

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Condensed Consolidated Statement of Comprehensive Income
For The 3rd Quarter Ended 30 September 2013

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the 9 months period ended 30 September 2013 are as follow:-

	Note	Unaudited Current Qtr Ended 30/9/2013 RM'000	Unaudited Previous Qtr Ended 30/9/2012 RM'000	Unaudited 9-months Period up to 30/9/2013 RM'000	Unaudited 9-months Period up to 30/9/2012 RM'000
Revenue		19,733	26,410	66,804	77,198
Cost of sales		(17,424)	(20,853)	(56,965)	(63,294)
Gross profit		2,309	5,557	9,839	13,904
Other income		63	16	149	169
Administrative expenses		(2,213)	(2,983)	(7,003)	(7,778)
Selling and distribution expenses		(408)	(260)	(930)	(639)
Other expenses		453	(313)	95	(703)
Results from operating activities		204	2,017	2,150	4,953
Finance costs		(223)	(76)	(586)	(203)
Profit before taxation for the financial period		(19)	1,941	1,564	4,750
Taxation	B5	41	(411)	22	(739)
Profit after taxation for the financial period		22	1,530	1,586	4,011
Other comprehensive Income, net of tax					
Foreign currency translation		492	174	919	(100)
		492	174	919	(100)
Total comprehensive income for the period		514	1,704	2,505	3,911
Profit attributable to:					
Shareholders of the Company		61	1,530	1,625	4,011
Non-controlling interests		(39)	-	(39)	-
Profit after taxation for the financial period		22	1,530	1,586	4,011
Total comprehensive income attributable to:					
Shareholders of the Company		555	1,704	2,546	3,911
Non-controlling interests		(41)	-	(41)	-
Total comprehensive income for the period		514	1,704	2,505	3,911
Basic earnings per ordinary share (sen):					
Basic earnings per share (sen)	B10	0.01	1.22	0.99	4.23
Diluted earnings per share (sen)	B10	0.01	1.20	0.97	4.15

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 30 September 2013

	Unaudited As At 30/9/2013 RM'000	Audited As At 31/12/2012 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	6,888	7,282
Goodwill on consolidation	5,070	5,056
Development costs	110	194
Other receivables	2,510	2,420
	14,578	14,952
Current assets		
Inventories	1,938	1,696
Amount owing by contract customers	21,625	23,736
Trade receivables	34,945	38,432
Other receivables, prepayments and deposits	8,892	15,376
Tax refundable	138	385
Cash and cash equivalents	23,689	14,604
	91,227	94,229
	105,805	109,181
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity		
Share capital	16,068	15,959
Share premium	474	214
Retained earnings	27,519	30,088
Other reserve	9,497	7,594
Treasury share	(412)	(31)
	53,146	53,824
Total Equity attributable to Shareholders of the Company	53,146	53,824
Non-controlling interests	(11)	-
	53,135	53,824
Total Equity	53,135	53,824
Non-current liabilities		
Deferred tax liabilities	625	601
Long-term borrowings	592	848
	1,217	1,449
Current liabilities		
Amount owing to contract customers	6,528	4,760
Trade payables	24,000	29,923
Other payables and accruals	2,877	3,876
Provision for taxation	89	654
Bank overdraft	969	1,251
Short term borrowings	16,990	13,444
	51,453	53,908
Total liabilities	52,670	55,357
TOTAL EQUITY AND LIABILITIES	105,805	109,181
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.3330	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 3rd Quarter Ended 30 September 2013

	----- Attributable to Equity Holders of the Company -----						Distributable	Non-Controlling	Total	
	----- 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	
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	-	-	-	-	-	-	1,625	1,625	(39)	1,586
Other comprehensive income, net of tax:										
- Foreign currency translation	-	-	-	-	921	-	-	921	(2)	919
Total comprehensive income for the financial period	-	-	-	-	921	-	1,625	2,546	(41)	2,505
Contributions by and distribution to owners of the company:										
- purchase of treasury shares	-	-	-	-	-	(381)	-	(381)	-	(381)
- 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)
Total recognised income and expense for the period	109	260	982	-	-	(381)	(4,194)	(3,224)	30	(3,194)
As at 30 September 2013	16,068	474	7,696	556	1,245	(412)	27,519	53,146	(11)	53,135
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	-	-	-	-	-	-	4,011	4,011	-	4,011
Other comprehensive income, net of tax:										
- Foreign currency translation	-	-	-	-	(100)	-	-	(100)	-	(100)
Total comprehensive income for the financial period	-	-	-	-	(100)	-	4,011	3,911	-	3,911
Contributions by and distribution to owners of the company:										
- share options exercised	83	384	-	-	-	-	-	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)
- share buy back	-	-	-	-	-	(1)	-	(1)	-	(1)
Total recognised income and expense for the period	8,048	(6,166)	4,170	-	-	(1)	(8,771)	(2,720)	-	(2,720)
As at 30 September 2012	15,959	70	6,671	350	482	(1)	28,061	51,592	-	51,592

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 9-Months Period Ended 30 September 2013

	Unaudited 9-Months Ended 30/9/2013 RM'000	Unaudited 9-Months Ended 30/9/2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,564	4,750
Adjustments for:-		
Amortisation of development cost	96	96
Depreciation of property, plant and equipment	725	855
Equipment written off	1	10
(Gain)/ Loss on foreign exchange - unrealised	(93)	68
Interest expense	377	128
Interest income	(57)	(33)
Transfer of property, plant & equipment to cost of sales	5	-
Operating profit before working capital changes	2,618	5,874
Increase in inventory	(242)	(1,861)
Decrease in amounts owing by contract customers	2,111	7,880
Increase/ (Decrease) in amounts owing to contract customers	1,768	(160)
Decrease/ (Increase) in trade and other receivables	9,882	(1,154)
Decrease in trade and other payables	(6,829)	(16,162)
CASH FROM/(FOR) OPERATIONS	9,308	(5,583)
Income tax paid	(296)	(1,078)
Interest paid	(377)	(128)
Interest received	57	33
NET CASH FROM/(FOR) OPERATING ACTIVITIES	8,692	(6,756)
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(280)	(449)
Development costs paid	(12)	(37)
Net cash inflow/ (outflow) on incorporation/ acquisition of a subsidiary	30	(4,536)
NET CASH FOR INVESTING ACTIVITIES	(262)	(5,022)
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES		
Dividend paid	(3,212)	(3,186)
Drawdown of revolving credit and overdraft	3,093	6,688
Drawdown/(repayment) of factoring loan	200	(1,288)
Repayment of hire purchase obligations	(182)	(223)
Repayment of term loan	(53)	(52)
Proceeds from ESOS exercised	369	468
Purchase of treasury shares	(381)	(1)
NET CASH (FOR)/FROM FINANCING ACTIVITIES	(166)	2,406
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	8,264	(9,372)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,103	(102)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	13,353	25,233
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	22,720	15,759

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

Cash and bank balances	16,078	12,227
Fixed deposits	7,611	3,532
Bank overdraft	(969)	-
	22,720	15,759

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 PERIOD ENDED 30 SEPTEMBER 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 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclo	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	
	30/9/2013	30/9/2012	30/9/2013	30/9/2012	30/9/2013	30/9/2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	29,121	32,218	1,355	3,879	5,928	6,533
China	12,014	12,704	704	1,853	272	410
Taiwan	5,355	18,367	(1,158)	389	255	224
Singapore	19,352	13,887	852	(1,377)	8,123	8,710
Indonesia	565	-	70	-	-	-
Vietnam	-	22	-	6	-	-
Other	397	-	(259)	-	-	-
	66,804	77,198	1,564	4,750	14,578	15,877

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 30 September 2013.

**KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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

The payment of a final tax-exempt dividend of 2 sen per ordinary share amounting to RM3,212,144 in respect of the FYE 31 December 2012 which was approved by the shareholders at the Thirteenth Annual General Meeting held on 26 June 2013 has been paid on 12 August 2013.

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 September 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 2 September 2013, the Company repurchased 126,000 of its issued share capital from the open market at the cost from RM0.445 to RM0.465 per share. The total consideration paid for the share buy-back of KGB shares, including transaction costs was RM57,462.64.

(ii) On 3 September 2013, the Company repurchased 635,100 of its issued share capital from the open market at the cost from RM0.465 to RM0.50 per share. The total consideration paid for the share buy-back of KGB shares, including transaction costs was RM308,768.47.

(iii) On 4 September 2013, the Company repurchased 21,000 of its issued share capital from the open market at the cost from RM0.47 to RM0.48 per share. The total consideration paid for the share buy-back of KGB shares, including transaction costs was RM10,002.63.

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

Save as disclosed in the following, there has been no change in the composition of the Group during the current quarter under review.

Incorporation of Kelington Nawik (PNG) Limited ("KNPNG")

On 29 July 2013, the Board of Directors of KGB announced that Kelington Nawik Sdn. Bhd. ("KNSB"), a 85% owned subsidiary of the Company had subscribed 100 ordinary shares of PGK1.00 each in KNPNG, Papua New Guinea, representing 100% of the total issued and paid-up capital of KNPNG for a total cash consideration of RM140.00. In consequence thereof, KNPNG will become a wholly-owned subsidiary of KNSB.

KNPNG has an issued and paid up capital of PGK100.00 divided into 100 ordinary shares of PGK1.00 each. The intended principal activities of KNPNG are providing of engineering and consultancy services.

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 September 2013 are as follows:

	Bank	Insurance
	RM'000	RM'000
Performance bond and warranty bond granted to contract customers:		
- Warranty bond	606	516
- Performance bond	-	997
Total	606	1,513

14. Material Subsequent Events

There has been no material subsequent events after the quarter ended 30 September 2013.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 30 September 2013, the Group's revenue reduced by 25.28% to RM19.73 million comparing to the previous year corresponding quarter as at 30 September 2012.

Revenue contribution from Singapore operation increased by 259.70% to RM7.16 million mainly due to the increase in project volumes of Singapore operations, which includes the subsidiary, Puritec Technologies Singapore.

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

The Group's profit before tax (PBT) decreased by 99.02% to RM0.02 million mainly due to the lower revenue and lower margins of the current project mix in Malaysia, China and Taiwan operations.

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

For the financial period ended 30 September 2013, the Group's revenue declined by 13.46% to RM66.80 million as compared to RM77.20 million reported in the previous year's corresponding period. This was mainly due to the slower attainment of new jobs in Malaysia, China and Taiwan operations.

PBT declined by 67.07% to RM1.56 million as compared to RM4.75 million in the previous year's corresponding period mainly due to the lower revenue and lower margins of the current project mix.

(c) Variation of Results Against Preceding Quarter

The Group's PBT of RM0.02 million for the quarter ended 30 September 2013 shows a 96.61% decrease as compared to the PBT of RM0.59 million for the preceding quarter ended 30 June 2013. This is mainly due to slower attainment of new jobs.

2 Commentary Of Prospects

The Group is cautious about the prospect of the financial year ending 31 December 2013 due to the current economic situation. The Group is committed on securing new orders to replenish its orderbook. For the current year, the Group has an orderbook of RM111.43 million of which RM44.63 million remains outstanding as at 30 September 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	
	30/9/2013	30/9/2012	30/9/2013	30/9/2012
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	23	3	57	33
Interest expense	(180)	(39)	(377)	(128)
Depreciation and amortisation	(268)	(320)	(821)	(951)
Foreign exchange gain or (loss)	81	(104)	93	(68)

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 ended 30/9/13	Cumulative Year to date ended 30/9/13
	RM'000	RM'000
Current tax:		
- for the financial period		
	(41)	(22)

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.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013

7 Group Borrowings

(a) Breakdown of the Group's borrowings and debt securities as at 30 September 2013 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short-term borrowing	16,990	-	16,990
Long-term borrowing	592	-	592
			-
Total Borrowings	<u>17,582</u>	<u>-</u>	<u>17,582</u>

(b) Foreign currency borrowings and debt securities in RM equivalent as at 30 September 2013 were as follows:

<u>Foreign currency</u>	RM'000
Singapore Dollar	9,085
Taiwan Dollar	573
Total	<u>9,658</u>

8 Material Litigation

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

9 Dividends Payable

There were no dividends proposed during the current quarter ended 30 September 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	
	30/9/2013	30/9/2012	30/9/2013	30/9/2012
Profit After Taxation (RM'000)	22	1,530	1,586	4,011
Weighted average number of ordinary shares in issue ('000)	160,367	125,639	159,970	94,830
Basic Earnings Per Share (Sen)	0.01	1.22	0.99	4.23
Diluted Earnings Per Share (Sen) #	0.01	1.20	0.97	4.15

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 30/9/13 RM'000	Cumulative Year to date ended 30/9/12 RM'000
Total retained profits of KGB:		
- Realised	28,051	28,634
- Unrealised	(532)	(573)
Total group retained profits as per consolidated accounts	<u>27,519</u>	<u>28,061</u>