

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Condensed Consolidated Statement of Comprehensive Income
For The 4th Quarter Ended 31 December 2011

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the 12 months period ended 31 December 2011 are as follow:-

	Note	Unaudited Current Qtr Ended 31/12/2011 RM'000	Unaudited Previous Qtr Ended 31/12/2010 RM'000	Unaudited 12-months Period up to 31/12/2011 RM'000	Audited 12-months Period up to 31/12/2010 RM'000
Revenue		45,375	30,716	139,710	84,509
Cost of sales		(38,559)	(25,874)	(118,825)	(68,877)
Gross profit		6,816	4,842	20,885	15,632
Other income		91	183	323	494
Administrative expenses		(2,721)	(1,848)	(9,459)	(6,041)
Selling and distribution expenses		(276)	(206)	(930)	(672)
Other expenses		(406)	(244)	(918)	(718)
Results from operating activities		3,504	2,727	9,901	8,695
Finance costs		(84)	(62)	(142)	(103)
Profit before tax		3,420	2,665	9,759	8,592
Income tax expenses	B5	(376)	445	(1,044)	(54)
Profit for the period		3,044	3,110	8,715	8,538
Other comprehensive Income/ (Expense)					
Foreign currency translation differences for foreign operations		58	271	605	(474)
Total other comprehensive Income/ (Expense)		58	271	605	(474)
Total comprehensive income for the period		3,102	3,381	9,320	8,064
Basic earnings per ordinary share (sen):					
Basic earnings per share (sen)	B13	3.90	4.16	11.17	11.43
Diluted earnings per share (sen)	B13	N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with KGB's audited consolidated financial statements for the financial year ended 31 December 2010 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 31 December 2011

	Unaudited As At 31/12/2011 RM'000	Audited As At 31/12/2010 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	7,688	7,389
Goodwill on consolidation	199	199
Development costs	285	184
	8,172	7,772
Current assets		
Inventories	269	1,044
Amount owing by contract customers	26,251	11,551
Trade receivables	36,422	24,818
Other receivables, prepayments and deposits	2,077	1,513
Tax refundable	446	411
Cash and cash equivalents	25,081	22,140
	90,546	61,477
	98,718	69,249
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the company		
Share capital	7,911	7,471
Share premium	6,236	3,816
Capital reserve	2,401	2,401
Employee share option reserve	350	-
Exchange fluctuation reserve	590	(15)
Retained earnings	32,908	26,566
	50,396	40,239
Total Equity		
Non-current liabilities		
Deferred tax liabilities	524	203
Long-term borrowings	1,150	1,197
	1,674	1,400
Current liabilities		
Amount owing to contract customers	5,396	3,222
Trade payables	34,323	18,693
Other payables and accruals	4,243	3,207
Provision for taxation	1,111	147
Short term borrowings	1,575	2,341
	46,648	27,610
	48,322	29,010
Total liabilities		
	98,718	69,249
TOTAL EQUITY AND LIABILITIES		
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.6458	0.5386

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited consolidated financial statements of KGB for the financial year ended 31 December 2010 and the accompanying explanatory notes enclosed to the interim financial statements.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Condensed Consolidated Statement of Cash Flow
For The 12-Months Period Ended 31 December 2011

	Unaudited 12-Months Ended 31/12/2011 RM'000	Audited 12-Months Ended 31/12/2010 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	9,759	8,592
Adjustments for:-		
Amortisation of development cost	82	17
Depreciation of property, plant and equipment	1,103	889
Equipment written off	3	22
Esos expenses	350	-
(Gain)/ Loss on disposal	(4)	-
(Gain)/ Loss on foreign exchange - unrealised	(172)	93
Interest expense	111	71
Interest income	(258)	(301)
Writeback of impairment loss on receivables	(14)	(14)
	10,960	9,369
Operating profit before working capital changes	10,960	9,369
Decrease in inventory	774	344
Increase in amounts owing by contract customers	(14,700)	(3,770)
Increase/ (Decrease) in amounts owing to contract customers	2,174	(1,239)
Increase in trade and other receivables	(12,167)	(13,573)
Increase in trade and other payables	17,175	6,677
	4,216	(2,192)
CASH FROM OPERATIONS	4,216	(2,192)
Income tax paid	(129)	(1,367)
Interest paid	(111)	(71)
Interest received	258	301
	4,234	(3,329)
NET CASH FROM/ (FOR) OPERATING ACTIVITIES	4,234	(3,329)
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(1,136)	(1,903)
Development costs paid	(183)	-
Proceeds from disposal	71	-
	(1,248)	(1,903)
NET CASH FOR INVESTING ACTIVITIES	(1,248)	(1,903)
CASH FOR FINANCING ACTIVITIES		
Dividend paid	(2,373)	(2,241)
Drawdown/ (Repayment) of trust receipts	(2,122)	2,122
Repayment of hire purchase obligations	(221)	(107)
Drawdown/ (Repayment) of borrowing	1,223	(66)
Proceeds from private placement	2,860	-
	(633)	(292)
NET CASH FOR FINANCING ACTIVITIES	(633)	(292)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	2,353	(5,524)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	588	(476)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	22,140	28,140
	25,081	22,140
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	25,081	22,140

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

Cash and bank balances	14,212	9,593
Fixed deposits	10,869	12,547
	25,081	22,140

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited consolidated financial statements of KGB for the year ended 31 December 2010 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 4th Quarter Ended 31 December 2011

	<----- Attributable to Equity Holders of the Company ----->					<----- Non Distributable ----->		Distributable	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Employee Share Option Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Earnings RM'000			
As at 1 January 2011	7,471	3,816	2,401	-	(15)	26,566		40,239	
Total comprehensive income for the year	-	-	-	-	605	8,715		9,320	
Shares issued via private placement	440	2,420	-	-	-	-		2,860	
Employee share option reserve	-	-	-	350	-	-		350	
Dividend paid for the period	-	-	-	-	-	(2,373)		(2,373)	
Total recognised income and expense for the year	440	2,420	-	350	605	6,342		10,157	
As at 31 December 2011	7,911	6,236	2,401	350	590	32,908		50,396	
As at 1 January 2010	7,471	3,816	2,401	-	458	20,270		34,416	
Total comprehensive income for the year	-	-	-	-	(473)	8,537		8,064	
Dividend paid for the period	-	-	-	-	-	(2,241)		(2,241)	
Total recognised income and expense for the period	-	-	-	-	(473)	6,296		5,823	
As at 31 December 2010	7,471	3,816	2,401	-	(15)	26,566		40,239	

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with KGB's audited consolidated financial statements for the financial year ended 31 December 2010 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 31 DECEMBER 2011**

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 Appendix 9B of the 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 2010. 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 31 December 2010.

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 2010.

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
FRS 9 Financial Instruments	01 January 2013
FRS 10 Consolidated Financial Statements	01 January 2013
FRS 11 Joint Arrangements	01 January 2013
FRS 12 Disclosure of Interests in Other Entities	01 January 2013
FRS 13 Fair Value Measurement	01 January 2013
FRS 119 (Revised) Employee Benefits	01 January 2013
FRS 124 (Revised) Related Party Disclosures	01 January 2012
FRS 127 (2011) Separate Financial Statements	01 January 2013
FRS 128 (2011) Investments in Associates and Joint Ventures	01 January 2013
Amendments to FRS 1 (Revised): Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	01 January 2012
Amendments to FRS 7: Disclosures – Transfers of Financial Assets	01 January 2012
Amendments to FRS 101 (Revised): Presentation of Items of Other Comprehensive Income	01 July 2012
Amendments to FRS 112: Recovery of Underlying Assets	01 January 2012
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	01 July 2011
IC Interpretation 15 Agreements for the Construction of Real Estate	Withdrawn on 19 November 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	01 July 2011
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	01 January 2013

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

FRS 10 Consolidated Financial Statements

FRS 10 replaces the consolidation guidance in FRS 127 and IC Interpretation 121. Under FRS 10, there is only one basis for consolidation, which is control. Extensive guidance has been provided in the standard to assist in the determination of control.

FRS 12 Disclosure of Interests in Other Entities

FRS 12 is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. FRS 12 is a disclosure standard and the disclosure requirements in this standard are more extensive than those in the current standards. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

FRS 124 (Revised) Related Party Disclosures

Generally there will be no impact as it modifies the definition of a related party and simplifies disclosure for government-related entities.

Amendments to FRS 101 (Revised): Presentation of Items of Other Comprehensive Income

The amendments to FRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. In addition, items presented in other comprehensive income section are to be grouped based on whether they are potentially re-classifiable to profit or loss subsequently i.e. those that might be reclassified and those that will not be reclassified. Income tax on items of other comprehensive income is required to be allocated on the same basis. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

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 2010.

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.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2011

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.

	Malaysia RM'000	China RM'000	Taiwan RM'000	Year-to-date ended Singapore RM'000	31/12/11 Vietnam RM'000	Other RM'000	Eliminations RM'000	Group RM'000
Revenue								
- External sales	44,198	28,314	34,857	29,010	4,686	1,703	(3,058)	139,710
Results:								
Segment results	3,745	975	1,808	1,858	633	624	-	9,643
Finance costs	(109)	(18)	(14)	(1)	-	-	-	(142)
Interest income	255	-	3	-	-	-	-	258
Profit before tax								9,759
Income tax expense								(1,044)
Profit after tax								8,715
Capital expenditure	1,017	51	118	256	-	-	-	1,442
Depreciation	687	248	58	110	-	-	-	1,103
Other non-cash items	301	48	52	34	-	-	-	435

	Malaysia RM'000	China RM'000	Taiwan RM'000	Year-to-date ended Singapore RM'000	31/12/10 Vietnam RM'000	Other RM'000	Eliminations RM'000	Group RM'000
Revenue								
- External sales	41,312	16,692	15,907	11,177	-	-	(579)	84,509
Results:								
Segment results	5,983	489	473	1,458	-	-	-	8,403
Finance costs	(89)	(6)	(8)	*	-	-	-	(103)
Interest income	290	-	2	*	-	-	-	292
Profit before tax								8,592
Income tax expense								(54)
Profit after tax								8,538
Capital expenditure	1,901	78	51	207	-	-	-	2,237
Depreciation	552	241	76	20	-	-	-	889
Other non-cash items	36	2	-	-	-	-	-	38

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 31 December 2011.

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 current quarter under review. As at 31 December 2011, 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.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2011

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

Contingent liabilities of the Group as at 31 December 2011 are as follows:

	Bank	Insurance
	RM'000	RM'000
Corporate guarantee given to licensed financial institutions in respect of the following facilities utilised by the Company and subsidiaries:		
- Warranty bond	330	-
- Performance bond	475	2,489
Total	<u>805</u>	<u>2,489</u>

14. Material Subsequent Events

Subsequent to the financial year ended 31 December 2011,

(i) On 17 January 2012, Bursa Malaysia Securities Berhad ("**Bursa Malaysia**") had approved the transfer of the Company's entire issued and paid up share capital from the ACE Market to the Main Market of Bursa Malaysia. The Transfer Listing was completed on 27 January 2012.

(ii) On 14 February 2012, the Board of Directors of KGB had announced that Kelington Engineering (S) Pte Ltd, a wholly-owned subsidiary of KGB, had on 14 February 2012 entered into a Sale and Purchase Agreement to acquire Puritec Technologies (S) Pte Ltd for a cash consideration of SGD2,100,000 or its equivalent of RM5,069,400.

**KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2011**

B. Additional information required by the Bursa Malaysia's Listing Requirements

1 Review Of Performance

(a) Current Year-to date vs. Previous Year-to date

During the financial year ended 31 December 2011, the Group has registered a higher revenue at RM139.71 million or 65.32% increase as compared to the previous corresponding period of RM84.51 million due to higher revenue contribution from all countries. The Group's profit before taxation ("PBT") improved by RM1.17 million or 13.58% to RM9.76 million. The improved PBT was mainly due to the increase in projects from Singapore operations and Taiwan operations. However the Group's profit margin had reduced to 6.24% as compared to the previous corresponding period of 10.10%. This is mainly due to projects undertaken with lower margins in Malaysia, Singapore, China and increase in administrative expenses which consist of corporate exercise expenses and employee share option expenses of approximately RM0.76 million. Besides these, the increase in administrative expenses was mainly due to increase in personnel costs resulting from higher business volume.

Performance of the respective geographical segments for the year ended 31 December 2011 as compared to the previous year is analysed as follows: -

- 1) Malaysia operations - The decrease in PBT by RM2.29 million (-37.08%) was mainly due to the overall reduction in project margins and an increase in administrative expenses which comprise of corporate exercise expenses such as transfer listing, private placement and employee share option scheme.
- 2) China operations - China operations managed to register a higher PBT by RM0.47 million (98.14%) to RM0.96 million, mainly due to an increase in number of projects by customers from the Wafer Fabrication, TFT-LCD, Solar and LED industries.
- 3) Taiwan operations - PBT increased by RM1.33 million (284.80%) to RM1.80 million, mainly due to an increase of key projects undertaken, including one Key Base Build project for a touch panel application.
- 4) Singapore operations - PBT increased by RM0.40 million (27.37%) to RM1.86 million, as a result of increased activities during the financial year 2011.
- 5) Others - During the financial year 2011, the Group has secured our first project in Vietnam which marked our Group's first foray into Vietnam. Together with another Indonesia project, both of these projects contributed RM6.39 million or 4.6% to our overall Group revenue.

(b) Current Quarter vs. Previous Year Corresponding Quarter

For the 4th quarter ended 31 December 2011, the Group has achieved a higher revenue at RM45.38 million or an increase of 47.72% as compared to the previous year corresponding quarter ended 31 December 2010. The Group's PBT increased by RM0.76 million or 28.33% to RM3.42 million. The improved performance was mainly due to higher contribution from China, Taiwan, Singapore as well as other projects in Vietnam and Indonesia as compared to the previous year corresponding quarter. This was partially offset by higher administrative expenses on increase in personnel costs resulting from higher business volume.

Performance of the respective geographical segments for the 4th quarter ended 31 December 2011 as compared to the previous corresponding quarter is analysed as follows: -

- 1) Malaysia operations - The decrease in PBT by RM1.58 million (-65.57%) to RM0.83 million was mainly due to the overall reduction in project margins but increase in administrative expenses which comprises employee share option scheme expenses.
- 2) China operations - During the current quarter, PBT increase to RM0.84 million from a loss of RM0.17 million in the previous year corresponding quarter, mainly due to an increase in number of projects undertaken during the year and contributed to the quarter ended 31 December 2011.
- 3) Taiwan operations - PBT increased by RM0.62 million (210.81%) to RM0.92 million, mainly due to an increase of key projects undertaken, which contributed to the performance of quarter ended 31 December 2011.
- 4) Singapore operations - PBT increased by RM0.18 million (126.81%) to RM0.31 million, as a result of the two key projects undertaken during the current quarter under review.
- 5) Others - The Indonesia project completed during the quarter ended 31 December 2011, majority of its profit was recognised during this quarter.

(c) Variation of Results Against Preceding Quarter

The Group's PBT of RM3.42 million for the 4th quarter ended 31 December 2011 shows an increase of RM1.48 million or 76.11% as compared to the PBT of RM1.94 million for the preceding quarter ended 30 September 2011. The improved performance is mainly due to the improvement in profits recognised from the key projects undertaken in China and Taiwan operations as well as the Indonesia project which is mentioned in note b (5) of section 1 above.

2 Commentary Of Prospects

Global economic conditions in 2012 are expected to remain increasingly challenging. However, growth momentum in Asia and other emerging and developing economies is expected to continue.

The Group will continue seeking opportunities to diversify into other industries which will allow the Group to maintain growth with healthy profit margins. KGB is optimistic that results of operations of KGB Group will remain profitable in the FYE2012.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2011

3 Profit Forecast and Profit Guarantee

The Company did not announce any profit forecast or profit estimate for the FYE 31 December 2011 in any public document and hence this information is not applicable.

4 Profit for the Period

	Quarter ended		Year-to-date ended	
	31/12/2011 RM'000	31/12/2010 RM'000	31/12/2011 RM'000	31/12/2010 RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	99	119	258	301
Interest expense	(71)	(54)	(111)	(71)
Depreciation and amortisation	(379)	(184)	(1,185)	(906)
Foreign exchange gain/ (loss)	(16)	10	172	(93)

Save as disclosed above, the other items as required under Appendix 9B, Part A(16) of the Bursa Listing Requirements are not applicable.

5 Income Tax Expense

	Current quarter ended 31/12/11 RM'000	Cumulative Year to date ended 31/12/11 RM'000
Current tax: - for the financial period	376	1,044

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.

6 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.

7 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.

8 Corporate Proposal

On 28 February 2011, Kenanga Investment Bank Berhad ("**KIBB**") on behalf of the Board, announced that the Company proposed to undertake a private placement of up to 10% of the issued and paid-up share capital of the Company ("**Proposed Private Placement**"). The Proposed Private Placement will entail the issuance of up to 7,471,000 ordinary shares of KGB at RM0.10 each ("**Shares**") at an issue price of not more than 10% discount to the weighted average market price of the Company's Shares for the 5 market days immediately before the price fixing date. The Proposed Private Placement is deemed completed as at 22 September 2011 pursuant to Paragraph 6.60(1) of the ACE Market Listing Requirements of Bursa Malaysia.

Pursuant to the Proposed Private Placement, 4,400,000 Shares have been issued at RM0.65 per Share and RM2.86 million was raised as at 31 March 2011. Status of utilisation of proceeds as at 31 December 2011 derived from the Proposed Private Placement are as follows:-

Description	Intended Timeframe for utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000
Working capital	Within 1 year from the date of receipt of private placement proceeds	2,860	2,860	-

As at 31 Dec 2011, the Company had fully utilised its Private Placement proceeds.

9 Group Borrowings

The Group's borrowings as at 31 December 2011 are as follow:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short-term borrowings:-			
Hire purchase	221	-	221
Term Loan	1,354	-	1,354
	1,575	-	1,575
Long-term borrowings:-			
Hire purchase	507	-	507
Term Loan	643	-	643
	1,150	-	1,150
Total Borrowings	2,725	-	2,725

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

**KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2011**

10 Off Balance Sheet Financial Instruments

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

11 Material Litigation

Save as disclosed below, as at the date of this quarterly report, neither KGB nor any of its subsidiaries is engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board has no knowledge of any proceedings pending or threatened against the Company and/or its subsidiaries or of any fact likely to give rise to any proceedings, which may materially or adversely affect the financial position or business of the Group:-

In the High Court of the Republic of Singapore Suit No.: 674 of 2011/C

Envipure Pte Ltd and Envipure Sdn Bhd (collectively the "**Plaintiffs**") v Puritec Technologies (S) Pte Ltd ("**Puritec**"), Milestone Master Sdn Bhd ("**Milestone**"), Gaw Chin Hian, Tan Kim Hoe, Peter Lee Wai Seng, Tan Yet Hoong, Yeo Teck Jen, Chen Li Yun, Tan Kian Ling, and Kelington Engineering (S) Pte Ltd ("**KE Singapore**") (collectively the "**Defendants**").

The Plaintiffs had on 5 October 2011 served KE Singapore with a Writ of Summons and Summons (Ex Parte Injunction) dated 29 September 2011 and an Injunction Order dated 30 September 2011.

The Plaintiffs alleged, amongst other things, that KE Singapore had conspired by unlawful means to replicate the Facilities Engineering Services Division ("**FES**") of the Plaintiffs, by diverting the FES business, key employees and customers to Puritec and Milestone, and used the Plaintiffs' confidential information, to gain an illegitimate commercial advantage for KE Singapore over the Plaintiffs. Puritec and Milestone are the subcontractors engaged by the Group for projects undertaken in Singapore and Malaysia, respectively.

The Plaintiffs are seeking for certain declarations and orders including, that the Defendants, jointly and severally:-

(i) be liable to account for the loss suffered by the Plaintiffs arising from the diversion of the Plaintiffs' direct customers / projects, loss of confidence in data / project / quotation secretly published, loss of goodwill, business contacts, business contracts, propriety information;

(ii) be liable to the Plaintiffs in damages for conspiracy, to be assessed;

(iii) deliver up to the Plaintiffs or cause to be delivered up all confidential information belonging to the Plaintiffs or to the Plaintiffs' customers, which was removed from the Plaintiffs and which are in the Defendants' possession, power custody or control and any copies or reproductions of the same, and that the same be permanently deleted from any electronic data storing such information; and

(iv) be liable to deliver, upon oath to the Plaintiffs all of the Plaintiffs property and / or propriety and confidential information and / or trade secrets in whatever form in the custody, possession, power or control of the Defendants.

Further to the announcement made on 6 October 2011, the Board of Directors of KGB has announced that KE Singapore, a wholly-owned subsidiary of the Company, has on 10 February 2012 entered into a Deed of Resolution with the parties and has mutually reached an amicable settlement in relation to the legal proceeding upon and subject to the terms and conditions stated in the Deed.

Each party shall bear its own costs and expenses (including all legal and other professional costs, disbursements and expenses) in connection with the Suit and the Claims relating to the Suit, and the negotiation, preparation, execution and implementation of this Deed.

12 Dividends Payable

There were no dividends proposed during the current quarter ended 31 December 2011.

13 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	
	31-December-11	31-December-10	31-December-11	31-December-10
Profit After Taxation (RM'000)	3,044	3,110	8,715	8,538
Weighted average number of ordinary shares in issue ('000) *	78,037	74,710	78,037	74,710
Basic Earnings Per Share (Sen)	3.90	4.16	11.17	11.43
Diluted Earnings Per Share (Sen) #	N/A	N/A	N/A	N/A

Note :

* - Taking into account 4,400,000 Shares issued pursuant to the Proposed Private Placement

- 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 31 December 2011.

14 DISCLOSURE OF REALISED AND UNREALISED PROFITS/ LOSSES

	Cumulative Year to date ended 31/12/11 RM'000	Cumulative Year to date ended 31/12/10 RM'000
Total retained profits of KGB:		
- Realised	33,244	26,862
- Unrealised	(336)	(296)
Total group retained profits as per consolidated accounts	32,908	26,566