

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Statement of Profit and Loss and Other Comprehensive Income
For The 4th Quarter Ended 31 December 2013

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the 12 months period ended 31 December 2013 are as follow:-

Note	Unaudited Current Qtr Ended 31/12/2013 RM'000	Unaudited Previous Qtr Ended 31/12/2012 RM'000	Unaudited 12-months Period up to 31/12/2013 RM'000	Audited 12-months Period up to 31/12/2012 RM'000
Revenue	50,591	39,000	117,395	116,198
Cost of sales	(44,378)	(32,206)	(101,343)	(95,500)
Gross profit	6,213	6,794	16,052	20,698
Other income	168	582	317	751
Administrative expenses	(5,242)	(3,956)	(12,245)	(11,734)
Selling and distribution expenses	(339)	(332)	(1,269)	(971)
Other expenses	(539)	(600)	(444)	(1,303)
Results from operating activities	261	2,488	2,411	7,441
Finance costs	(204)	(6)	(790)	(209)
Profit before taxation for the financial period	57	2,482	1,621	7,232
Taxation	B5 (59)	(412)	(37)	(1,151)
(Loss)/Profit after taxation for the financial period	(2)	2,070	1,584	6,081
Other comprehensive Income, net of tax				
Foreign currency translation	327	(158)	1,246	(258)
	327	(158)	1,246	(258)
Total comprehensive income for the period	325	1,912	2,830	5,823
Profit attributable to:				
Shareholders of the Company	12	2,070	1,637	6,081
Non-controlling interests	(14)	-	(53)	-
(Loss)/Profit after taxation for the financial period	(2)	2,070	1,584	6,081
Total comprehensive income attributable to:				
Shareholders of the Company	337	1,912	2,883	5,823
Non-controlling interests	(12)	-	(53)	-
Total comprehensive income for the period	325	1,912	2,830	5,823
Basic earnings per ordinary share (sen):				
Basic earnings per share (sen)	B10 (0.00)	1.30	0.99	3.82
Diluted earnings per share (sen)	B10 (0.00)	1.26	0.97	3.72

The Statement of Profit and Loss and Other 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 December 2013

	Unaudited As At 31/12/2013 RM'000	Audited As At 31/12/2012 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	6,703	7,282
Goodwill on consolidation	5,070	5,056
Development costs	95	194
Other receivables	2,029	2,420
	13,897	14,952
Current assets		
Inventories	1,830	1,696
Amount owing by contract customers	36,129	23,736
Trade receivables	43,914	38,432
Other receivables, prepayments and deposits	2,278	15,376
Tax refundable	147	385
Cash and cash equivalents	18,782	14,604
	103,080	94,229
	116,977	109,181
EQUITY AND LIABILITIES		
Equity		
Share capital	16,068	15,959
Share premium	474	214
Retained earnings	27,531	30,088
Other reserve	10,093	7,594
Treasury share	(483)	(31)
	53,683	53,824
Total Equity attributable to Shareholders of the Company		
Non-controlling interests	(23)	-
	53,660	53,824
Non-current liabilities		
Deferred tax liabilities	303	601
Long-term borrowings	510	848
	813	1,449
Current liabilities		
Amount owing to contract customers	8,014	4,760
Trade payables	30,299	29,923
Other payables and accruals	4,532	3,876
Provision for taxation	386	654
Bank overdraft	3,472	1,251
Short term borrowings	15,801	13,444
	62,504	53,908
Total liabilities	63,317	55,357
	116,977	109,181
TOTAL EQUITY AND LIABILITIES		
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.3340	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 4th Quarter Ended 31 December 2013

	-----Attributable to Equity Holders of the Company-----						Distributable	Total	Non-Controlling	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				
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	-	-	-	-	-	-	1,637	1,637	(53)	1,584
Other comprehensive income, net of tax:	-	-	-	-	1,246	-	-	1,246	*	1,246
- Foreign currency translation	-	-	-	-	1,246	-	-	1,246	*	1,246
Total comprehensive income for the financial period	-	-	-	-	1,246	-	1,637	2,883	(53)	2,830
Contributions by and distribution to owners of the company:	-	-	-	-	-	-	-	-	-	-
- purchase of treasury shares	-	-	-	-	-	(452)	-	(452)	-	(452)
- share options exercised	109	260	-	-	-	-	-	369	-	369
- incorporation of a subsidiary	-	-	-	-	-	-	-	-	30	30
- bonus share issued by a subsidiary	-	-	982	-	-	-	(982)	-	-	-
- dividend paid for the period	-	-	-	-	-	-	(3,212)	(3,212)	-	(3,212)
- Employees' share option reserve	-	-	-	271	-	-	-	271	-	271
Total recognised income and expense for the period	109	260	982	271	-	(452)	(4,194)	(3,024)	30	(2,994)
As at 31 December 2013	16,068	474	7,696	827	1,570	(483)	27,531	53,683	(23)	53,660
As at 1 January 2012	7,911	6,236	2,501	350	582	-	32,821	50,401	-	50,401
Profit after taxation for the financial period	-	-	-	-	-	-	6,081	6,081	-	6,081
Other comprehensive income, net of tax:	-	-	-	-	(258)	-	-	(258)	-	(258)
- Foreign currency translation	-	-	-	-	(258)	-	-	(258)	-	(258)
Total comprehensive income for the financial period	-	-	-	-	(258)	-	6,081	5,823	-	5,823
Contributions by and distribution to owners of the company:	-	-	-	-	-	-	-	-	-	-
- share options exercised	83	528	-	(144)	-	-	-	467	-	467
- bonus issue	7,965	(6,550)	-	-	-	-	(1,415)	-	-	-
- bonus share issued by a subsidiary	-	-	4,170	-	-	-	(4,170)	-	-	-
- dividend paid for the period	-	-	-	-	-	-	(3,186)	(3,186)	-	(3,186)
- purchase of treasury shares	-	-	-	-	-	(31)	-	(31)	-	(31)
- Employees' share option reserve	-	-	-	350	-	-	-	350	-	350
- Re-class to capital reserve	-	-	43	-	-	-	(43)	-	-	-
Total recognised income and expense for the period	8,048	(6,022)	4,213	206	-	(31)	(8,814)	(2,400)	-	(2,400)
As at 31 December 2012	15,959	214	6,714	556	324	(31)	30,088	53,824	-	53,824

* : - 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 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 12-Months Period Ended 31 December 2013

	Unaudited 12-Months Ended 31/12/2013 RM'000	Audited 12-Months Ended 31/12/2012 RM'000
CASH FLOWS FROM / (FOR) OPERATING ACTIVITIES		
Profit before taxation	1,621	7,232
Adjustments for:-		
Amortisation of development cost	111	128
Depreciation of property, plant and equipment	986	1,132
Equipment written off	2	13
Fair value loss on advances to employees	159	609
(Gain)/ Loss on foreign exchange - unrealised	(37)	57
Interest expense	794	209
Interest income	(146)	(110)
Impairment loss on trade receivables	27	13
Provision for warranty costs	209	65
Share-based payments	271	350
Transfer of property, plant & equipment to cost of sales	5	-
Writeback of impairment loss on trade receivables	-	(1)
Writeback of provision of warranty costs	(176)	(119)
Operating profit before working capital changes	3,826	9,578
Increase in inventory	(134)	(1,426)
(Increase)/ Decrease in amounts owing by/to contract customers	(9,138)	1,211
Decrease/ (Increase) in trade and other receivables	7,821	(16,128)
Increase/ (Decrease) in trade and other payables	1,036	(6,920)
CASH FROM/ (FOR) OPERATIONS	3,411	(13,685)
Income tax paid	(365)	(1,468)
Interest paid	(794)	(209)
Interest received	146	110
NET CASH FROM/ (FOR) OPERATING ACTIVITIES	2,398	(15,252)
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(356)	(524)
Development costs paid	(12)	(37)
Net cash inflow/ (outflow) on incorporation/ acquisition of a subsidiary	30	(4,562)
NET CASH FOR INVESTING ACTIVITIES	(338)	(5,123)
CASH FLOWS (FOR)/ FROM FINANCING ACTIVITIES		
Dividend paid	(3,212)	(3,186)
Drawdown of revolving credit	2,087	6,503
Drawdown/(repayment) of factoring loan	1,407	(937)
Repayment of hire purchase obligations	(244)	(241)
(Repayment)/ Drawdown of term loan	(1,231)	6,185
Proceeds from ESOS exercised	369	467
Purchase of treasury shares	(452)	(31)
NET CASH (FOR)/ FROM FINANCING ACTIVITIES	(1,276)	8,760
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	784	(11,615)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,173	(265)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	13,353	25,233
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	15,310	13,353

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

Cash and bank balances	11,513	11,999
Fixed deposits	7,269	2,605
Bank overdraft	(3,472)	(1,251)
	15,310	13,353

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 DECEMBER 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 (2009) Financial Instruments	01 January 2015
MFRS 9 (2010) Financial Instruments	01 January 2015
Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disc	01 January 2015
Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities	01 January 2014
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	01 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets	01 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	01 January 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 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.

Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets

The amendments to MFRS 136 remove the requirement to disclose the recoverable amount when a cash-generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives but there has been no impairment. Therefore, 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 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	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	46,115	56,819	1,653	5,578	5,779	6,370
China	34,939	18,445	3,407	2,205	249	354
Taiwan	6,377	21,735	(1,643)	386	245	276
Singapore	28,990	18,882	(1,841)	(1,088)	7,624	7,952
Indonesia	577	22	79	145	-	-
Vietnam	-	295	-	6	-	-
Other	397	-	(34)	-	-	-
	<u>117,395</u>	<u>116,198</u>	<u>1,621</u>	<u>7,232</u>	<u>13,897</u>	<u>14,952</u>

4. Unusual Items

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

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

(i) On 28 November 2013, the Company repurchased 1,000 of its issued share capital from the open market at the cost from RM0.50 per share. The total consideration paid for the share buy-back of KGB shares, including transaction costs was RM541.15;

(ii) On 17 December 2013, the Company repurchased 70,700 of its issued share capital from the open market at the cost from RM0.425 to RM0.430 per share. The total consideration paid for the share buy-back of KGB shares, including transaction costs was RM33,122.49;

(iii) On 18 December 2013, the Company repurchased 80,100 of its issued share capital from the open market at the cost from RM0.460 to RM0.475 per share. The total consideration paid for the share buy-back of KGB shares, including transaction costs was RM37,875.

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 2013 are as follows:

	Bank	Insurance
	RM'000	RM'000
Performance bond and warranty bond granted to contract customers:		
- Warranty bond	50	519
- Performance bond	100	1,712
Total	150	2,231

14. Material Subsequent Events

There has been no material subsequent events after the quarter ended 31 December 2013.

KELINGTON GROUP BERHAD ("KGB")
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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 December 2013, the Group's revenue increased by 29.72% to RM50.59 million comparing to the previous year corresponding quarter as at 31 December 2012.

Revenue from China increased by 299.32% to RM22.92 million mainly due to the contributions from an Ultra High Purity mechanical and electrical services and medical system project which started in the current quarter ended 31 December 2013.

Revenue contribution from Singapore operation increased by 92.95% to RM9.64 million mainly due to the increase in project volumes of Puritec Technologies Singapore, a subsidiary of Singapore operations.

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

Notwithstanding the increase in revenue, the Group's profit before tax (PBT) decreased by 97.70% to RM0.06 millions mainly due to the lower margins of the current project mix and competitive operating environment in Taiwan and Singapore.

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

For the financial year ended 31 December 2013, the Group's revenue slightly increased by 1.03% to RM117.40 million as compared to RM116.20 million reported in the previous year's corresponding period.

PBT declined by 77.59% to RM1.62 million as compared to RM7.23 million in the previous year's corresponding period mainly due to the lower margins of the current project mix and competitive operating environment in Taiwan and Singapore.

(c) Variation of Results Against Preceding Quarter

For the quarter ended 31 December 2013, the Group's revenue of RM50.59 million represents an increase of 156.42% as compared to the preceding quarter's revenue of RM19.73 million. This contributes to the Group's PBT of RM0.06 million for the quarter ended 31 December 2013 which shows an improvement as compared to the loss before taxation of RM0.02 million for the preceding quarter ended 30 September 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 outstanding orderbook of RM164.25 million as at 31 December 2013.

The Group is committed on securing new orders to replenish its orderbook. In December 2013, the Group had secured its record single largest contract worth RM148 million which contributes to the total new orders of RM280.21 million secured in 2013.

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 2013 in any public document and hence this information is not applicable.

4 Profit for the Period

	Quarter ended		Year-to-date ended	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	89	77	146	110
Interest expense	(417)	(81)	(794)	(209)
Impairment loss on trade receivables	(27)	(13)	(27)	(13)
Depreciation and amortisation	(276)	(309)	(1,097)	(1,260)
Foreign exchange gain or (loss)	(56)	11	37	(57)

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 31/12/13	Year to date
	RM'000	ended 31/12/13
		RM'000
Current tax:		
- for the financial period	59	37

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.

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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 2013 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short-term borrowing	19,273	-	19,273
Long-term borrowing	510	-	510
Total Borrowings	19,783	-	19,783

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

<u>Foreign currency</u>	RM'000
Singapore Dollar	8,987
Taiwan Dollar	1,773
Total	10,760

8 Material Litigation

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

9 Dividends Payable

There were no dividends proposed during the current quarter ended 31 December 2013.

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	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Profit After Taxation (RM'000)	(2)	2,070	1,584	6,081
Weighted average number of ordinary shares in issue ('000)	160,568	159,595	159,924	159,190
Basic (Loss)/ Earnings Per Share (Sen)	(0.001)	1.30	0.99	3.82
Diluted (Loss)/ Earnings Per Share (Sen) #	(0.001)	1.26	0.97	3.72

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 31/12/13 RM'000	Cumulative Year to date ended 31/12/12 RM'000
Total retained profits of KGB:		
- Realised	27,341	31,002
- Unrealised	190	(914)
Total group retained profits as per consolidated accounts	27,531	30,088