

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Statement of Profit or Loss and Other Comprehensive Income
For The 1st Quarter Ended 31 March 2014

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the 3 months period ended 31 March 2014 are as follow:-

Note	Unaudited Current Qtr Ended 31/03/2014 RM'000	Unaudited Previous Qtr Ended 31/03/2013 RM'000	Unaudited 3-months Period up to 31/03/2014 RM'000	Audited 3-months Period up to 31/03/2013 RM'000
Revenue	53,073	24,017	53,073	24,017
Cost of sales	(47,814)	(19,993)	(47,814)	(19,993)
Gross profit	5,259	4,024	5,259	4,024
Other income	103	37	103	37
Administrative expenses	(2,302)	(2,356)	(2,302)	(2,356)
Selling and distribution expenses	(304)	(257)	(304)	(257)
Other expenses	(277)	(280)	(277)	(280)
Results from operating activities	2,479	1,168	2,479	1,168
Finance costs	(107)	(171)	(107)	(171)
Profit before taxation for the financial period	2,372	997	2,372	997
Taxation	B5 (309)	(186)	(309)	(186)
Profit after taxation for the financial period	2,063	811	2,063	811
Other comprehensive (expense)/income, net of tax				
Foreign currency translation	(428)	80	(428)	80
	(428)	80	(428)	80
Total comprehensive income for the period	1,635	891	1,635	891
Profit attributable to:				
Shareholders of the Company	2,080	811	2,080	811
Non-controlling interests	(17)	-	(17)	-
Profit after taxation for the financial period	2,063	811	2,063	811
Total comprehensive income attributable to:				
Shareholders of the Company	1,652	891	1,652	891
Non-controlling interests	(17)	-	(17)	-
Total comprehensive income for the period	1,635	891	1,635	891
Basic earnings per ordinary share (sen):				
Basic earnings per share (sen)	B10 1.29	0.51	1.29	0.51
Diluted earnings per share (sen)	B10 1.26	0.49	1.26	0.49

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with KGB's audited consolidated financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes enclosed to the interim financial statements.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Statement of Financial Position
As at 31 March 2014

	Unaudited As At 31/03/2014 RM'000	Audited As At 31/12/2013 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	6,610	6,704
Goodwill on consolidation	5,420	5,419
Development costs	80	95
Other receivables	1,937	1,937
	14,047	14,155
Current assets		
Inventories	1,590	1,830
Amount owing by contract customers	22,359	35,625
Trade receivables	73,268	43,914
Other receivables, prepayments and deposits	2,666	2,183
Tax refundable	128	94
Cash and cash equivalents	24,626	18,782
	124,637	102,428
TOTAL ASSETS	138,684	116,583
EQUITY AND LIABILITIES		
Equity		
Share capital	16,068	16,068
Share premium	546	546
Retained earnings	29,482	27,402
Other reserve	10,096	10,524
Treasury share	(605)	(482)
Total Equity attributable to Shareholders of the Company	55,587	54,058
Non-controlling interests	(40)	(23)
Total Equity	55,547	54,035
Non-current liabilities		
Deferred tax liabilities	298	303
Long-term borrowings	569	585
	867	888
Current liabilities		
Amount owing to contract customers	8,234	7,104
Trade payables	18,922	30,297
Other payables and accruals	4,208	4,783
Provision for taxation	536	278
Bank overdraft	1,286	3,472
Short term borrowings	49,084	15,726
	82,270	61,660
Total liabilities	83,137	62,548
TOTAL EQUITY AND LIABILITIES	138,684	116,583
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.3457	0.3364

The Statement of Financial Position should be read in conjunction with the audited consolidated financial statements of KGB for the financial year ended 31 December 2013 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 2014

	----- Attributable to Equity Holders of the Company -----							Distributable	Non-Controlling Interest	Total Equity
	----- Non Distributable -----						Total			
	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	RM'000	RM'000	RM'000
As at 1 January 2014	16,068	546	7,851	755	1,918	(482)	27,402	54,058	(23)	54,035
Profit after taxation for the financial period	-	-	-	-	-	-	2,080	2,080	(17)	2,063
Other comprehensive income, net of tax:										
- Foreign currency translation	-	-	-	-	(428)	-	-	(428)	*	(428)
Total comprehensive income for the financial period	-	-	-	-	(428)	-	2,080	1,652	(17)	1,635
Contributions by and distribution to owners of the company:										
- purchase of treasury shares	-	-	-	-	-	(123)	-	(123)	-	(123)
Total recognised income and expense for the period	-	-	-	-	-	(123)	-	(123)	-	(123)
As at 31 March 2014	16,068	546	7,851	755	1,490	(605)	29,482	55,587	(40)	55,547
As at 1 January 2013	15,959	214	6,714	556	324	(31)	30,088	53,824	-	53,824
Profit after taxation for the financial period	-	-	-	-	-	-	811	811	-	811
Other comprehensive income, net of tax:										
- Foreign currency translation	-	-	-	-	80	-	-	80	-	80
Total comprehensive income for the financial period	-	-	-	-	80	-	811	891	-	891
Contributions by and distribution to owners of the company:										
- purchase of treasury shares	-	-	-	-	-	(5)	-	(5)	-	(5)
Total recognised income and expense for the period	-	-	-	-	-	(5)	-	(5)	-	(5)
As at 31 March 2013	15,959	214	6,714	556	404	(36)	30,899	54,710	-	54,710

* : - Less than RM1,000

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 2013 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 2014

	Unaudited 3-Months Ended 31/03/2014 RM'000	Unaudited 3-Months Ended 31/03/2013 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	2,372	997
Adjustments for:-		
Amortisation of development cost	15	32
Depreciation of property, plant and equipment	215	248
Equipment written off	1	-
Loss on foreign exchange - unrealised	50	31
Interest expense	245	126
Interest income	(72)	(6)
Operating profit before working capital changes	<u>2,826</u>	<u>1,428</u>
Decrease in inventory	240	-
Decrease in amounts owing by/to contract customers	14,396	2,875
(Increase)/ Decrease in trade and other receivables	(29,742)	2,405
Decrease in trade and other payables	(12,000)	(7,049)
CASH FOR OPERATIONS	<u>(24,280)</u>	<u>(341)</u>
Income tax paid	(84)	(240)
Interest paid	(245)	(126)
Interest received	72	6
NET CASH FOR OPERATING ACTIVITIES	<u>(24,537)</u>	<u>(701)</u>
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(80)	(49)
NET CASH FOR INVESTING ACTIVITIES	<u>(80)</u>	<u>(49)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of revolving credit	9,000	993
(Repayment) /Drawdown of factoring loan	(1,087)	677
Repayment of hire purchase obligations	(110)	(93)
Drawdown /(Repayment) of term loan	25,705	(35)
Repayment of trust receipts	(316)	-
Purchase of treasury shares	(123)	(5)
NET CASH FROM FINANCING ACTIVITIES	<u>33,069</u>	<u>1,537</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,452	787
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(422)	67
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	15,310	13,353
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>23,340</u>	<u>14,207</u>

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

Cash and bank balances	17,651	7,602
Fixed deposits	6,975	6,605
Bank overdraft	(1,286)	-
	<u>23,340</u>	<u>14,207</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 2013 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 2014

Part A - Explanatory Notes Pursuant to MFRS 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 MFRS 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 2013. 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 2013.

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 2013.

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 (2009) Financial Instruments)	
MFRS 9 (2010) Financial Instruments)	To be announced by
MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 and MFRS 139))	MASB
Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures)	
Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions	01 July 2014
Annual Improvements to MFRSs 2010 – 2012 Cycle	01 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle	01 July 2014

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 (2009) introduces new requirements for the classification and measurement of financial assets. Subsequently, this MFRS 9 was amended in year 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition (known as MFRS 9 (2010)). Generally, 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. Therefore, there will be no financial impact on the financial statements of the Group upon its 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 2013.

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	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	12,219	11,818	326	821	5,734	6,175
China	35,760	6,146	2,881	529	225	323
Taiwan	196	2,402	(387)	(321)	231	268
Singapore	4,898	3,149	(383)	(253)	7,857	7,973
Indonesia	-	502	-	221	-	-
Other	-	-	(65)	-	-	-
	53,073	24,017	2,372	997	14,047	14,739

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 31 March 2014.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

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 2014, 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

(i) On 24 March 2014, the Company repurchased 100,000 of its issued share capital from the open market at the cost from RM0.615 per share. The total consideration paid for the share buy-back of KGB shares, including transaction costs was RM61,949.45;

(ii) On 25 March 2014, the Company repurchased 100,000 of its issued share capital from the open market at the cost from RM0.605 per share. The total consideration paid for the share buy-back of KGB shares, including transaction costs was RM61,197.76;

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 2014 are as follows:

	Bank	Insurance
	RM'000	RM'000
Performance bond and warranty bond granted to contract customers:		
- Warranty bond	-	517
- Performance bond	1,289	1,665
Total	<u>1,289</u>	<u>2,182</u>

14. Material Subsequent Events

Save as disclosed in the following, there has been no material subsequent events after the quarter ended 31 March 2014.

On 24 April 2014, the Board of Directors of the Company is pleased to announce that the Company intends to seek approval from its shareholders for proposed final tax-exempt dividend of 0.5 sen per ordinary share of RM0.10 each in respect of the financial year ended 31 December 2013 at the forthcoming Annual General Meeting.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

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 2014, the Group's revenue increased by 120.98%, or RM29.06 million, to RM53.07 million as compared to the previous year's corresponding quarter as at 31 March 2013.

Revenue from China increased by 481.84% to RM35.76 million mainly due to the contributions from an Ultra High Purity mechanical and electrical services and medical system project which started in the last quarter ended of 31 December 2013.

Revenue contribution from Singapore operation increased by 55.54% to RM4.90 million mainly due to the wafer and aerospace projects which begun in December 2013.

Revenue from Malaysia increased by 3.39% to RM12.22 million mainly due to a total facility management in mechanical and process installation project which commenced in June 2013.

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

Corresponding with the increase in revenue, the Group's profit before tax (PBT) increased by 137.91% to RM2.37 millions.

(b) Variation of Results Against Preceding Quarter

For the quarter ended 31 March 2014, the Group's revenue of RM53.07 million represents an increase of 4.86% as compared to the preceding quarter's revenue of RM50.61 million. This contributes to the Group's PBT of RM2.32 million for the quarter ended 31 March 2014 which shows an improvement as compared to the PBT of RM0.06 million for the preceding quarter ended 31 December 2013.

2 Commentary Of Prospects

The Group is optimistic of achieving satisfactory performance for the financial year ending 31 December 2014 as the Group has an order book of RM227.97 million of which RM174.90 million remains outstanding as at 31 March 2014.

The Group is committed on securing new orders to replenish its order book. Since the beginning of the financial year, the Group has secured new orders totaling to RM63.72 million as at 31 March 2014.

Moving forward, the Group will continue to leverage on its engineering expertise, regional exposure as well as business track record 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 2014 in any public document and hence this information is not applicable.

4 Profit for the Period

	Quarter ended		Year-to-date ended	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	72	6	72	6
Interest expense	(245)	(126)	(245)	(126)
Depreciation and amortisation	(230)	(280)	(230)	(280)
Foreign exchange loss	(50)	(31)	(50)	(31)

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

5 Taxation

	Current quarter	Cumulative
	ended 31/03/14	Year to date ended 31/03/14
	RM'000	RM'000
Current tax:		
- for the financial period	309	309

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.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

6 Corporate Proposal

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

On 18 March 2014, the Board of Directors of the Company announced that the Company proposed to undertake the following:

(i) Proposed Bonus Issue

Proposed bonus issue of up to 57,561,000 new ordinary shares of RM0.10 each in KGB ("KGB Shares") ("Bonus Shares") on the basis of one (1) Bonus Share for every three (3) existing KGB Shares held at an entitlement date to be determined later; and

Proposed bonus issue of up to 57,561,000 warrants ("Warrants") on the basis of one (1) Warrant for every three (3) existing KGB Shares held at the same entitlement date as the Proposed Bonus Issue of Shares;

(ii) Proposed Increase in the authorised share capital

Proposed increase in the authorised share capital of KGB from RM25,000,000 comprising 250,000,000 shares to RM50,000,000 comprising 500,000,000 Shares.

7 Group Borrowings

(a) Breakdown of the Group's borrowings and debt securities as at 31 March 2014 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short-term borrowing	50,370	-	50,370
Long-term borrowing	569	-	569
			-
Total Borrowings	<u>50,939</u>	<u>-</u>	<u>50,939</u>

(b) Foreign currency borrowings and debt securities in RM equivalent as at 31 March 2014 were as follows:

Foreign currency	RM'000
Singapore Dollar	4,605
US Dollar	30,453
Taiwan Dollar	8
Total	<u>35,066</u>

8 Material Litigation

There was no pending material litigation from 1 January 2014 up to the date of this quarterly announcement.

9 Dividends Payable

The Board of Directors proposed a final tax-exempt dividend of 0.5 sen per ordinary share of RM0.10 each in respect of the financial year ended 31 December 2013. The Company will seek approval at the forthcoming Annual General Meeting. If approved, the dividend will be paid on 8 August 2014 to shareholders of ordinary shares registered in the Record of Depositors of the Company at the close of business on 10 July 2014.

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	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
Profit After Taxation (RM'000)	<u>2,063</u>	<u>811</u>	<u>2,063</u>	<u>811</u>
Weighted average number of ordinary shares in issue ('000)	<u>160,526</u>	<u>159,595</u>	<u>160,526</u>	<u>159,595</u>
Basic (Loss)/ Earnings Per Share (Sen)	<u>1.29</u>	<u>0.51</u>	<u>1.29</u>	<u>0.51</u>
Diluted (Loss)/ Earnings Per Share (Sen) #	<u>1.26</u>	<u>0.49</u>	<u>1.26</u>	<u>0.49</u>

Note :

- Assuming the full exercise of 12,002,800 share options under Employees' Share Option Scheme.

11 DISCLOSURE OF REALISED AND UNREALISED PROFITS/ LOSSES

	Cumulative Year to date ended 31/03/14 RM'000	Cumulative Year to date ended 31/03/13 RM'000
Total retained profits of KGB:		
- Realised	29,948	31,553
- Unrealised	(466)	(654)
Total group retained profits as per consolidated accounts	<u>29,482</u>	<u>30,899</u>