

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Condensed Consolidated Statement of Comprehensive Income
For The 4th Quarter Ended 31 December 2012

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "**Group**") for the 12 months period ended 31 December 2012 are as follow:-

Note	Unaudited Current Qtr Ended 31/12/2012 RM'000	Unaudited Previous Qtr Ended 31/12/2011 RM'000	Unaudited 12-months Period up to 31/12/2012 RM'000	Audited 12-months Period up to 31/12/2011 RM'000
Revenue	39,153	45,251	116,351	139,586
Cost of sales	(32,568)	(38,435)	(95,862)	(118,701)
Gross profit	6,585	6,816	20,489	20,885
Other income	452	441	621	673
Administrative expenses	(3,543)	(2,736)	(11,321)	(9,474)
Selling and distribution expenses	(286)	(160)	(925)	(814)
Other expenses	(826)	(875)	(1,529)	(1,387)
Results from operating activities	2,382	3,486	7,335	9,883
Finance costs	(230)	(53)	(433)	(111)
Profit before tax	2,152	3,433	6,902	9,772
Income tax expenses	B5 (125)	(376)	(864)	(1,044)
Profit for the period/ year	2,027	3,057	6,038	8,728
Other comprehensive Income				
Foreign currency translation differences for foreign operations	142	51	42	598
Total other comprehensive income	142	51	42	598
Total comprehensive income for the period/ year	2,169	3,108	6,080	9,326
Basic earnings per ordinary share (sen):				
Basic earnings per share (sen)	B10 1.27	3.92	5.43	11.20
Diluted earnings per share (sen)	B10 1.48	3.86	5.64	11.10

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 31 December 2012

	Unaudited As At 31/12/2012 RM'000	Audited As At 31/12/2011 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	7,282	7,683
Goodwill on consolidation	4,887	199
Intangible assets	175	-
Development costs	157	285
Other receivables	2,547	-
	15,048	8,167
Current assets		
Inventories	1,697	270
Amount owing by contract customers	23,885	26,312
Trade receivables	38,479	36,793
Other receivables, prepayments and deposits	15,121	1,714
Tax refundable	467	383
Cash and cash equivalents	14,603	25,233
	94,252	90,705
TOTAL ASSETS	109,300	98,872
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the company		
Share capital	15,959	7,911
Share premium	70	6,236
Retained earnings	30,088	32,821
Other reserve	7,995	3,433
Treasury share	(32)	-
Total Equity	54,080	50,401
Non-current liabilities		
Deferred tax liabilities	527	524
Long-term borrowings	825	1,178
	1,352	1,702
Current liabilities		
Amount owing to contract customers	5,144	5,575
Trade payables	29,784	34,156
Other payables and accruals	3,767	4,386
Provision for taxation	493	1,048
Short term borrowings	14,680	1,604
	53,868	46,769
Total liabilities	55,220	48,471
TOTAL EQUITY AND LIABILITIES	109,300	98,872
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.3389	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 4th Quarter Ended 31 December 2012

	----- 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 2012	7,911	6,236	2,500	350	583	-	32,821	50,401
Total comprehensive income for the year	-	-	-	-	42	-	6,038	6,080
Issuance of shares pursuant to ESOS exercise	83	384	-	-	-	-	-	467
Bonus issue	7,965	(6,550)	-	-	-	-	(1,415)	-
Bonus share issued by a subsidiary	-	-	4,170	-	-	-	(4,170)	-
Employee share option reserve	-	-	-	350	-	-	-	350
Dividend paid for the period	-	-	-	-	-	-	(3,186)	(3,186)
Share buy back	-	-	-	-	-	(32)	-	(32)
	-	-	-	-	-	-	-	-
Total recognised income and expense for the year	8,048	(6,166)	4,170	350	42	(32)	(2,733)	3,679
As at 31 December 2012	15,959	70	6,670	700	625	(32)	30,088	54,080
As at 1 January 2011	7,471	3,816	2,400	-	(15)	-	26,566	40,238
Reclassification to capital reserve	-	-	100	-	-	-	(100)	-
Total comprehensive income for the year	-	-	-	-	598	-	8,728	9,326
Shares issued via private placement	440	2,420	-	-	-	-	-	2,860
Dividend paid for the period	-	-	-	-	-	-	(2,373)	(2,373)
Employees share option reserve	-	-	-	350	-	-	-	350
Total recognised income and expense for the period	440	2,420	-	350	598	-	6,355	10,163
As at 31 December 2011	7,911	6,236	2,500	350	583	-	32,821	50,401

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 12-Months Period Ended 31 December 2012

	Unaudited 12-Months Ended 31/12/2012 RM'000	Audited 12-Months Ended 31/12/2011 RM'000
CASH FLOWS (FOR)/ FROM OPERATING ACTIVITIES		
Profit before taxation	6,902	9,772
Adjustments for:-		
Amortisation of development cost	128	82
Depreciation of property, plant and equipment	1,147	1,094
Equipment written off	13	3
Share-based payments	350	350
Fair value adjustment	638	-
Gain on disposal of equipment	-	(4)
Loss/ (Gain) on foreign exchange - unrealised	35	(172)
Interest expense	174	111
Interest income	(110)	(258)
Impairment loss on trade receivables	-	1
(Reversal)/ Provision for warranty costs	(80)	226
Writeback of impairment loss on trade receivables	-	(15)
Operating profit before working capital changes	9,197	11,190
(Increase)/ Decrease in inventory	(1,427)	774
Decrease/ (Increase) in amounts owing by contract customers	2,461	(14,761)
(Decrease)/ Increase in amounts owing to contract customers	(430)	2,353
Increase in trade and other receivables	(15,928)	(12,162)
(Decrease)/ Increase in trade and other payables	(7,841)	16,415
CASH (FOR)/ FROM OPERATIONS	(13,968)	3,809
Income tax (paid)/ refund	(1,504)	204
Interest paid	(174)	(111)
Interest received	110	258
NET CASH (FOR)/ FROM OPERATING ACTIVITIES	(15,536)	4,160
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(534)	(1,068)
Development costs paid	(37)	(183)
Net cash outflow on acquisition of a subsidiary (Note 1)	(4,536)	-
Proceeds from disposal of equipment	-	93
NET CASH FOR INVESTING ACTIVITIES	(5,107)	(1,158)
CASH FLOWS FROM/ (FOR) FINANCING ACTIVITIES		
Dividend paid	(3,186)	(2,373)
Drawdown of borrowing	14,363	-
(Repayment)/ Drawdown of factoring loan	(1,288)	1,288
Repayment of trust receipts	-	(2,122)
Repayment of lease and hire purchase obligations	(278)	(226)
Repayment of term loan	(74)	(69)
Proceeds from private placement	-	2,860
Proceeds from ESOS exercise	468	-
Purchase of treasury shares	(32)	-
NET CASH FROM/ (FOR) FINANCING ACTIVITIES	9,973	(642)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(10,670)	2,360
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	40	733
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	25,233	22,140
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	14,603	25,233

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

Cash and bank balances	11,998	14,364
Fixed deposits	2,605	10,869
	14,603	25,233

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	(2,803)
Net Assets	371
Goodwill	4,688
Exchange difference on purchase consideration	9
Purchase consideration	5,068
Cash and cash equivalents of a subsidiary acquired	(508)
Exchange difference	(24)
Net cash outflow on acquisition in a subsidiary company	4,536

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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
MFRS 9 Financial Instruments	01 January 2015
MFRS 10 Consolidated Financial Statements	01 January 2013
MFRS 11 Joint Arrangements	01 January 2013
MFRS 12 Disclosure of Interests in Other Entities	01 January 2013
MFRS 13 Fair Value Measurement	01 January 2013
MFRS 119 (Revised) Employee Benefits	01 January 2013
MFRS 127 (2011) Separate Financial Statements	01 January 2013
MFRS 128 (2011) Investments in Associates and Joint Ventures	01 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	01 January 2013
Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures	01 January 2015
Amendments to MFRS 10, MFRS 11 and MFRS 12: Transition Guidance	01 January 2013
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	01 July 2012
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	01 January 2014
Annual Improvements to MFRSs 2009 – 2011 Cycle	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	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	57,053	43,828	5,289	3,943	6,308	7,079
China	18,445	25,858	2,205	999	354	476
Taiwan	21,735	34,501	389	1,748	276	262
Singapore	18,802	29,010	(1,132)	1,825	6,581	350
Vietnam	22	4,686	6	633	-	-
Other	294	1,703	145	624	-	-
	116,351	139,586	6,902	9,772	13,519	8,167

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 31 December 2012.

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 2012, 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 2 October 2012, the Company repurchased 60,000 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 RM30,219.

(ii) On 3 December 2012, the Company repurchased 1,000 of its issued share capital from the open market at the cost of RM0.58 per share. The total consideration paid for the share buy-back of KGB shares, including transaction costs was RM621.17.

Both of 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 December 2012 are as follows:

	Bank	Insurance
	RM'000	RM'000
Performance bond and warranty bond granted to contract customers:		
- Warranty bond	692	1,030
- Performance bond	2,722	-
Total	3,414	1,030

14. Material Subsequent Events

Subsequent to the quarter ended 31 December 2012,

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 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, 1965.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 31 December 2012, the Group's revenue declined by 13.48% to RM39.15 million. As compared to RM45.25 million reported in the previous year's corresponding quarter.

The Group's profit before tax (PBT) declined by 37.31% to RM2.15 million compared to RM3.43 million reported in the previous year's corresponding quarter as the Group incurred additional 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

In 2012, the Group continues to maintain a strong orderbook replenishment with new orders secured amounting to RM155.72 million which is a marginal decline from RM167.37 million secured in 2011.

Due to timing differences of projects that have been completed and commencement of new projects that are still in the preliminary stages, a total of RM116.35 million was recognized as revenue in the financial year ended 31 December 2012; with the remaining RM39.36 million to be completed in the financial year ending 31 December 2013.

This is the reason for the 16.65% decline in revenue to RM116.35 million for the financial year ended 31 December 2012 as compared to RM139.59 million reported in the previous year's corresponding period.

In terms of geographical breakdown, the Malaysia operation was the major revenue contributor, contributing RM57.05 million, representing 49.04% of total revenue to the Group. Revenue from Malaysia operation increased 30.17% from the previous year's corresponding period mainly due to the revenue contribution of RM18.21 million from the Malaysian subsidiary of a company acquired during the year, Puritec Technologies (M) Sdn Bhd.

Revenue from Taiwan, China and Singapore operations decreased due to the timing difference of projects that have been completed and commencement of new projects that are still in the preliminary stages. From the outstanding orderbook of RM39.36 million, 29.73% of the orderbook is contributed from these countries.

PBT declined by 29.37% to RM6.90 million as compared to RM9.77 million in the previous year's corresponding period as the Group incurred additional expenses such as increase in personnel costs and integration costs of newly acquired subsidiary, Puritec Technologies (S) Pte Ltd.

(c) Variation of Results Against Preceding Quarter

For the quarter ended 31 December 2012, the Group's revenue of RM39.15 million represents an increase of 48.25% as compared to the preceding quarter's revenue of RM26.41 million. The Group's PBT increased by RM0.21 million or 10.87% to RM2.15 million as compared to the PBT of RM1.94 million reported in the preceding quarter. The increase in revenue and PBT is due to the progressive recognition of the Group's on-going projects based on the stage of completion milestones in the quarter ended 31 December 2012.

2 Commentary Of Prospects

From the orders secured in the previous year and new orders secured as at 21 February 2012, the Group has an outstanding orderbook of RM51.6 million.

Moving forward, the Group is committed to expand its business via regional expansion and diversifying its capacity across a wider application of services. The performance of the Group is expected to remain profitable in the financial year ending 2013.

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	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	77	99	110	258
Interest expense	(46)	(71)	(174)	(111)
Depreciation and amortisation	(324)	(370)	(1,275)	(1,176)
Foreign exchange gain or (loss)	(103)	(16)	(35)	172

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

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

5 Income Tax Expense

	Current quarter ended 31/12/12 RM'000	Cumulative Year to date ended 31/12/12 RM'000
Current tax:		
- for the financial period	125	864

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.

7 Group Borrowings

(a) Breakdown of the Group's borrowings and debt securities as at 31 December 2012 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short-term borrowing	14,680	-	14,680
Long-term borrowing	825	-	825
			-
Total Borrowings	15,505	-	15,505

(b) Foreign currency borrowings and debt securities in RM equivalent as at 31 December 2012 were as follows:

<u>Foreign currency</u>	RM'000
Singapore Dollar	10,012
Taiwan Dollar	351
Total	10,363

8 Material Litigation

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

9 Dividends Payable

There were no dividends proposed during the current quarter ended 31 December 2012.

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	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Profit After Taxation (RM'000)	2,027	3,057	6,038	8,728
Weighted average number of ordinary shares in issue ('000)	159,595	78,049	111,109	78,049
Basic Earnings Per Share (Sen)	1.27	3.92	5.43	11.20
Diluted Earnings Per Share (Sen) #	1.48	3.86	5.64	11.10

Note :

- Assuming the full exercise of 12,784,200 share options under Employees' Share Option Scheme.

11 DISCLOSURE OF REALISED AND UNREALISED PROFITS/ LOSSES

	Cumulative Year to date ended 31/12/12 RM'000	Cumulative Year to date ended 31/12/11 RM'000
Total retained profits of KGB:		
- Realised	30,670	33,400
- Unrealised	(582)	(579)
Total group retained profits as per consolidated accounts	30,088	32,821