

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
 Condensed Consolidated Income Statements
 For The Quarter Ended 30 June 2009

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "**Group**") for the 6- months period ended 30 June 2009 are as follow:-

	Note	Unaudited Current Qtr Ended 30/06/2009 RM'000	Unaudited Previous Qtr Ended 30/06/2008 RM'000	Unaudited 6-months Period up to 30/06/2009 RM'000	Unaudited 6-months Period up to 30/06/2008 RM'000
Revenue		17,005	16,327	25,673	33,236
Cost of sales		(13,052)	(12,904)	(19,504)	(26,974)
Gross profit		3,953	3,423	6,169	6,262
Other income		(11)	164	248	154
Administrative expenses		(815)	(1,382)	(1,554)	(2,542)
Selling and distribution expenses		(91)	(33)	(141)	(111)
Other expenses		(245)	(1)	(284)	(155)
Profit from operations		2,791	2,171	4,438	3,608
Finance costs		(13)	(22)	(28)	(36)
Profit before tax		2,778	2,149	4,410	3,572
Income tax expense	B4	(602)	99	(999)	(174)
Profit after tax for the period		2,176	2,248	3,411	3,398
ATTRIBUTABLE TO: Equity holders of the Company		2,176	2,248	3,411	3,398
Basic earnings per share (sen) #	B12	3.35	3.46	5.25	5.23
Diluted earnings per share (sen)	B12	N/A	N/A	N/A	N/A

Note:

- Based on 65,000,000 shares in issue after bonus issue of 1,500,000 and subdivision of shares from RM1 per share to RM0.10 per ordinary share but before the Proposed Public Issue.

The Condensed Consolidated Income Statements should be read in conjunction with KGB's audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes enclosed to the interim financial statements.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
 Condensed Consolidated Balance Sheet
 As at 30 June 2009

	Unaudited As At 30/06/2009 RM'000	Audited As At 31/12/2008 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	6,119	5,218
Goodwill on consolidation	199	199
Development costs	153	94
	6,471	5,511
Current assets		
Amount owing by contract customers	9,603	7,749
Trade receivables	10,358	10,075
Other receivables, prepayments and deposits	1,356	1,176
Cash and cash equivalents	20,979	20,698
	42,296	39,698
TOTAL ASSETS	48,767	45,209
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the company		
Share capital	5,000	5,000
Share premium	599	599
Capital reserve	2,401	421
Exchange fluctuation reserve	641	518
Retained earnings	16,509	15,078
Total Equity	25,150	21,616
Non-current liabilities		
Deferred tax liabilities	806	812
Long-term borrowings	1,215	848
	2,021	1,660
Current liabilities		
Amount owing to contract customers	9,214	10,049
Trade payables	9,708	8,852
Other payables and accruals	1,442	2,738
Provision for taxation	1,057	231
Short-term borrowings	175	63
	21,596	21,933
Total liabilities	23,617	23,593
TOTAL EQUITY AND LIABILITIES	48,767	45,209
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM) #	0.39	0.33

Note:

- Based on 65,000,000 shares in issue after bonus issue of 1,500,000 and subdivision of shares from RM1 per share to RM0.10 per ordinary share but before the Proposed Public Issue.

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 2008 and the accompanying explanatory notes enclosed to the interim financial statements.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Condensed Consolidated Cash Flow Statements
For The 6-Months Period Ended 30 June 2009

	Unaudited 6-Months Ended 30/06/2009 RM'000	Unaudited 6-Months Ended 30/06/2008 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,410	3,572
Adjustments for:-		
Depreciation of property, plant and equipment	441	270
Equipment written off	9	*
Interest expense	28	36
Loss on foreign exchange - unrealised	-	75
Interest income	(139)	(58)
Writeback of allowance for doubtful debts	(21)	(5)
Operating profit before working capital changes	<u>4,728</u>	<u>3,890</u>
Increase in amounts owing by/to contract customers, net	(2,690)	(2,470)
(Increase)/Decrease in trade and other receivables	(442)	6,978
Decrease in trade and other payables	(439)	(5,986)
CASH FROM OPERATIONS	<u>1,157</u>	<u>2,412</u>
Income tax paid	(173)	(338)
Interest paid	(28)	(36)
Interest received	139	58
NET CASH FROM OPERATING ACTIVITIES	<u>1,095</u>	<u>2,096</u>
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipment	(783)	(536)
Development costs (paid)/received	(59)	4
NET CASH FOR INVESTING ACTIVITIES	<u>(842)</u>	<u>(532)</u>
CASH FOR FINANCING ACTIVITIES		
Repayment of bills payable	-	(1,885)
Repayment of lease and hire purchase obligations	-	(64)
Repayment of term loan	(54)	(35)
NET CASH FOR FINANCING ACTIVITIES	<u>(54)</u>	<u>(1,984)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	199	(420)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	82	319
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	20,698	11,765
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>20,979</u>	<u>11,664</u>

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

Cash and bank balances	10,447	10,227
Fixed deposits	10,532	1,437
	<u>20,979</u>	<u>11,664</u>

Note:

* - Less than RM1,000.

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 2008 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 Quarter Ended 30 June 2009

	<----- Attributable to Equity Holders of the Company ----->					Total RM'000
	<----- Non Distributable ----->			Distributable		
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'001	Exchange Fluctuation Reserve RM'000	Retained Earnings RM'000	
As at 1 January 2009	5,000	599	421	518	15,078	21,616
Currency exchange translation differences	-	-	-	123	-	123
Capitalisation of retained profits for bonus issue by subsidiary	-	-	1,980	-	(1,980)	-
Profit after tax for the period	-	-	-	-	3,411	3,411
Total recognised income and expense for the period	-	-	1,980	123	1,431	3,534
As at 30 June 2009	5,000	599	2,401	641	16,509	25,150
As at 1 January 2008	5,000	599	421	(79)	8,472	14,413
Currency exchange translation differences	-	-	-	338	-	338
Profit after tax for the period	-	-	-	-	3,398	3,398
Total recognised income and expense for the period	-	-	-	338	3,398	3,736
As at 30 June 2008	5,000	599	421	259	11,870	18,149

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with KGB's the audited consolidated financial statements of KGB for the financial year ended 31 December 2008 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 2009**

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 Malavsia**").

The interim financial statements should be read in conjunction with KGB's audited consolidated financial statements for the financial year ended 31 December 2008. 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 financial year ended ("**FYE**") 31 December 2008.

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 financial year ended 31 December 2008.

The Group has not adopted the following FRSs and IC Interpretations that have been issued as at the date of

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

FRS 8	Operating Segments
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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 the Group. This FRS is expected to have no material impact on the financial statements of the 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

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 Group are consistent with the requirements under this new standard.

(iii) Amendments issued and effective for financial periods beginning on or after 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 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 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.

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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.

2. Status of Audit Qualification

There were no audit qualification to the annual audited financial statements of the Group for the FYE 31 December 2008.

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 30/6/09					Group RM'000
	Malaysia RM'000	China RM'000	Taiwan RM'000	Singapore RM'000	Others RM'000	
Revenue						
- External sales	14,146	4,609	4,199	2,548	171	25,673
Results:						
Segment results	3,256	325	394	324	-	4,299
Finance costs	(15)	(3)	(10)	-	-	(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	120	42	2	-	441
Other non-cash items	-	9	(21)	-	-	(12)

	Year-to-date ended 30/6/08					Group RM'000
	Malaysia RM'000	China RM'000	Taiwan RM'000	Singapore RM'000	Others RM'000	
Revenue						
- External sales	11,262	13,127	8,847	-	-	33,236
Results:						
Segment results	1,194	1,784	572	-	-	3,550
Finance costs	(22)	(1)	(13)	-	-	(36)
Interest income	48	9	1	-	-	58
Profit before tax						3,572
Income tax expense						(174)
Profit after tax						3,398
Capital expenditure	185	298	53	-	-	536
Depreciation	164	63	43	-	-	270
Other non-cash items	75	-	(5)	-	-	70

**KELINGTON GROUP BERHAD ("KGB")
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FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2009**

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 30 June 2009.

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

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 2009, all the property, plant and equipment were stated at cost less accumulated depreciation.

9. Movement Debt And Equity Securities

In conjunction with and as an integral part of the listing of KGB on the ACE Market of Bursa Malaysia, the Company is undertaking the following transactions:-

- (a) proposed public issue of 9,710,000 new ordinary shares of RM0.10 each ("**Shares**") at an indicative issue price of RM0.53 per Share ("**Proposed Public Issue**") which will be allocated and allotted in the following manner:-
 - (i) 960,000 new Shares available for application by the public;
 - (ii) 2,809,000 new Shares available for application by eligible employees and business associates of the Group; and
 - (iii) 5,941,000 new Shares by way of private placement to selected investors.
- (b) offer for sale of 9,000,000 Shares at an offer price of RM0.53 per ordinary share available for application by private placement to selected investors.
- (c) admission to the official list of the ACE Market of Bursa Malaysia and listing of and quotation for the entire enlarged issued and paid-up share capital of RM7,471,000 comprising 74,710,000 Shares on the ACE Market of Bursa Malaysia.

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.

**KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2009**

14. Material Subsequent Events

(i) On 11 September 2009, the Company increased its issued and paid-up capital from RM5,000,000 to RM6,500,000 by way of a bonus issue of 1,500,000 new ordinary shares of RM1 each in the ratio of 3 bonus shares for every 10 existing ordinary shares held. The bonus shares were issued by capitalisation of RM599,000 and RM901,000 from the share premium and retained profit accounts respectively. All the new shares issued rank pari passu in all respect with the existing shares of the Company; and

(ii) On 11 September 2009, the Company subdivided the par value of the ordinary shares of the Company from RM1 per ordinary share to RM0.10 per ordinary share.

(iii) The company is undertaking an Initial Public Offering ("**IPO**") exercise. In conjunction with the IPO and pursuant to the Company's Prospectus dated 30 October 2009, the Company carried out the Proposed Public Issue and the entire issued and paid-up share capital of the Company comprising 74,710,000 Shares is targetted be listed on the ACE Market of Bursa Malaysia on 25 November 2009.

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FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2009

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 RM2.8 million on the back of revenue of RM17.0 million. The revenue was slightly higher as compared to previous corresponding quarter in 2008 of RM16.3 million mainly due to increase in revenue contribution from Malaysia operations and the contribution from Singapore operations for the first time.

The higher PBT margin as compared to previous corresponding quarter in 2008 is mainly driven by projects with higher margins.

For the 6 month period ended 30 June 2009, the Group achieved a revenue of RM25.7 million, a decrease of 22.6% as compared to RM33.2 million in preceding year. This was mainly due to lower revenue contribution from China and Taiwan operations, arising from the then weaker semiconductor sector there. Despite the decrease in revenue, the PBT margin is higher for the year to date in 2009 as compared to the preceding year to date 2008 mainly due to projects with higher margins.

The higher administrative expenses of RM2.5 million for the 6 months period ended 30 June 2008, as compared to RM1.6 million for the 6 months period ended 30 June 2008 is due mainly to the recognition and payment of directors' fees and benefits in relation to FYE 31 December 2007 in the 6 months period ended 30 June 2008, as well as the provisioning of the group's bonus expenses for the 6 months period ended 30 June 2008.

In line with the increase in revenue from RM8.7 million in the preceding quarter ended 31 March 2009 to RM17.0 million for the current quarter ended 30 June 2009, the Group has recorded a higher PBT of RM2.8 million for the current quarter under review as compared to PBT of RM1.6 million for the immediate preceding quarter ended 31 March 2009.

2 Commentary Of Prospects

Barring any unforeseen adverse change in global economic climate and market conditions, the Board of Directors of KGB is optimistic about the future prospects of the Group after taking into account the recovering outlook of the Semiconductor industry, particularly Wafer Fabrication, FPD and the solar industries, the Group's competitive advantages and the Group's commitment to implement their future plans and strategies.

3 Profit Forecast and Profit Guarantee

The Company did not announce any profit forecast or profit estimate for the FYE 31 December 2009 in any public document and hence this information is not applicable.

4 Income Tax Expense

	Current quarter ended 30/6/09 RM'000	Cumulative Year to date ended 30/6/09 RM'000
Current tax: - for the financial period	602	999

The tax expense for the current quarter ended 30 June 2009 is derived based on management's best estimate of the tax rate for the financial period. The effective tax rate of the Group for the financial period was lower than the statutory tax rate mainly due to certain income that were exempted from taxation.

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

In conjunction with the IPO and pursuant to the Company's Prospectus dated 30 October 2009, the Company carried out the Proposed Public Issue and the entire issued and paid-up share capital of the Company comprising 74,710,000 Shares is targeted to be listed on the ACE Market of Bursa Malaysia on 25 November 2009.

As at 30 June 2009, the Proposed Public Issue is pending completion and henceforth there was no utilisation of IPO proceeds.

8 Group Borrowings

The Group's borrowings as at 30 June 2009 are as follow:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short-term borrowings:-			
Hire purchase	107	-	107
Term Loan	68	-	68
	<u>175</u>	<u>-</u>	<u>175</u>
Long-term borrowings:-			
Hire purchase	427	-	427
Term Loan	788	-	788
	<u>1,215</u>	<u>-</u>	<u>1,215</u>
Total Borrowings	<u>1,390</u>	<u>-</u>	<u>1,390</u>

All of the 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 2009 up to the date of this quarterly announcement.

11 Dividends Payable

The Board of Directors does not recommend any interim dividends for the current quarter 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-09	30-June-08	30-June-09	30-June-08
Profit After Taxation (RM'000)	2,176	2,248	3,411	3,398
Weighted average number of ordinary shares in issue ('000) #	65,000	65,000	65,000	65,000
Basic Earnings Per Share (Sen)	3.35	3.46	5.25	5.23
Diluted Earnings Per Share (Sen) *	N/A	N/A	N/A	N/A

Note :

* - Not applicable as the Company does not have any dilutive potential ordinary shares at the end of current quarter and cumulative year to date ended 30 June 2009.

- Based on 65,000,000 shares in issue after bonus issue of 1,500,000 and subdivision of shares from RM1 per share to RM0.10 per ordinary shares but before the Proposed Public Issue.