

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Condensed Consolidated Statement of Comprehensive Income
For The 2nd Quarter Ended 30 June 2012

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "**Group**") for the 6 months period ended 30 June 2012 are as follow:-

	Note	Unaudited Current Qtr Ended 30/6/2012 RM'000	Unaudited Previous Qtr Ended 30/6/2011 RM'000	Unaudited 6-months Period up to 30/6/2012 RM'000	Unaudited 6-months Period up to 30/6/2011 RM'000
Revenue		24,065	36,750	50,788	56,170
Cost of sales		(19,657)	(30,973)	(42,441)	(47,677)
Gross profit		4,408	5,777	8,347	8,493
Other income		26	103	153	193
Administrative expenses		(2,382)	(1,869)	(4,795)	(3,470)
Selling and distribution expenses		(167)	(208)	(379)	(472)
Other expenses		9	(181)	(390)	(304)
Results from operating activities		1,894	3,622	2,936	4,440
Finance costs		(76)	(27)	(127)	(43)
Profit before tax		1,818	3,595	2,809	4,397
Income tax expenses	B5	(139)	(222)	(328)	(237)
Profit for the period		1,679	3,373	2,481	4,160
Other comprehensive Income					
Foreign currency translation differences for foreign operations		578	92	274	92
Total other comprehensive income		578	92	274	92
Total comprehensive income for the period		2,257	3,465	2,755	4,252
Basic earnings per ordinary share (sen):					
Basic earnings per share (sen)	B13	2.12	4.26	3.13	5.26
Diluted earnings per share (sen)	B13	2.07	3.91	3.05	4.82

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 2011 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 2012

	Unaudited As At 30/6/2012 RM'000	Audited As At 31/12/2011 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	7,759	7,683
Goodwill on consolidation	4,887	199
Intangible assets	175	-
Development costs	255	285
Other receivables	3,147	-
	16,223	8,167
Current assets		
Inventories	2,216	270
Amount owing by contract customers	20,616	26,312
Trade receivables	22,731	36,793
Other receivables, prepayments and deposits	2,524	1,714
Tax refundable	663	383
Cash and cash equivalents	23,970	25,233
	72,720	90,705
TOTAL ASSETS	88,943	98,872
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the company		
Share capital	7,965	7,911
Share premium	6,550	6,236
Capital reserve	2,501	2,501
Employee share option reserve	350	350
Exchange fluctuation reserve	856	582
Retained earnings	35,302	32,821
Total Equity	53,524	50,401
Non-current liabilities		
Deferred tax liabilities	531	524
Long-term borrowings	974	1,178
	1,505	1,702
Current liabilities		
Amount owing to contract customers	5,245	5,575
Trade payables	22,979	34,156
Other payables and accruals	4,736	4,386
Provision for taxation	637	1,048
Short term borrowings	317	1,604
	33,914	46,769
Total liabilities	35,419	48,471
TOTAL EQUITY AND LIABILITIES	88,943	98,872
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.6759	0.6371

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 2011 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 2012

	<----- Attributable to Equity Holders of the Company ----->						Distributable	Total RM'000
	<----- Non Distributable ----->					Retained Earnings 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			
As at 1 January 2012	7,911	6,236	2,501	350	582	32,821	50,401	
Total comprehensive income for the year	-	-	-	-	274	2,481	2,755	
Issuance of shares pursuant to ESOS exercise	54	314	-	-	-	-	368	
Total recognised income and expense for the year	54	314	-	-	274	2,481	3,123	
As at 30 June 2012	7,965	6,550	2,501	350	856	35,302	53,524	
As at 1 January 2011	7,471	3,816	2,401	-	(15)	26,566	40,239	
Total comprehensive income for the year	-	-	-	-	92	4,160	4,252	
Shares issued via private placement	440	2,420	-	-	-	-	2,860	
Total recognised income and expense for the period	440	2,420	-	-	92	4,160	7,112	
As at 30 June 2011	7,911	6,236	2,401	-	77	30,726	47,351	

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 2011 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 6-Months Period Ended 30 June 2012

	Unaudited 6-Months Ended 30/6/2012 RM'000	Unaudited 6-Months Ended 30/6/2011 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	2,809	4,397
Adjustments for:-		
Amortisation of development cost	64	33
Depreciation of property, plant and equipment	567	495
Equipment written off	1	1
Loss on disposal	-	4
(Gain)/Loss on foreign exchange - unrealised	(36)	39
Interest expense	89	27
Interest income	(30)	(132)
Operating profit before working capital changes	<u>3,464</u>	<u>4,864</u>
Increase in inventory	(1,946)	(480)
Decrease/ (Increase) in amounts owing by contract customers	5,696	(2,263)
(Decrease)/ Increase in amounts owing to contract customers	(330)	1,622
Decrease/ (Increase) in trade and other receivables	12,372	(6,827)
(Decrease)/ Increase in trade and other payables	<u>(13,603)</u>	<u>5,800</u>
CASH FROM OPERATIONS	<u>5,653</u>	<u>2,716</u>
Income tax paid	(1,019)	(75)
Interest paid	(89)	(27)
Interest received	30	132
NET CASH FROM OPERATING ACTIVITIES	<u>4,575</u>	<u>2,746</u>
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(410)	(626)
Development costs paid	(34)	(179)
Net cash outflow on acquisition of a subsidiary (Note 1)	(4,536)	-
Proceeds from disposal	-	46
NET CASH FOR INVESTING ACTIVITIES	<u>(4,980)</u>	<u>(759)</u>
CASH FOR FINANCING ACTIVITIES		
Repayment of factoring loan	(1,288)	-
Repayment of trust receipts	-	(2,122)
Repayment of lease and hire purchase obligations	(168)	(111)
Repayment of term loan	(35)	(53)
Proceeds from private placement	-	2,860
Proceeds from ESOS exercise	368	-
NET CASH (FOR)/FROM FINANCING ACTIVITIES	<u>(1,123)</u>	<u>574</u>
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(1,528)	2,561
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	265	90
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	25,233	22,140
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>23,970</u>	<u>24,791</u>

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

Cash and bank balances	21,438	18,495
Fixed deposits	2,532	6,296
	<u>23,970</u>	<u>24,791</u>

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 2011 and the accompanying explanatory notes enclosed to the interim financial statements.

Note 1

On 14 February 2012, Kelington Engineering (S) Pte Ltd, a wholly-owned subsidiary of KGB had acquired 100,000 shares, representing a 100% equity interest, in Puritec Technologies (S) Pte Ltd for a total cash consideration of SGD2,100,000 or its equivalent of RM5,069,400.

The fair value of the net assets acquired and cash flow arising from the acquisition as at acquisition date is as follows: -

	RM'000
Property, plant and equipments	217
Intangible asset	169
Trade and other receivables	2,280
Cash and cash equivalents	508
Trade and other payables	<u>(2,803)</u>
Net Assets	371
Goodwill	4,688
Exchange difference on purchase consideration	9
Purchase consideration	<u>5,068</u>
Cash and cash equivalents of a subsidiary acquired	(508)
Exchange difference	<u>(24)</u>
Net cash outflow on acquisition in a subsidiary company	<u>4,536</u>

KELINGTON GROUP BERHAD ("KGB")
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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012

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 2011. 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 2011.

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 2011.

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 2015
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 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	01 January 2013
Amendments to FRS 9: Mandatory Effective Date of FRS 9 and Transition Disclosures	01 January 2015
Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities	01 January 2014
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	01 January 2013

The Group's financial statements for the annual period beginning on 1 January 2012 is prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the MASB that will also comply with International Financial Reporting Standards ("IFRSs"). The Group's condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS framework annual financial statements and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied. The adoptions of these accounting standards and interpretations have no significant impact on the interim financial statements.

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 2011.

3. Segmental Information

The operating segments reporting is not presented as the Group principally involved in the business of providing engineering services and general trading specifically in the provision of ultra-high purity gas and chemical delivery systems solutions.

Geographical information

In presenting information on the basis of geographical segments, segment revenue and results are based on the geographical location of customers. The carrying value of segment assets are based on the geographical location of the assets.

	Revenue		Profit Before Tax		Non-current Assets	
	30/6/2012	30/6/2011	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	16,299	20,996	1,778	2,992	6,733	7,322
China	6,762	12,575	677	(238)	472	557
Taiwan	15,808	8,280	752	91	242	204
Singapore	11,897	11,163	(404)	1,076	8,776	236
Vietnam	22	3,156	6	476	-	-
	50,788	56,170	2,809	4,397	16,223	8,319

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 30 June 2012.

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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 30 June 2012, all the property, plant and equipment were stated at cost less accumulated depreciation.

9. Movement of Debt And Equity Securities

Other than the issuance of new shares as shown below pursuant to the ESOS exercise, there were no issuance, cancellation, resale and repayment of debt and equity securities for the current quarter under review.

Employee's Shares Option Scheme ("ESOS")

	No. of Shares of RM0.10	Ordinary Shares (RM'000)	Share Premium (RM'000)
As at 1 April 2012	79,110,000	7,911	6,236
Issued at RM0.68 per share pursuant to ESOS on:			
- 10 May 2012	495,200	50	287
- 4 June 2012	46,700	5	27
As at 30 June 2012	79,651,900	7,965	6,550

10. Changes in Composition of the Group

There were no changes 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

Contingent liabilities of the Group as at 30 June 2012 are as follows:

	Bank	Insurance
	RM'000	RM'000
Performance bond and warranty bond granted to contract customers:		
- Warranty bond	409	546
- Performance bond	2,411	-
Total	2,820	546

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FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012

14. Material Subsequent Events

Subsequent to the quarter ended 30 June 2012,

(i) Share Buy Back

On 2 July 2012, the Company repurchased 1,000 of its issued share capital from the open market at the cost of RM1.17 per share. The total consideration paid for the share buy-back of KGB shares, including transaction costs was RM1,212 and was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A subsection 3(A) (b) of the Companies Act,

(ii) Acquisition of Lunar Etnik Construction Sdn Bhd

On 25 July 2012, the Board of Directors of KGB had announced that the Company had acquired two (2) ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital in Lunar Etnik Construction Sdn Bhd ("**LEC**") for a cash consideration of RM2.00.

LEC was incorporated on 17 February 2012 and its intended principal activity is to provide engineering services and general trading. Subsequent to the above acquisition, LEC will become a wholly owned subsidiary of KGB.

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FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012

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

1 Review Of Performance

(a) Current Quarter vs. Previous Year Corresponding Quarter

For the quarter ended 30 June 2012, the Group's revenue declined by 34.52% to RM24.07 million. Revenue contributions from the Malaysia, China, Singapore and Vietnam operations decreased due to the timing of the delivery of the projects in hand which had been completed in the first quarter of 2012. New projects recently secured are expected to contribute positively to the Group's revenue in the near future. Revenue from Taiwan operations increased by 35.74% to RM6.78 million from RM5.00 million in the previous year's corresponding period due to an increase of projects undertaken including one key base build project for a touch screen panel application.

The Group's profit before tax (PBT) decreased by 49.43% to RM1.82 million due to an increase in administrative expenses such as increase in personnel costs and integration costs of newly acquired subsidiary, Puritec Technologies (S) Pte Ltd.

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

For the financial period ended 30 June 2012, the Group's revenue declined by 9.58% to RM50.79 million as compared to RM56.17 million reported in the previous year's corresponding period. This was mainly due to the reasons as stated above.

PBT declined by 36.12% to RM2.8 million as compared to RM4.40 million in the previous year's corresponding period. In addition to the reasons stated above, the Group had also incurred one-off transfer listing expenses in the first quarter of 2012.

(c) Variation of Results Against Preceding Quarter

For the quarter ended 30 June 2012, the Group's revenue of RM24.07 million represents a decrease of 9.95% as compared to the preceding quarter's revenue of RM26.72 million. However, despite the decrease in revenue, the Group's PBT increased by RM0.83 million or 83.45% to RM1.82 million as compared to the PBT of RM0.99 million reported in the preceding quarter. This is mainly due to the more favourable project mix in the current quarter which carries higher margins.

2 Commentary Of Prospects

In line with the Group's expansion plan, the Group is embarking on a horizontal integration strategy to acquire strategic companies that contribute synergistic benefits to the Group. The acquisition of Puritec Technologies (S) Pte Ltd, a company which specializes in the design and installation of delivery systems for exhaust, a waste material produced by high-technology manufacturers during production processes, provides the Group with an additional service offering to its clients.

Moving forward, the Group will continue to focus and expand on the existing revenue generating businesses and seek opportunities to grow its business, both locally and overseas, by diversifying its capacity.

3 Profit Forecast and Profit Guarantee

The Company did not announce any profit forecast or profit estimate for the FYE 31 December 2012 in any public document and hence this information is not applicable.

4 Profit for the Period

	Quarter ended		Year-to-date ended	
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	5	75	30	132
Interest expense	(62)	(12)	(89)	(27)
Depreciation and amortisation	(321)	(267)	(631)	(528)
Foreign exchange gain or (loss)	199	(19)	36	(39)

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

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5 Income Tax Expense

	Current quarter ended 30/6/12 RM'000	Cumulative Year to date ended 30/6/12 RM'000
Current tax: - for the financial period	139	328

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 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

Save as disclosed in the following, there were no outstanding corporate proposals announced but not completed as at the current quarter under review:-

Bonus Issue

On 8 May 2012, TA Securities Holdings Berhad, on behalf of the board of directors of KGB, announce that the Company proposed to undertake a bonus issue of up to 86,190,000 Bonus Share on the basis of one (1) Bonus Share for every one (1) existing KGB Share held on an entitlement date to be determined and announced later.

Approval has been obtained from shareholders at the Annual General Meeting held on 25 June 2012.

On 20 July 2012, the Board of Directors has determined the Entitlement Date for the Bonus Issue to be on 8 August 2012, at 5.00 p.m. The Bonus Issue was deemed to be completed on 9 August 2012.

9 Group Borrowings

The Group's borrowings as at 30 June 2012 are as follow:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short-term borrowings:-			
Hire purchase	243		243
Term Loan	74	-	74
	<u>317</u>	<u>-</u>	<u>317</u>
Long-term borrowings:-			
Hire purchase	374	-	374
Term Loan	600	-	600
	<u>974</u>	<u>-</u>	<u>974</u>
Total Borrowings	<u>1,291</u>	<u>-</u>	<u>1,291</u>

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

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

There was no pending material litigation from 1 April 2012 up to the date of this quarterly announcement.

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12 Dividends Payable

The proposed payment of a final tax-exempt dividend of 4 sen per ordinary share amounting to RM3,186,036 in respect of the FYE 31 December 2011 (FYE 31 December 2010: 3 sen per ordinary share) had been approved by the shareholders of KGB during the Twelfth Annual General Meeting of KGB which was held on 25 June 2012. The dividend was paid on 8 August 2012.

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	
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
Profit After Taxation (RM'000)	1,679	3,373	2,481	4,160
Weighted average number of ordinary shares in issue ('000)	79,184	79,110	79,184	79,110
Basic Earnings Per Share (Sen)	2.12	4.26	3.13	5.26
Diluted Earnings Per Share (Sen) #	2.07	3.91	3.05	4.82

Note :

- Assuming the full exercise of 7,232,000 share options under Employees' Share Option Scheme.

14 DISCLOSURE OF REALISED AND UNREALISED PROFITS/ LOSSES

	Cumulative	Cumulative
	Year to date	Year to date
	ended 30/6/12	ended 30/6/11
	RM'000	RM'000
Total retained profits of KGB:		
- Realised	35,797	30,968
- Unrealised	(495)	(242)
Total group retained profits as per consolidated accounts	35,302	30,726