

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Condensed Consolidated Statement of Comprehensive Income
For The 1st Quarter Ended 31 March 2013

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the 3 months period ended 31 March 2013 are as follow:-

	Note	Unaudited Current Qtr Ended 31/3/2013 RM'000	Unaudited Previous Qtr Ended 31/3/2012 RM'000	Unaudited 3-months Period up to 31/3/2013 RM'000	Unaudited 3-months Period up to 31/3/2012 RM'000
Revenue		24,017	26,723	24,017	26,723
Cost of sales		(19,993)	(22,784)	(19,993)	(22,784)
Gross profit		4,024	3,939	4,024	3,939
Other income		37	127	37	127
Administrative expenses		(2,356)	(2,413)	(2,356)	(2,413)
Selling and distribution expenses		(257)	(212)	(257)	(212)
Other expenses		(280)	(399)	(280)	(399)
Results from operating activities		1,168	1,042	1,168	1,042
Finance costs		(171)	(51)	(171)	(51)
Profit before taxation for the financial period		997	991	997	991
Income tax expenses	B5	(186)	(189)	(186)	(189)
Profit after taxation for the financial period		811	802	811	802
Other comprehensive Income, net of tax					
Foreign currency translation		80	(304)	80	(304)
		80	(304)	80	(304)
Total comprehensive income for the period		891	498	891	498
Basic earnings per ordinary share (sen):					
Basic earnings per share (sen)	B10	0.51	1.01	0.51	1.01
Diluted earnings per share (sen)	B10	0.49	0.99	0.49	0.99

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 2012 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 March 2013

	Unaudited As At 31/3/2013 RM'000	Audited As At 31/12/2012 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	7,081	7,282
Goodwill on consolidation	5,063	5,056
Development costs	162	194
Other receivables	2,433	2,420
	14,739	14,952
Current assets		
Inventories	1,696	1,696
Amount owing by contract customers	21,493	23,736
Trade receivables	35,813	38,432
Other receivables, prepayments and deposits	15,577	15,376
Tax refundable	476	385
Cash and cash equivalents	16,743	14,604
	91,798	94,229
	106,537	109,181
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the company		
Share capital	15,959	15,959
Share premium	214	214
Retained earnings	30,899	30,088
Other reserve	7,674	7,594
Treasury share	(36)	(31)
	54,710	53,824
Total Equity		
Non-current liabilities		
Deferred tax liabilities	593	601
Long-term borrowings	738	848
	1,331	1,449
Current liabilities		
Amount owing to contract customers	5,392	4,760
Trade payables	25,046	29,923
Other payables and accruals	1,735	3,876
Provision for taxation	691	654
Bank overdraft	2,536	1,251
Short term borrowings	15,096	13,444
	50,496	53,908
Total liabilities		
	51,827	55,357
TOTAL EQUITY AND LIABILITIES		
	106,537	109,181
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.3428	0.3373

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 2012 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 1st Quarter Ended 31 March 2013

	<----- Attributable to Equity Holders of the Company ----->						Distributable	Total RM'000
	<----- Non Distributable ----->							
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Employee Share Option Reserve RM'000	Exchange Fluctuation Reserve RM'000	Treasury Share RM'000	Retained Earnings RM'000	
As at 1 January 2013	15,959	214	6,714	556	324	(31)	30,088	53,824
Profit after taxation for the financial period	-	-	-	-	-	-	811	811
Other comprehensive income, net of tax: - Foreign currency translation	-	-	-	-	80	-	-	80
Total comprehensive income for the financial period	-	-	-	-	80	-	811	891
Contributions by and distribution to owners of the company:								
- purchase of treasury shares	-	-	-	-	-	(5)	-	(5)
Total recognised income and expense for the year	-	-	-	-	-	(5)	-	(5)
As at 31 March 2013	15,959	214	6,714	556	404	(36)	30,899	54,710
As at 1 January 2012	7,911	6,236	2,501	350	582	-	32,821	50,401
Profit after taxation for the financial period	-	-	-	-	-	-	802	802
Other comprehensive income, net of tax: - Foreign currency translation	-	-	-	-	(304)	-	-	(304)
Total comprehensive income for the financial period	-	-	-	-	(304)	-	802	498
As at 31 March 2012	7,911	6,236	2,501	350	278	-	33,623	50,899

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 2012 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 3-Months Period Ended 31 March 2013

	Unaudited 3-Months Ended 31/3/2013 RM'000	Unaudited 3-Months Ended 31/3/2012 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	997	991
Adjustments for:-		
Amortisation of development cost	32	32
Depreciation of property, plant and equipment	248	278
Loss on foreign exchange - unrealised	31	163
Interest expense	126	27
Interest income	(6)	(25)
Operating profit before working capital changes	1,428	1,466
Increase in inventory	-	(831)
Decrease in amounts owing by contract customers	2,243	10,241
Increase/ (Decrease) in amounts owing to contract customers	632	(16)
Decrease/ (Increase) in trade and other receivables	2,405	(2,689)
Decrease in trade and other payables	(7,049)	(10,322)
CASH FOR OPERATIONS	(341)	(2,151)
Income tax paid	(240)	(849)
Interest paid	(126)	(27)
Interest received	6	25
NET CASH FOR OPERATING ACTIVITIES	(701)	(3,002)
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(49)	(186)
Net cash outflow on acquisition of a subsidiary	-	(4,536)
NET CASH FOR INVESTING ACTIVITIES	(49)	(4,722)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of revolving credit	993	-
Drawdown of factoring loan	677	1,123
Repayment of hire purchase obligations	(93)	(113)
Repayment of term loan	(35)	(30)
Purchase of treasury shares	(5)	-
NET CASH FROM FINANCING ACTIVITIES	1,537	980
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	787	(6,744)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	67	(298)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	13,353	25,233
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	14,207	18,191
Cash and cash equivalents at the end of financial period comprise the following:		
Cash and bank balances	10,138	15,659
Fixed deposits	6,605	2,532
Bank overdraft	(2,536)	-
	14,207	18,191

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 2012 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 YEAR ENDED 31 MARCH 2013

Part A - Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. 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 2012. 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 2012.

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 2012.

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

FRSs/ IC Interpretations	Effective date
MFRS 9 Financial Instruments	01 January 2015
Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures	01 January 2015
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	01 January 2014
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	01 January 2014
Annual Improvements to MFRSs 2009 – 2011 Cycle	01 January 2013

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:

MFRS 9 Financial Instruments

MFRS 9 replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 divides all financial assets into 2 categories – those measured at amortised cost and those measured at fair value, based on the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the MFRS 139 requirement. An entity choosing to measure a financial liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss.

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

The amendments to MFRS 132 provide the application guidance for criteria to offset financial assets and financial liabilities.

Annual Improvements to MFRSs 2009 – 2011 Cycle

The Annual Improvements to MFRSs 2009 – 2011 Cycle contain amendments to MFRS 1, MFRS 101, MFRS 116, MFRS 132 and MFRS 134. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss. The stage of completion is determined based on the 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 2012.

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	
	31/3/2013	31/3/2012	31/3/2013	31/3/2012	31/3/2013	31/3/2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	11,818	5,773	821	207	6,175	6,883
China	6,146	2,153	529	(60)	323	399
Taiwan	2,402	9,025	(321)	506	268	248
Singapore	3,149	9,750	(253)	336	7,973	8,643
Indonesia	502	-	221	-	-	-
Vietnam	-	22	-	2	-	-
	24,017	26,723	997	991	14,739	16,173

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 31 March 2013.

KELINGTON GROUP BERHAD ("KGB")
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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

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 March 2013, all the property, plant and equipment were stated at cost less accumulated depreciation.

9. Movement of Debt And Equity Securities

There were no issuance, cancellation, resale and repayment of debt and equity securities during the current quarter under review, except for the following:

Shares Buy Back

On 29 January 2013, the Company repurchased 10,000 of its issued share capital from the open market at the cost of RM0.50 per share. The total consideration paid for the share buy-back of KGB shares, including transaction costs was RM5,046.50.

The Shares buy back above were 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, 1965.

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

Contingent liabilities of the Group as at 31 March 2013 are as follows:

	Bank	Insurance
	RM'000	RM'000
Performance bond and warranty bond granted to contract customers:		
- Warranty bond	602	396
- Performance bond	2,060	-
Total	<u>2,662</u>	<u>396</u>

14. Material Subsequent Events

Save as disclosed in the following, there has been no material subsequent events after the quarter ended 31 March 2013.

On 7 May 2013, the Company increased its issued and paid-up share capital from RM15,959,480 to RM16,016,640 by the issuance of 571,600 shares of RM0.10 each, at an exercise price of RM0.34, pursuant to the exercise of ESOS.

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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

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 31 March 2013, the Group's revenue declined by 10.13% to RM24.02 million.

Revenue contribution from Malaysia operation increased by 104.71% to RM11.82 million mainly due to the contribution from the Malaysian subsidiary of a company acquired on 14 February 2012, Puritec Technologies (M) Sdn Bhd.

Revenue from China operation increased by 185.46% to RM6.15 million mainly due to commencement of a key base build project in LCD industry.

Revenue from Taiwan and Singapore operations were decreased mainly due to slower attainment of new jobs.

The Group's profit before tax (PBT) increased marginally by 0.61% to RM1.00 million due to more favourable project mix in the current quarter which carries higher margins .

(b) Variation of Results Against Preceding Quarter

The Group's PBT of RM1.00 million for the first quarter ended 31 March 2013 shows a 53.67% decrease as compared to the PBT of RM2.15 million for the preceding quarter ended 31 December 2012. This is mainly due to the typical lower sales in the first quarter of the year.

2 Commentary Of Prospects

The Group is optimistic of achieving satisfactory performance for the financial year ending 31 December 2013 as the Group is committed on securing new orders to replenish its orderbook. For the current year, the Group has an orderbook of RM63.72 million of which RM39.70 million remains outstanding as at 31 March 2013.

Moving forward, the Group will continue to leverage on its engineering expertise as well as regional exposure to enhance the Group's performance.

3 Profit Forecast and Profit Guarantee

The Company did not announce any profit forecast or profit estimate for the FYE 31 December 2013 in any public document and hence this information is not applicable.

4 Profit for the Period

	Quarter ended		Year-to-date ended	
	31/3/2013	31/3/2012	31/3/2013	31/3/2012
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	6	25	6	25
Interest expense	(126)	(27)	(126)	(27)
Depreciation and amortisation	(280)	(310)	(280)	(310)
Foreign exchange gain or (loss)	(31)	(163)	(31)	(163)

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	Cumulative
	ended 31/3/13	Year to date
	RM'000	ended 31/3/13
		RM'000
Current tax:		
- for the financial period	186	186

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 subsidiaries, Kelington Technologies Sdn Bhd and Puritec Technologies (M) Sdn Bhd, which are Pioneer Status Companies being tax exempted.

6 Corporate Proposal

During the quarter under review, there is no corporate proposal announced but not completed.

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(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

7 Group Borrowings

(a) Breakdown of the Group's borrowings and debt securities as at 31 March 2013 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short-term borrowing	15,096	-	15,096
Long-term borrowing	738	-	738
			-
Total Borrowings	<u>15,834</u>	<u>-</u>	<u>15,834</u>

(b) Foreign currency borrowings and debt securities in RM equivalent as at 31 March 2013 were as follows:

<u>Foreign currency</u>	RM'000
Singapore Dollar	8,736
Taiwan Dollar	<u>1,028</u>
Total	<u>9,764</u>

8 Material Litigation

There was no pending material litigation from 1 Jan 2013 up to the date of this quarterly announcement.

9 Dividends Payable

The Board of Directors of KGB recommended the payment of a final tax-exempt dividend of 2 sen per ordinary share amounting to RM3,191,896 in respect of the FYE 31 December 2012. The proposed dividend is subject to the approval of the shareholders at the forthcoming Thirteenth Annual General Meeting.

10 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	
	31/3/2013	31/3/2012	31/3/2013	31/3/2012
Profit After Taxation (RM'000)	<u>811</u>	<u>802</u>	<u>811</u>	<u>802</u>
Weighted average number of ordinary shares in issue ('000)	<u>159,595</u>	<u>79,110</u>	<u>159,595</u>	<u>79,110</u>
Basic Earnings Per Share (Sen)	<u>0.51</u>	<u>1.01</u>	<u>0.51</u>	<u>1.01</u>
Diluted Earnings Per Share (Sen) #	<u>0.49</u>	<u>0.99</u>	<u>0.49</u>	<u>0.99</u>

Note :

- Assuming the full exercise of 13,088,200 share options under Employees' Share Option Scheme.

11 DISCLOSURE OF REALISED AND UNREALISED PROFITS/ LOSSES

	Cumulative Year to date ended 31/3/13 RM'000	Cumulative Year to date ended 31/3/12 RM'000
Total retained profits of KGB:		
- Realised	31,553	33,984
- Unrealised	(654)	(361)
Total group retained profits as per consolidated accounts	<u>30,899</u>	<u>33,623</u>