

**KELINGTON GROUP BERHAD ("KGB")**  
**(Company No. 501386-P)**  
 Condensed Consolidated Statement of Comprehensive Income  
 For The 3rd Quarter Ended 30 September 2010

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the 9 months period ended 30 September 2010 are as follow:-

	Note	Unaudited Current Qtr Ended 30/9/2010 RM'000	Unaudited Previous Qtr Ended 30/9/2009 RM'000	Unaudited 9-months Period up to 30/9/2010 RM'000	Unaudited 9-months Period up to 30/9/2009 RM'000
Revenue		24,542	18,995	53,793	44,668
Cost of sales		(19,430)	(12,412)	(43,003)	(31,916)
<b>Gross profit</b>		<b>5,112</b>	<b>6,583</b>	<b>10,790</b>	<b>12,752</b>
Other income		74	38	311	286
Administrative expenses		(2,092)	(2,289)	(4,193)	(3,843)
Selling and distribution expenses		(183)	(139)	(466)	(280)
Other expenses		(240)	(204)	(474)	(488)
<b>Results from operating activities</b>		<b>2,671</b>	<b>3,989</b>	<b>5,968</b>	<b>8,427</b>
Finance costs		(14)	(12)	(41)	(40)
<b>Profit before tax</b>		<b>2,657</b>	<b>3,977</b>	<b>5,927</b>	<b>8,387</b>
Income tax expenses	B4	(232)	(966)	(499)	(1,965)
<b>Profit for the period</b>		<b>2,425</b>	<b>3,011</b>	<b>5,428</b>	<b>6,422</b>
<b>Other comprehensive (Expense)/ Income</b>					
Foreign currency translation differences for foreign operations		(323)	123	(745)	138
<b>Total other comprehensive (expense)/ Income</b>		<b>(323)</b>	<b>123</b>	<b>(745)</b>	<b>138</b>
<b>Total comprehensive income for the period</b>		<b>2,102</b>	<b>3,134</b>	<b>4,683</b>	<b>6,560</b>
<b>Basic earnings per ordinary share (sen):</b>					
Basic earnings per share (sen)	B12	3.25	4.63	7.27	9.88
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 September 2010

	<b>Unaudited As At 30/9/2010 RM'000</b>	<b>Audited As At 31/12/2009 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	6,792	6,131
Goodwill on consolidation	199	199
Development costs	201	201
	<u>7,192</u>	<u>6,531</u>
<b>Current assets</b>		
Inventories	769	1,387
Amount owing by contract customers	8,579	7,781
Trade receivables	21,905	12,087
Other receivables, prepayments and deposits	978	751
Cash and cash equivalents	22,842	28,140
	<u>55,073</u>	<u>50,146</u>
	<u><b>62,265</b></u>	<u><b>56,677</b></u>
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the company</b>		
Share capital	7,471	7,471
Share premium	3,816	3,816
Capital reserve	2,401	2,401
Exchange fluctuation reserve	(287)	458
Retained earnings	23,457	20,270
	<u>36,858</u>	<u>34,416</u>
<b>Total Equity</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	165	355
Long-term borrowings	985	1,155
	<u>1,150</u>	<u>1,510</u>
<b>Current liabilities</b>		
Amount owing to contract customers	4,553	4,461
Trade payables	17,087	12,652
Other payables and accruals	1,932	2,571
Provision for taxation	513	897
Short term borrowings	172	170
	<u>24,257</u>	<u>20,751</u>
<b>Total liabilities</b>		
	<u>25,407</u>	<u>22,261</u>
	<u><b>62,265</b></u>	<u><b>56,677</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		
<b>Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)</b>	0.4933	0.4607

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 9-Months Period Ended 30 September 2010

	Unaudited 9-months Ended 30/9/2010 RM'000	Unaudited 9-months Ended 30/9/2009 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	5,927	8,387
Adjustments for:-		
Depreciation of property, plant and equipment	722	625
Loss on disposal	3	13
Interest expense	17	40
Writeback of allowance for doubtful debts	-	(21)
Bad Debts written off	20	-
Loss on foreign exchange - unrealised	103	50
Interest income	(182)	(191)
Operating profit before working capital changes	6,610	8,903
Decrease in inventories	618	-
Increase in amounts owing by contract customers, net	(706)	(6,840)
Increase in trade and other receivables	(10,066)	(4,515)
Increase/ (Decrease) in trade and other payables	3,796	(443)
<b>CASH GENERATED FROM/ (USED IN) OPERATIONS</b>	252	(2,895)
Income tax paid	(1,073)	(242)
Interest paid	(17)	(40)
Interest received	182	191
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	(656)	(2,986)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales proceeds from disposal	3	-
Purchase of plant and equipment	(1,449)	(1,077)
Development costs paid	-	(107)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(1,446)	(1,184)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	(2,241)	-
Repayment of lease and hire purchase obligations	(80)	(31)
Repayment of term loan	(87)	(82)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	(2,408)	(113)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(4,510)	(4,283)
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	(788)	94
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	28,140	20,698
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	22,842	16,509

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

Cash and bank balances	9,464	4,898
Fixed deposits	13,378	11,611
	22,842	16,509

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 3rd Quarter Ended 30 September 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 RM'000
<b>As at 1 January 2010</b>	7,471	3,816	2,401	458	20,270	34,416
Total comprehensive income for the period	-	-	-	(745)	5,428	4,683
Dividend paid for the period	-	-	-	-	(2,241)	(2,241)
Total recognised income and expense for the period	-	-	-	(745)	3,187	2,442
<b>As at 30 September 2010</b>	<b>7,471</b>	<b>3,816</b>	<b>2,401</b>	<b>(287)</b>	<b>23,457</b>	<b>36,858</b>
<b>As at 1 January 2009</b>	5,000	599	421	518	15,078	21,616
Capitalisation of retained profits for bonus issued by Subsidiary	-	-	1,980	-	(1,980)	-
Bonus issued	1,500	(599)	-	-	(901)	-
Total comprehensive income for the period	-	-	-	138	6,422	6,560
Total recognised income and expense for the period	1,500	(599)	1,980	138	3,541	6,560
<b>As at 30 September 2009</b>	<b>6,500</b>	<b>-</b>	<b>2,401</b>	<b>656</b>	<b>18,619</b>	<b>28,176</b>

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 SEPTEMBER 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:

<b>FRSs/IC Interpretations</b>	<b>Effective date</b>
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: Group Cash-settled Share-based Payment Transactions	01 January 2011
Amendments to FRS 7: Improving Disclosures about Financial Instruments	01 January 2011
IC Interpretation 4 Determining Whether An Arrangement Contains a Lease	01 January 2011
IC Interpretation 15 Agreements for the Construction of Real Estate	01 January 2012
IC Interpretation 18 Transfers of Assets from Customers	01 January 2011

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

FRS 7, FRS 139 and subsequent Amendments

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

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

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 30/9/10					Eliminations RM'000	Group RM'000
	Malaysia RM'000	China RM'000	Taiwan RM'000	Singapore RM'000	Others RM'000		
Revenue							
- External sales	22,778	12,843	10,585	7,872	-	(285)	53,793
Results:							
Segment results	3,635	657	174	1,320	-	-	5,786
Finance costs	(33)	(4)	(4)	*	-	-	(41)
Interest income	177	4	1	-	-	-	182
Profit before tax							5,927
Income tax expense							(499)
Profit after tax							5,428
Capital expenditure	1,174	43	32	200	-	-	1,449
Depreciation	461	179	63	19	-	-	722
Other non-cash items	2	1	-	-	-	-	3

**KELINGTON GROUP BERHAD ("KGB")**  
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**EXPLANATORY NOTES TO THE QUARTERLY REPORT**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010**

	Year-to-date ended 30/9/09						Group RM'000
	Malaysia RM'000	China RM'000	Taiwan RM'000	Singapore RM'000	Others RM'000	Eliminations RM'000	
Revenue							
- External sales	25,659	6,661	5,790	6,387	171	-	44,668
Results:							
Segment results	6,673	68	199	1,253	43	-	8,236
Finance costs	(23)	(3)	(13)	(1)	-	-	(40)
Interest income	179	11	1	-	-	-	191
Profit before tax							8,387
Income tax expense							(1,965)
Profit after tax							6,422
Capital expenditure	972	60	30	15	-	-	1,077
Depreciation	379	180	64	2	-	-	625
Other non-cash items	-	13	(21)	-	-	-	(8)

Note:

\* - Less than RM1,000

**4. Unusual Items**

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

**7. Dividends Paid**

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 which was approved by the shareholders at the Tenth Annual General Meeting held on 3rd June 2010 has been paid on 12th July 2010.

**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 September 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 SEPTEMBER 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 RM2.7 million on the back of revenue of RM24.5 million. The revenue was 29% higher, as compared to previous corresponding quarter in 2009 mainly due to the higher revenue contribution from Taiwan and China operations. However, the lower Gross Profit margin of the current quarter is mainly due to projects with lower margins.

For the 9 month period ended 30 September 2010, the Group registered a higher revenue of RM53.8 million, which has increased 20% as compared to RM44.7 million in the preceding year.

In line with the increase in revenue from RM15.6 million in the preceeding quarter ended 30 June 2010 to RM24.5 million for the current quarter ended 30 September 2010, the Group has recorded a higher PBT of RM2.7 million for the current quarter under review as compared to PBT of RM2.6 million in the immediate preceeding quarter ended 30 June 2010.

The Group's bottom line remains profitable for the quarter ended 30 September 2010.

**2 Commentary Of Prospects**

Barring any unforeseen circumstances, the Board of Directors of KGB ("**Board**") are of the opinion that the performance of the Group will be satisfactory for the financial year ending 31 December 2010 with the continuous positive outlook of the Semiconductor industry, particularly the Wafer Fabrication, Flat Panel Display and Solar Cell industries.

**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 30/09/10 RM'000	Cummulative Year to date ended 30/09/10 RM'000
Current tax: - for the financial period	(232)	(499)

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) on 22 September 2010, Kenanga Investment Bank Berhad on behalf of the Board, announced that the Company proposed to establish and implement an employees' share option scheme ("**Scheme**" or "**Proposed ESOS**") of up to ten percent (10%) of the issued and paid-up share capital of KGB at any point in time during the existence of the Proposed ESOS, for eligible employees of the Group. The Scheme was subsequently implemented on 2 November 2010.

(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 September 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	(80)	170
Capital expenditure	Within 1 year from the date of Listing	500	(500)	-
Working capital	Within 1 year from the date of Listing	2,641	(1,783)	858
Estimated listing expenses	Within 1 month from the date of Listing	1,755	(1,755)	-
		<u>5,146</u>	<u>(4,118)</u>	<u>1,028</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 September 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	294	-	294
Term Loan	691	-	691
	<u>985</u>	<u>-</u>	<u>985</u>
Total Borrowings	<u>1,157</u>	<u>-</u>	<u>1,157</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

There were no dividends proposed during the current quarter ended 30 September 2010.

## 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-September-10	30-September-09	30-September-10	30-September-09
Profit After Taxation (RM'000)	2,425	3,011	5,428	6,422
Weighted average number of ordinary shares in issue ('000)	74,710	65,000	74,710	65,000
Basic Earnings Per Share (Sen)	3.25	4.63	7.27	9.88
Diluted Earnings Per Share (Sen) *	N/A	N/A	N/A	N/A

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 September 2010.

KGB is sponsored by Kenanga Investment Bank Berhad