

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
 Condensed Consolidated Statement of Comprehensive Income
 For The 2nd Quarter Ended 30 June 2010

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the 3 months period ended 30 June 2010 are as follow:-

	Note	Unaudited Current Qtr Ended 30/6/2010 RM'000	Unaudited Previous Qtr Ended 30/6/2009 RM'000	Unaudited 6-months Period up to 30/6/2010 RM'000	Unaudited 6-months Period up to 30/6/2009 RM'000
Revenue		15,579	17,005	29,251	25,673
Cost of sales		(11,719)	(13,052)	(23,573)	(19,504)
Gross profit		3,860	3,953	5,678	6,169
Other income		119	(11)	237	248
Administrative expenses		(1,121)	(815)	(2,101)	(1,554)
Selling and distribution expenses		(130)	(91)	(283)	(141)
Other expenses		(132)	(245)	(234)	(284)
Results from operating activities		2,596	2,791	3,297	4,438
Finance costs		(14)	(13)	(27)	(28)
Profit before tax		2,582	2,778	3,270	4,410
Income tax expenses	B4	(202)	(602)	(267)	(999)
Profit for the period		2,380	2,176	3,003	3,411
Other comprehensive income/ (Loss)					
Foreign currency translation differences for foreign operations		(422)	123	(422)	123
Total other comprehensive income		(422)	123	(422)	123
Total comprehensive income for the period		1,958	2,299	2,581	3,534
Basic earnings per ordinary share (sen):					
Basic earnings per share (sen)	B12	3.19	3.35	4.02	5.25
Diluted earnings per share (sen)	B12	N/A	N/A	N/A	N/A

The Condensed Consolidated Income Statements should be read in conjunction with KGB's audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes enclosed to the interim financial statements.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Condensed Consolidated Statement of Financial Position
As at 30 June 2010

	Unaudited As At 30/6/2010 RM'000	Audited As At 31/12/2009 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	6,262	6,131
Goodwill on consolidation	199	199
Development costs	201	201
	6,662	6,531
Current assets		
Inventories	512	1,387
Amount owing by contract customers	9,281	7,781
Trade receivables	14,893	12,087
Other receivables, prepayments and deposits	1,768	751
Cash and cash equivalents	26,785	28,140
	53,239	50,146
	59,901	56,677
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the company		
Share capital	7,471	7,471
Share premium	3,816	3,816
Capital reserve	2,401	2,401
Exchange fluctuation reserve	36	458
Retained earnings	23,273	20,270
	36,997	34,416
Total Equity		
Non-current liabilities		
Deferred tax liabilities	171	355
Long-term borrowings	1,041	1,155
	1,212	1,510
Current liabilities		
Amount owing to contract customers	6,938	4,461
Trade payables	11,967	12,652
Other payables and accruals	2,164	2,571
Provision for taxation	451	897
Short term borrowings	172	170
	21,692	20,751
	22,904	22,261
Total liabilities		
	59,901	56,677
TOTAL EQUITY AND LIABILITIES		
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM) #	0.4952	0.5295

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited consolidated financial statements of KGB for the financial year ended 31 December 2009 and the accompanying explanatory notes enclosed to the interim financial statements.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Condensed Consolidated Statement of Cash Flows
For The 6-Months Period Ended 30 June 2010

	Unaudited 6-months Ended 30/6/2010 RM'000	Unaudited 6-months Ended 30/6/2009 RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES		
Profit before taxation	3,270	4,410
Adjustments for:-		
Depreciation of property, plant and equipment	442	441
Fixed Assets written off	1	9
Interest expense	11	28
Writeback of allowance for doubtful debts	-	(21)
Gain on foreign exchange - unrealised	(8)	-
Interest income	(105)	(139)
Operating profit before working capital changes	3,611	4,728
Decrease in inventories	875	-
Decrease/ (Increase) in amounts owing by/to contract customers, net	976	(2,690)
Increase in trade and other receivables	(3,901)	(442)
Deferred tax	(184)	-
Decrease in trade and other payables	(1,092)	(439)
CASH GENERATED FROM OPERATIONS	285	1,157
Income tax paid	(626)	(173)
Interest paid	(11)	(28)
Interest received	105	139
NET CASH (FOR)/FROM OPERATING ACTIVITIES	(247)	1,095
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(604)	(783)
Development costs paid	-	(59)
NET CASH USED IN INVESTING ACTIVITIES	(604)	(842)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of lease and hire purchase obligations	(53)	-
Repayment of term loan	(58)	(54)
NET CASH FOR FINANCING ACTIVITIES	(111)	(54)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(962)	199
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(393)	82
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	28,140	20,698
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	26,785	20,979

Cash and cash equivalents at the end of financial period comprise the following:

Cash and bank balances	13,902	10,447
Fixed deposits	12,883	10,532
	26,785	20,979

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited consolidated financial statements of KGB for the year ended 31 December 2009 and the accompanying explanatory notes enclosed to the interim financial statements.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)

Condensed Consolidated Statements of Changes in Equity
 For The 2nd Quarter Ended 30 June 2010

	Attributable to Equity Holders of the Company				Distributable		
	Non Distributable		Distributable				
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Earnings RM'000	Total Earnings RM'000	Total RM'000
As at 1 January 2010	7,471	3,816	2,401	458	20,270	20,270	34,416
Total comprehensive income for the period	-	-	-	(422)	3,003	3,003	2,581
Total recognised income and expense for the period	-	-	-	(422)	3,003	3,003	2,581
As at 30 June 2010	7,471	3,816	2,401	36	23,273	23,273	36,997
As at 1 January 2009	5,000	599	421	518	15,078	15,078	21,616
Capitalisation of retained profits for bonus issued by Subsidiary	-	-	1,980	-	(1,980)	(1,980)	-
Total comprehensive income for the period	-	-	-	123	3,411	3,411	3,534
Total recognised income and expense for the period	-	-	1,980	123	1,431	1,431	3,534
As at 30 June 2009	5,000	599	2,401	641	16,509	16,509	25,150

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited consolidated financial statements of KGB for the financial year ended 31 December 2009 and the accompanying explanatory notes enclosed to the interim financial statements.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2010

Part A - Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The interim financial statements of the Group are prepared under the historical cost convention. The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards ("FRS") 134 : Interim Financial Reporting and in accordance to the requirements of paragraph 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The interim financial statements should be read in conjunction with KGB's audited consolidated financial statements for the financial year ended ("FYE") 31 December 2009. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the FYE 31 December 2009.

The accounting policies and methods of presentation and computation adopted in this interim financial report are consistent with those adopted in the most recent annual financial statements for the FYE 31 December 2009.

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

FRSs/IC Interpretations	Effective date
Revised FRS 1 (2010) First-time Adoption of Financial Reporting Standards	01 July 2010
Revised FRS 3 (2010) Business Combinations	01 July 2010
Revised FRS 127 (2010) Consolidated and Separate Financial Statements	01 July 2010
Amendments to FRS 1: Limited Exemption from Comparative FRS7 Disclosures for First-time Adopters	01 January 2011
Amendments to FRS 1: Additional Exemptions for First-time Adopters	01 January 2011
Amendments to FRS 2: Scope of FRS 2 and Revised FRS 3 (2010)	01 July 2010
Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions	01 January 2011
Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary	01 July 2010
Amendments to FRS 7: Improving Disclosures about Financial Instruments	01 January 2011
Amendments to FRS 138: Consequential Amendments Arising from Revised FRS 3 (2010)	01 July 2010
IC Interpretation 4 Determining Whether An Arrangement Contains a Lease	01 January 2011
IC Interpretation 12 Service Concession Arrangements	01 July 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	01 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	01 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	01 July 2010
IC Interpretation 18 Transfers of Assets from Customers	01 January 2011
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and Revised FRS 3 (2010)	01 July 2010

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

Revised FRS 3 (2010)

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

Revised FRS 127 (2010) [Remark: Applicable to holding company only]

The revised FRS 127 (2010) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Group will apply the major changes of the revised FRS 127 (2010) prospectively and therefore there will not have any financial impact on the financial statements of the Group for the FYE 31 December 2009 but may impact the accounting for future transactions or arrangements.

Amendments to IC Interpretation 9

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

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 proposition that the contract costs incurred for work performed to date bear to the estimated total contract costs.

2. Status of Audit Qualification

There were no audit qualification to the annual audited financial statements of the Group for the FYE 31 December 2009.

3. Segmental Information

The Group operates wholly in the business of providing engineering services and general trading specifically in the provision of ultra-high purity gas and chemical delivery systems solutions.

By geographical segment

KELINGTON GROUP BERHAD ("KGB")
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In presenting information on the basis of geographical segments, segment revenue are based on the geographical location of customers. The carrying value of segment assets and capital additions are based on the geographical location of the assets.

	Year-to-date ended 30/6/10						Group RM'000
	Malaysia RM'000	China RM'000	Taiwan RM'000	Singapore RM'000	Others RM'000	Eliminations RM'000	
Revenue							
- External sales	9,970	7,916	5,781	5,622	-	(38)	29,251
Results:							
Segment results	1,691	440	(11)	1,071	-	-	3,191
Finance costs	(20)	(3)	(4)	-	-	-	(27)
Interest income	103	2	1	-	-	-	106
Profit before tax							3,270
Income tax expense							(267)
Profit after tax							3,003
Capital expenditure	372	29	14	189	-	-	604
Depreciation	267	119	45	11	-	-	442
Other non-cash items	-	-	-	-	-	-	-

	Year-to-date ended 30/6/09						Group RM'000
	Malaysia RM'000	China RM'000	Taiwan RM'000	Singapore RM'000	Others RM'000	Eliminations RM'000	
Revenue							
- External sales	14,146	4,609	4,199	2,548	171	-	25,673
Results:							
Segment results	3,215	323	394	324	43	-	4,299
Finance costs	(15)	(2)	(10)	(1)	-	-	(28)
Interest income	129	9	1	-	-	-	139
Profit before tax							4,410
Income tax expense							(999)
Profit after tax							3,411
Capital expenditure	755	18	4	6	-	-	783
Depreciation	278	119	42	2	-	-	441
Other non-cash items	-	9	(21)	-	-	-	(12)

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 30 June 2010.

5. Material Changes in Estimates

There were no material changes in estimates used in the preparation of the financial statements in the current financial quarter as compared with the previous financial quarters or financial year.

6. Seasonal or Cyclical Factors

The interim operations of the Group were not affected by any significant seasonal or cyclical factors during the quarter under review.

**KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2010**

7. Dividends Paid

There were no dividends paid during the current quarter under review.

8. Valuation of Property, Plant and Equipment

Property, plant and equipment of the Group were not revalued during the quarter under review. As at 30 June 2010, all the property, plant and equipment were stated at cost less accumulated depreciation.

9. Movement Debt And Equity Securities

There were no issuance, cancellation, resale and repayment of debt and equity securities for the current quarter under review.

10. Changes in Composition of the Group

There has been no change in the composition of the Group during the current quarter under review.

11. Discontinued Operation

There were no discontinued operations within the activities of the Group for the quarter under review.

12. Capital Commitments

There were no capital commitments for the purchase of any property, plant and equipment or any other expenses that were not accounted for in the financial statements of the current quarter under review.

13. Changes in Contingent Liabilities and Contingent Assets

There were no changes in any contingent liabilities or assets of the Group in the quarter under review.

14. Material Subsequent Events

There were no material events subsequent to the end of the reporting quarter that have not been reflected in the quarter under review.

**KELINGTON GROUP BERHAD ("KGB" or "the Group")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2010**

B. Additional information required by the Bursa Malaysia Listing Requirements

1 Review Of Performance

During the current quarter under review, the Group has recorded a profit before taxation ("PBT") of RM2.6 million on the back of revenue of RM15.6 million. The revenue was lower, a decrease of 8%, as compared to previous corresponding quarter in 2009 mainly due to the lower revenue contribution from the Malaysia operations. Despite of lower in revenue, the current quarter has achieved a higher Gross Profit margin and PBT margin compared to the previous corresponding quarter due to the contributions of projects with higher margins.

For the 6 month period ended 30 June 2010, the Group has achieved a higher revenue of RM29.3 million, which has increased of 14% as compared to RM25.7 million in the preceding year. The PBT margin is lower for the year to date in 2010 as compared to the preceding year to date 2009 mainly due to the projects with lower margins in first quarter.

The Group has recorded a PBT of RM2.6 million for the current quarter ended 30 June 2010 as compared to RM0.7 million in the preceding quarter ended 31 March 2010 mainly due to the Group's increase in revenue after the festive seasons during the first quarter.

2 Commentary Of Prospects

Barring any unforeseen circumstances, the Board of Directors of KGB is optimistic about the future prospects of the Group taking into account the following:-

- (i) The Group had successfully penetrated into Light Emitting Diode ("LED") industry. On 19 May 2010, KGB was awarded its first LED project in Mainland China. On 28 July 2010, KGB had secured another LED project in Malaysia.
- (ii) On 30 July 2010, KGB had successfully established a contractual relationship with Semiconductor Manufacturing International Corporation ("SMIC") when it was awarded a hook up project. SMIC is the largest wafer fabrication foundry in Mainland China.

Further, with the continuous positive outlook of the Semiconductor industry, particularly the Wafer Fabrication, Flat Panel Display and Solar Cell industries, the management of the Group expects the financial performance of the Group to improve in the coming quarter.

3 Profit Forecast and Profit Guarantee

The Company did not announce any profit forecast or profit estimate for the FYE 31 December 2010 in any public document and hence this information is not applicable.

4 Income Tax Expense

	Current quarter ended 30/06/10 RM'000	Cumulative Year to date ended 30/06/10 RM'000
Current tax: - for the financial period	<u>(202)</u>	<u>(267)</u>

The effective tax rate of the Group for the current financial period under review is lower than the statutory tax rate mainly due to certain income arising from KGB's subsidiary, Kelington Technologies Sdn Bhd, which is Pioneer Status Company being tax exempted.

5 Unquoted Investments / Properties

There were no purchase or sales of unquoted investments or properties during the current quarter under review and current financial year to date.

6 Purchase or Disposal of Quoted Securities

There were no purchase or disposal of quoted securities during the current interim period under review and financial year to date.

7 Corporate Proposal

(i) There were no corporate proposals announced but not completed as at the date of this report.

(ii) Status of utilisation of proceeds derived from the initial public offering ("IPO") of 9,710,000 new ordinary shares of RM0.10 each in KGB by the Company as at 30 June 2010

Description	Timeframe for utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000
R&D expenses	Within 1 year from the date of Listing	250	(51)	199
Capital expenditure	Within 1 year from the date of Listing	500	(498)	2
Working capital	Within 1 year from the date of Listing	2,641	(1,148)	1,493
Estimated listing expenses	Within 1 month from the date of Listing	1,755	(1,755)	-
		<u>5,146</u>	<u>(3,452)</u>	<u>1,694</u>

The unutilised proceeds raised from the IPO were placed in interest-bearing accounts with licensed financial institutions in Malaysia until it is fully utilised.

8 Group Borrowings

The Group's borrowings as at 30 June 2010 are as follow:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short-term borrowings:-			
Hire purchase	107	-	107
Term Loan	65	-	65
	<u>172</u>	<u>-</u>	<u>172</u>
Long-term borrowings:-			
Hire purchase	320	-	320
Term Loan	721	-	721
	<u>1,041</u>	<u>-</u>	<u>1,041</u>
Total Borrowings	<u>1,213</u>	<u>-</u>	<u>1,213</u>

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

9 Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this quarterly announcement.

10 Material Litigation

There was no pending material litigation from 1 January 2010 up to the date of this quarterly announcement.

11 Dividends Payable

The Board of Directors of KGB recommended the payment of a final tax-exempt dividend of 3 sen per ordinary share amounting to RM2,241,300 in respect of the FYE 31 December 2009. The proposed dividend has been approved by the shareholders at the Tenth Annual General Meeting which was held on 3rd June 2010 and has been paid on 12th July 2010.

The Company had not proposed or paid out any dividends in the previous corresponding period ended 30 June 2009.

12 Earnings Per Share

The earnings per share for the quarter and cumulative year to date are computed as follow:

	Current Quarter Ended		Cumulative Year To Date Ended	
	30-June-10	30-June-09	30-June-10	30-June-09
Profit After Taxation (RM'000)	<u>2,380</u>	<u>2,176</u>	<u>3,003</u>	<u>3,411</u>
Weighted average number of ordinary shares in issue ('000)	<u>74,710</u>	<u>65,000</u>	<u>74,710</u>	<u>65,000</u>
Basic Earnings Per Share (Sen)	<u>3.19</u>	<u>3.35</u>	<u>4.02</u>	<u>5.25</u>
Diluted Earnings Per Share (Sen) *	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Note :

* - Not applicable as the Company does not have any potential dilutive ordinary shares at the end of current quarter and cumulative year to date ended 30 June 2010.

KGB is sponsored by Kenanga Investment Bank Berhad