMERS

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Costs incurred on contract to date	2,057	7,274	15,644	17,444
Attributable profits	408	1,277	5,027	5,584
	2,465	8,551	20,671	23,028
Progress billings	(1,155)	(7,012)	(16,925)	(18,525)
Net amounts owing by/(to) contract customers	1,310	1,539	3,746	4,503
Amount owing by contract customers	1,310	1,624	3,901	4,604
Amount owing to contract customers	-	(85)	(155)	(101)

6.4.10 TRADE RECEIVABLES

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

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

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Chinese Renminbi	3,382	1,826	969	1,759

6.4.11 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Chinese Renminbi	389	270	225	560

Horwath

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 KE SHANGHAI (CONT'D)

6.4.12 CASH AND BANK BALANCES

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

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Chinese Renminbi	393	2,892	2,289	1,094

6.4.13 SHARE CAPITAL

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Issued and fully paid-up	762	762	762	762

The registered capital of KE Shanghai is not measured by unit of shares.

6.4.14 CAPITAL RESERVE

The capital reserve is not distributable by way of cash dividends.

6.4.15 EXCHANGE FLUCTUATION RESERVE

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

6.4.16 RETAINED PROFITS

The dividends from KE Shanghai are declared based on profits reported in its statutory financial statements which are prepared in accordance with The People's Republic of China ("PRC") accounting standards.

Horwath

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 KE SHANGHAI (CONT'D)

6.4.17 DEFERRED TAX LIABILITY

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
At 1 January	-	-	-	119
Recognised in income statements	-	-	119	30
At 31 December/30 April	-	-	119	149

The deferred tax liability relates to temporary differences mainly arising from amounts owing by/to contract revenue.

6.4.18 TRADE PAYABLES

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

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

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Chinese Renminbi	1,389	1,664	1,005	877
United States Dollar	259	69	77	79
	1,648	1,733	1,082	956

6.4.19 OTHER PAYABLES AND ACCRUALS

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

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Chinese Renminbi	215	253	1,356	2,174

Included in the other payables and accruals of KE Shanghai for FYE 2008 and FP 2009 is an amount of RM701,000 and RM1,638,000 respectively, being advances received from contract customers.

Horwath

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 KE SHANGHAI (CONT'D)

6.4.20 DIVIDEND

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Dividend paid for FYE 2008	-	-	1,928	-

6.4.21 RELATED PARTY DISCLOSURES

(a) Identities of related parties:-

(i) KE Shanghai has controlling related party relationships with its holding company and related companies as disclosed in Note 3 to this Report;

(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 Accountants' Report, KE Shanghai carried out the following transactions with the related parties during the Relevant Financial Periods:

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2008 ** RM'000	FP 2009 RM'000
A related party of entities in which certain key management personnel					
- Progress billings	3,140	3,215	6,946	3,006	1,182
Entities in which certain directors are shareholders					
- Purchases	351	-	7	-	-

Note:
** - *For comparison purposes.*

6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.4 KE SHANGHAI (CONT'D)

6.4.21 RELATED PARTY DISCLOSURES (CON'D)

(c) Outstanding balances

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Entities controlled by the key management personnel as included in:				
- other receivables, deposits and prepayments	1	1	-	-
- other payables and accruals	111	-	-	-
A related party of entities in which certain directors are key management personnel as included in:				
- trade receivables	2,000	453	483	1,296
- other payables and accruals	-	111	353	160
Entities in which certain directors are shareholders as included in:				
- trade payables	62	63	70	72

Horwath

7. DIVIDENDS FOR THE RELEVANT FINANCIAL PERIOD

	FYE 2006 RM'000	FYE 2007 RM'000	FYE 2008 RM'000	FP 2009 RM'000
Dividend paid: An interim tax-exempt dividend-in-specie of 3.6 sen per ordinary share amounting to RM180,000 in respect of the FYE 2006	180	-	-	

Except for the dividend disclosed above, KELINGTON did not pay or declare any other dividends during the Relevant Financial Periods.

8. RESTATEMENT TO THE AUDITED FINANCIAL STATEMENTS

In the preparation of this report, no restatement has been made to the audited financial statements of KELINGTON and the consolidated financial statements of KELINGTON Group for the Relevant Financial Period.

9. SUBSEQUENT EVENTS

Save as disclosed in paragraph 2.2, there is no significant subsequent event between the date of the last financial statements used in the preparation of this report and the date of this report which will affect materially the contents of this report.

10. AUDITED FINANCIAL STATEMENTS

As at the date of this Report, no audited financial statements have been prepared in respect of the financial period subsequent to 30 April 2009 for KELINGTON, KTSB and KE Shanghai.

Yours faithfully

Horwath
Firm No : AF 1018
Chartered Accountants

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

Horwath

APPENDIX I

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REPORT OF THE AUDITORS TO THE MEMBERS OF
KELINGTON ENGINEERING SDN. BHD.

(Incorporated in Malaysia)
Company No : 501386 - P

We have audited the financial statements set out on pages 10 to 54. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB approved accounting standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:-

 (i) the state of affairs of the Group and of the Company at 31 December 2006 and their results and cash flows for the financial year ended on that date; and

 (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, as indicated in Note 6 to the financial statements.

Horwath

REPORT OF THE AUDITORS TO THE MEMBERS OF
KELINGTON ENGINEERING SDN. BHD. (CONT'D)
(Incorporated in Malaysia)
Company No : 501386 - P

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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Subsection 3 of Section 174 of the Companies Act, 1965.

Horwath
Firm No: AF 1018
Chartered Accountants

Onn Kien Hoe
Approval No: 1772/11/08 (J/PH)
Partner

Kuala Lumpur

31 MAY 2007

Horwath

REPORT OF THE AUDITORS TO THE MEMBERS OF
KELINGTON ENGINEERING BERHAD (CONT'D)
(Incorporated in Malaysia)
Company No : 501386 - P

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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Subsection 3 of Section 174 of the Companies Act, 1965.

Horwath	**Onn Kien Hoe**
Firm No: AF 1018	**Approval No: 1772/11/08 (J/PH)**
Chartered Accountants	**Partner**

Kuala Lumpur

25 FEB 2008

Horwath

APPENDIX I

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KELINGTON GROUP BERHAD
(Formerly Known As Kelington Engineering Berhad)
(Incorporated in Malaysia)
Company No : 501386 - P

Report on the Financial Statements

We have audited the financial statements of Kelington Group Berhad (formerly known as Kelington Engineering Berhad), which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 61.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

Horwath

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KELINGTON GROUP BERHAD (CONT'D)
(Formerly Known As Kelington Engineering Berhad)
(Incorporated In Malaysia)
Company No : 501386 - P

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 2008 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 subsidiaries 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 all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements;

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

(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.

Horwath

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KELINGTON GROUP BERHAD (CONT'D)
(Formerly Known As Kelington Engineering Berhad)
(Incorporated In Malaysia)
Company No : 501386 - P

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.

Horwath
Firm No: AF 1018
Chartered Accountants

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

Kuala Lumpur

02 JUN 2009

Horwath

APPENDIX I

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KELINGTON GROUP BERHAD
(Incorporated in Malaysia)
Company No : 501386 - P

Report on the Financial Statements

We have audited the financial statements of Kelington Group Berhad, which comprise the balance sheets as at 30 April 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 54.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

Horwath

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KELINGTON GROUP BERHAD
(Incorporated in Malaysia)
Company No : 501386 - P

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 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 April 2009 and of their financial performance and cash flows for the financial period then ended.

The comparative figures of the Group and of the Company for the corresponding four-month period ended 30 April 2008 in respect of the income statement, statement of changes in equity and the cash flow statement were extracted from the unaudited management financial information and we have not carried out a review of these financial statements. The unaudited financial information is the responsibility of the directors of the Company.

Horwath
Firm No: AF 1018
Chartered Accountants

Kuala Lumpur

28 AUG 2009

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AUDITORS' REPORT TO THE MEMBERS OF KE MANUFACTURING SDN. BHD.

We have audited the financial statements set out on pages 6 to 12. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing issued by the Malaysian Institute of Accountants. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act 1965 and applicable approved accounting standards so as to give a true and fair view of :

   (i) the state of affairs of the Company as at 31 December 2006 and of its results and cash flows for the year ended on that date ; and

   (ii) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements.

b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

YENG & CO.
FIRM NO. AF 0551
CHARTERED ACCOUNTANTS

KUI JEE YENG
CA(M), FCA(ICAEW), FTII
APPROVAL NO. 1169/8/2008(J)

Petaling Jaya
Date: 14 MAR 2007

Horwath

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REPORT OF THE AUDITORS TO THE MEMBERS OF
KE MANUFACTURING SDN. BHD.
(Incorporated in Malaysia)
Company No: 562280 - U

We have audited the financial statements set out on pages 8 to 29. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report. The financial statements of the Company for the preceding year were audited by another firm of auditors whose report dated 14 March 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of:-

  (i) the state of affairs of the Company at 31 December 2007 and its results and cash flows for the financial year ended on that date; and

  (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

Horwath
Firm No: AF 1018
Chartered Accountants

Onn Kien Hoe
Approval No: 1772/11/08 (J/PH)
Partner

Kuala Lumpur

25 FEB 2008

Horwath

Horwath AF No 1018
Kuala Lumpur Office
Chartered Accountants

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Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KELINGTON TECHNOLOGIES SDN. BHD.

(Formerly Known As KE Manufacturing Sdn. Bhd.)
(Incorporated In Malaysia)
Company No: 562280 - U

Report on the Financial Statements

We have audited the financial statements of Kelington Technologies Sdn. Bhd. (formerly known as KE Manufacturing Sdn. Bhd.), which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 36.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Horwath Offices in Malaysia:
Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Muar • Penang

Horwath

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KELINGTON TECHNOLOGIES SDN. BHD. (CONT'D)
(Formerly Known As KE Manufacturing Sdn. Bhd.)
(Incorporated in Malaysia)
Company No: 562280 - U

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 Company as of 31 December 2008 and of its 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 that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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.

Horwath
Firm No: AF 1018
Chartered Accountants

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

Kuala Lumpur

0 2 JUN 2009

Horwath

Horwath AF No 1018
Kuala Lumpur Office
Chartered Accountants

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Megan Avenue II
12 Jalan Yap Kwan Seng
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KELINGTON TECHNOLOGIES SDN. BHD.

(Incorporated in Malaysia)
Company No: 562280 - U

Report on the Financial Statements

We have audited the financial statements of Kelington Technologies Sdn. Bhd., which comprise the balance sheet as at 30 April 2009, and the income statement, statement of changes in equity and cash flow statement for the financial period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 31.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Horwath Offices in Malaysia:
Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Muar • Penang

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KELINGTON TECHNOLOGIES SDN. BHD. (CONT'D)
(Incorporated in Malaysia)
Company No: 562280 - U

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Company as of 30 April 2009 and of its financial performance and cash flows for the financial period then ended.

The comparative figures of the Company for the corresponding four-month period ended 30 April 2008 in respect of the income statement, statement of changes in equity and the cash flow statement were extracted from the unaudited management financial information and we have not carried out a review of those financial statements. The unaudited financial information is the responsibility of the directors of the Company.

Horwath
Firm No: AF 1018
Chartered Accountants

Kuala Lumpur
2 8 AUG 2009

Translation of this Auditors' Report is based on the original Auditors' Report in Chinese.

APPENDIX IV

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KELINGTON ENGINEERING (SHANGHAI) CO. LTD.

Report on the Financial Statements

We have audited the financial statements of Kelington Engineering (Shanghai) Co. Ltd. ("KE Shanghai"), which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the financial year then ended, and other explanatory notes.

1. Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards for Business Enterprises and Accounting System for Business Enterprises. This responsibility includes (a) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, (b) selecting and applying appropriate accounting policies, and (c) making accounting estimates that are reasonable in the circumstances.

2. 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 China. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KELINGTION ENGINEERING (SHANGHAI) CO. LTD.

Report on the Financial Statements

3. Audit Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Accounting Standards for Business Enterprises and Accounting System for Business Enterprises so as to give a true and fair view of the financial position of the Company as of 31 December 2006 and of its financial performance and cash flows for the financial year then ended.

Shu Lun Pan Certified
Public Accountants Co., Ltd.

Shanghai, China

Chartered Accountants in China
Huang Ye
Shi Chao Yu

Translation of this Auditors' Report is based on the original Auditors' Report in Chinese.

APPENDIX IV

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KELINGTON ENGINEERING (SHANGHAI) CO. LTD.

Report on the Financial Statements

We have audited the financial statements of Kelington Engineering (Shanghai) Co. Ltd. ("KE Shanghai"), which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the financial year then ended, and other explanatory notes.

1. Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards for Business Enterprises and Accounting System for Business Enterprises. This responsibility includes (a) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, (b) selecting and applying appropriate accounting policies, and (c) making accounting estimates that are reasonable in the circumstances.

2. 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 China. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KELINGTION ENGINEERING (SHANGHAI) CO. LTD.

Report on the Financial Statements

3. Audit Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Accounting Standards for Business Enterprises and Accounting System for Business Enterprises so as to give a true and fair view of the financial position of the Company as of 31 December 2007 and of its financial performance and cash flows for the financial year then ended.

Shu Lun Pan Certified
Public Accountants Co., Ltd.

Chartered Accountants in China
Huang Ye
Shi Chao Yu

Shanghai, China

Translation of this Auditors' Report is based on the original Auditors' Report in Chinese.

APPENDIX IV

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KELINGTON ENGINEERING (SHANGHAI) CO. LTD.

Report on the Financial Statements

We have audited the financial statements of Kelington Engineering (Shanghai) Co. Ltd. ("KE Shanghai"), which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the financial year then ended, and other explanatory notes.

1. Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards for Business Enterprises and Accounting System for Business Enterprises. This responsibility includes (a) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, (b) selecting and applying appropriate accounting policies, and (c) making accounting estimates that are reasonable in the circumstances.

2. 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 China. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KELINGTION ENGINEERING (SHANGHAI) CO. LTD.

Report on the Financial Statements

3. Audit Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Accounting Standards for Business Enterprises and Accounting System for Business Enterprises so as to give a true and fair view of the financial position of the Company as of 31 December 2008 and of its financial performance and cash flows for the financial year then ended.

Shu Lun Pan Certified
Public Accountants Co., Ltd.

Shanghai, China

Chartered Accountants in China
Huang Ye
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APPENDIX IV

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KELINGTON ENGINEERING (SHANGHAI) CO. LTD.

Report on the Financial Statements

We have audited the financial statements of Kelington Engineering (Shanghai) Co. Ltd. ("KE Shanghai"), which comprise the balance sheet as at 30 April 2009, and the income statement, statement of changes in equity and cash flow statement for the financial period then ended, and other explanatory notes.

1. Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards for Business Enterprises and Accounting System for Business Enterprises. This responsibility includes (a) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, (b) selecting and applying appropriate accounting policies, and (c) making accounting estimates that are reasonable in the circumstances.

2. 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 China. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KELINGTION ENGINEERING (SHANGHAI) CO. LTD.

Report on the Financial Statements

3. Audit Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Accounting Standards for Business Enterprises and Accounting System for Business Enterprises so as to give a true and fair view of the financial position of the Company as of 30 April 2009 and of its financial performance and cash flows for the financial period then ended.

Shu Lun Pan Certified
Public Accountants Co., Ltd.

Shanghai, China

Chartered Accountants in China
Huang Ye
Shi Chao Yu

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27 October 2009

The Board of Directors
Kelington Group Berhad
3, Jalan Astaka U8/83, Seksyen U8
Bukit Jelutong Industrial Park
40150 Shah Alam
Selangor Darul Ehsan.

Dear Sirs

KELINGTON GROUP BERHAD ("KELINGTON")
PROFORMA CONSOLIDATED FINANCIAL INFORMATION

We have reviewed the proforma consolidated financial information of KELINGTON and its subsidiaries ("KELINGTON Group" or "the Group") for the financial years ended 31 December 2006 to 2008 and the four (4) months financial period ended 30 April 2009, together with the accompanying notes thereto, for which the Directors are solely responsible, as set out in the accompanying statements (initialled by us for the purpose of identification only), prepared for illustrative purposes for inclusion in the Prospectus of KELINGTON to be dated 30 October 2009.

It is our responsibility to form an opinion on the proforma consolidated financial information as required by the Prospectus Guidelines issued by the Securities Commission and to report our opinion to you.

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the audited financial statements, considering the evidence supporting the adjustments, and discussing the proforma consolidated financial information with the Directors of the Group.

As the proforma consolidated financial information has been prepared for illustrative purposes only, such information may not, because of its nature, reflect the actual financial position, results and cash flows of the Group. Further, such information does not purport to predict the future financial position, results and cash flows of the Group.

In our opinion,

(a) the proforma consolidated financial information has been properly prepared on the bases set out in the accompanying notes to the proforma financial information and such bases are consistent with the accounting policies of the KELINGTON Group;

(b) the financial statements used in the preparation of the proforma consolidated financial information were prepared in accordance with applicable approved Financial Reporting Standards in Malaysia; and

(c) each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purposes of preparing such proforma consolidated financial information.