

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Statement of Profit or Loss and Other Comprehensive Income
For The 4th Quarter Ended 31 December 2017

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the year ended 31 December 2017 are as follow:-

	Unaudited	Unaudited		Unaudited	Audited	
Note	Current Qtr Ended 31/12/2017 RM'000	Previous Qtr Ended 31/12/2016 RM'000	+ - %	12-months Period up to 31/12/2017 RM'000	12-months Period up to 31/12/2016 RM'000	+ - %
Revenue	104,069	109,199	-5	317,420	343,344	-8
Cost of sales	(81,293)	(95,845)		(267,572)	(304,120)	
Gross profit	22,776	13,354		49,848	39,224	
Other income	307	3,546		786	4,831	
Administrative expenses	(10,937)	(7,822)		(24,893)	(19,851)	
Selling and distribution expenses	(1,214)	(382)		(2,059)	(1,142)	
Other expenses	(3,132)	(2,612)		(5,777)	(12,175)	
Results from operating activities	7,800	6,084	+28	17,905	10,887	+64
Finance costs	(383)	(337)		(962)	(816)	
Profit before taxation for the financial period	7,417	5,747	+29	16,943	10,071	+68
Taxation	(2,919)	(1,046)		(4,857)	(1,244)	
Profit after taxation for the financial period	4,498	4,701	-4	12,086	8,827	+37
Other comprehensive income/(expenses), net of tax						
Foreign currency translation	(432)	226		581	(767)	
	(432)	226		581	(767)	
Total comprehensive income for the period	4,066	4,927		12,667	8,060	
Profit attributable to:						
Shareholders of the Company	4,606	4,750	-3	12,258	8,866	+38
Non-controlling interests	(108)	(49)		(172)	(39)	
Profit after taxation for the financial period	4,498	4,701	-4	12,086	8,827	+37
Total comprehensive income attributable to:						
Shareholders of the Company	4,173	4,982		12,847	8,083	
Non-controlling interests	(107)	(55)		(180)	(23)	
Total comprehensive income for the period	4,066	4,927		12,667	8,060	
Basic earnings per ordinary share (sen):						
Basic earnings per share (sen)	2.00	0.92		5.38	4.00	
Diluted earnings per share (sen)	1.81	0.92		4.86	4.00	

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 2016 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 December 2017

	Unaudited As At 31/12/2017 RM'000	Audited As At 31/12/2016 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	10,224	8,329
Goodwill on consolidation	6,336	6,479
Development costs	-	17
Other receivables	-	184
Non-current tax assets	-	349
	16,560	15,358
Current assets		
Inventories	969	167
Amount owing by contract customers	62,495	68,906
Trade receivables	72,085	59,301
Other receivables, prepayments and deposits	21,712	12,765
Current tax assets	359	851
Cash and cash equivalents	60,687	42,597
	218,307	184,587
TOTAL ASSETS	234,867	199,945
EQUITY AND LIABILITIES		
Equity		
Share capital	24,140	22,238
Share premium	1,686	1,315
Retained earnings	39,312	29,341
Other reserve	15,203	14,289
Treasury share	(534)	(608)
Total Equity attributable to Shareholders of the Company	79,807	66,575
Non-controlling interests	311	418
Total Equity	80,118	66,993
Non-current liabilities		
Deferred tax liabilities	157	158
Long-term borrowings	696	897
	853	1,055
Current liabilities		
Amount owing to contract customers	21,940	40,550
Trade payables	63,664	45,921
Other payables and accruals	34,948	21,219
Current tax liabilities	3,746	543
Short term borrowings	29,598	23,664
	153,896	131,897
Total liabilities	154,749	132,952
TOTAL EQUITY AND LIABILITIES	234,867	199,945
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.3486	0.2994

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 2016 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 2017

	----- Attributable to Equity Holders of the Company -----							Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	ESOS and ESS Reserve RM'000	Exchange Fluctuation Reserve RM'000	Treasury Share RM'000	Retained Earnings RM'000			
As at 1 January 2017	22,238	1,315	8,985	371	4,933	(608)	29,341	66,575	418	66,993
Profit after taxation for the financial period	-	-	-	-	-	-	12,258	12,258	(172)	12,086
Other comprehensive expense, net of tax:										
- Foreign currency translation	-	-	-	-	589	-	-	589	(8)	581
Total comprehensive (expense)/ income for the financial period	-	-	-	-	589	-	12,258	12,847	(180)	12,667
Contributions by and distribution to owners of the company:										
- Purchase of treasury shares	-	-	-	-	-	74	-	74	-	74
- Investment/ Acquisition in a subsidiary:										
- Ace Gases Sdn Bhd	-	-	-	-	-	-	-	-	110	110
- Hiti Engineering (M) Sdn Bhd	-	-	-	-	-	-	-	-	49	49
- Divestment in Kelington Solomon Philipines, Inc.	-	-	-	-	-	-	-	-	(86)	(86)
- Dividend paid for the period	-	-	-	-	-	-	(2,287)	(2,287)	-	(2,287)
- Employees' share scheme reserve	-	-	-	696	-	-	-	696	-	696
- Employees' share option exercise	1,902	371	-	(371)	-	-	-	1,902	-	1,902
Total recognised income and expense for the period	1,902	371	-	325	-	74	(2,287)	385	73	458
As at 31 December 2017	24,140	1,686	8,985	696	5,522	(534)	39,312	79,807	311	80,118
As at 1 January 2016	22,008	760	8,985	555	5,716	(607)	21,581	58,998	401	59,399
Profit after taxation for the financial period	-	-	-	-	-	-	8,866	8,866	(39)	8,827
Other comprehensive income, net of tax:										
- Foreign currency translation differences	-	-	-	-	(783)	-	-	(783)	16	(767)
Total comprehensive income for the financial period	-	-	-	-	(783)	-	8,866	8,083	(23)	8,060
Contributions by and distribution to owners of the company:										
- Dividend paid for the period	-	-	-	-	-	-	(1,106)	(1,106)	-	(1,106)
- Purchase of treasury shares	-	-	-	-	-	(1)	-	(1)	-	(1)
- Employees' share option reserve	-	-	-	15	-	-	-	15	-	15
- Employee's share options exercised	230	555	-	(199)	-	-	-	586	-	586
- Incorporation of a subsidiary:										
- Ace Gases Sdn. Bhd.	-	-	-	-	-	-	-	-	40	40
Total transactions with owners	230	555	-	(184)	-	(1)	(1,106)	(506)	40	(466)
As at 31 December 2016	22,238	1,315	8,985	371	4,933	(608)	29,341	66,575	418	66,993

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 2016 and the accompanying explanatory notes enclosed to the interim financial statements.

* : - Less than RM1,000

ESOS: Employee Shares Option Scheme

ESS: Employee Share Scheme

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Condensed Consolidated Statement of Cash Flow
For The 12-Months Period Ended 31 December 2017

	Unaudited 12-Months Ended 31/12/2017 RM'000	Audited 12-Months Ended 31/12/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	16,943	10,071
Adjustments for:-		
Amortisation of development cost	18	18
Depreciation of property, plant and equipment	1,296	1,158
Equipment written off	3	6
Impairment loss on trade receivables	1,379	5,380
Impairment loss on due from customer on construction contract	2,450	832
Impairment loss on other receivables	-	224
Interest expense	715	816
Interest income	(726)	(265)
Inventories written off	-	59
Loss on disposal of equipment	60	62
Provision for foreseeable loss	-	495
Provision for warranty costs	433	-
Share-based payments	696	15
Trade receivables written off	-	4,496
Writeback of provision of warranty costs	-	(63)
Writeback of impairment loss on trade receivables	(44)	-
Unrealised (gain)/ loss on foreign exchange	2,519	(2,410)
Operating profit before working capital changes	<u>25,742</u>	<u>20,894</u>
Increase in inventory	(802)	(31)
(Increase)/ Decrease in amounts owing by/to contract customers	(14,649)	7,888
Increase in trade and other receivables	(25,226)	(13,962)
Increase in trade and other payables	31,031	131
CASH FROM OPERATIONS	<u>16,096</u>	<u>14,920</u>
Income tax paid	(769)	(929)
Interest paid	(715)	(816)
Interest received	726	265
NET CASH FROM OPERATING ACTIVITIES	<u>15,338</u>	<u>13,440</u>
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(3,050)	(2,025)
Proceeds from disposal of equipment	81	281
Placement of fixed deposit pledged with licensed bank	(6,386)	(1,074)
Withdrawal of cash held in trust	-	870
Net cash outflow on acquisition of a subsidiary (Note 1)	(248)	-
Capital contribution from non-controlling interests	100	40
NET CASH FOR INVESTING ACTIVITIES	<u>(9,503)</u>	<u>(1,908)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,287)	(1,106)
Drawdown of revolving credit	7,000	1,500
(Repayment)/ Drawdown of trust receipts	(6,900)	4,226
Repayment of hire purchase obligations	(212)	(131)
Repayment of term loan	(5,563)	(1,837)
Proceeds from exercise of employee's share options	1,902	586
Repayment of bankers' acceptance	-	963
Drawdown of invoice financing	11,241	176
Drawdown of factoring loan	-	-
Repayment of foreign currency loan	(176)	-
Proceeds from resale/purchase of treasury shares	74	(1)
NET CASH FROM FINANCING ACTIVITIES	<u>5,079</u>	<u>4,376</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,914	15,908
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	790	(530)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	34,361	18,983
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>46,065</u>	<u>34,361</u>

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

Cash and bank balances	46,065	34,361
Fixed deposits	14,622	8,236
	<u>60,687</u>	<u>42,597</u>
Less: fixed deposits pledged with licensed banks	(14,622)	(8,236)
	<u>46,065</u>	<u>34,361</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 2016 and the accompanying explanatory notes enclosed to the interim financial statements.

Note 1

On 6 February 2017, the Company had acquired 3,528,000 ordinary shares, representing 49% of the total issued and paid-up capital of HITI Engineering (M) Sdn. Bhd. (Company No. 151260-M) ("HITI") for a total consideration of RM303,121.65.

The fair value of the net assets acquired and cash flow arising from the acquisition as at acquisition date is as follows: -

	RM'000
Other receivables	261
Cash and cash equivalents	55
Prepaid tax	44
Other payables	(8)
Net Assets	<u>352</u>
Less: NCI	(49)
Purchase consideration	303
Cash and cash equivalents of a subsidiary acquired	(55)
Exchange difference	-
Net cash outflow on acquisition in a subsidiary company	<u>248</u>

**KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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 2016 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 2016. 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 2016.

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 2016.

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:-

MFRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance	1 January 2018
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 140 - Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 - 2016 Cycles:	
• Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	1 January 2018
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018
Annual Improvements to MFRS Standards 2015 - 2017 Cycles	1 January 2019

The adoption of the above accounting standards and interpretations (including the consequential amendments) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:-

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard.

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 2016.

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.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3. Segmental Information (Cont'd)

	Revenue		Non-current Assets	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Malaysia	142,973	102,945	8,110	6,023
China	55,558	55,165	1,058	1,231
Taiwan	31,407	35,131	282	285
Singapore	79,005	134,650	7,110	7,286
Indonesia	5,347	8,424	-	349
Philippines	3,130	7,028	-	-
Other	-	1	-	-
	<u>317,420</u>	<u>343,344</u>	<u>16,560</u>	<u>15,174</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 2017.

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 2017, 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.

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

	Company	
	As at 31/12/2017 Unaudited RM'000	As at 31/12/2016 Unaudited RM'000
Contingent liabilities		
Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries	12,204	9,386

14. Material Subsequent Events

Saved as disclosed in the following, there has been no material subsequent events after the quarter ended 31 December 2017.

On 2 February 2018, the Group proposed to undertake a proposed private placement of up to ten percent (10%) of the total number of issued shares of KGB, excluding treasury shares, to third party investors to be identified at an issue price to be determined later.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

B. Additional information required by the Bursa Malaysia's Listing Requirements

1 Review Of Performance

	Current Year Quarter 31/12/2017 RM'000	Preceding Year Corresponding Quarter 31/12/2016 RM'000	Changes		Current Year-to-date 31/12/2017 RM'000	Preceding Year Corresponding Period 31/12/2016 RM'000	Changes	
			Amount RM'000	%			Amount RM'000	%
Revenue	104,069	109,199	(5,130)	-5%	317,420	343,344	(25,924)	-8%
Operating profit	7,800	6,084	1,716	28%	17,905	10,887	7,018	64%
Profit before tax	7,417	5,747	1,670	29%	16,943	10,071	6,872	68%
Profit after tax	4,498	4,701	(203)	-4%	12,086	8,827	3,259	37%
Profit attributable to shareholders of the company	4,606	4,750	(144)	-3%	12,258	8,866	3,392	38%

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Revenue Currency Year Quarter 31/12/2017 RM'000	% of total	Revenue Preceding Year Corresponding Quarter 31/12/2016 RM'000	% of total
Ultra High Purity	44,115	42%	51,331	47%
Process Engineering	24,573	24%	3,864	4%
General Contracting	33,733	32%	53,986	49%
Industrial Gases	1,648	2%	18	0%
Total	104,069		109,199	

The Group's revenue for the quarter ended 31 December 2017 ("4Q2017") recorded a decrease of 5% to RM104.1 million, as compared to RM109.2 million from the same period last year ("4Q2016"). The decline is reflective of the Group's efforts to improve earnings by selectively bidding for projects that carry higher profit margins.

During the quarter under review, revenue contribution from Singapore recorded the highest year-on-year ('y-o-y') growth of RM9.0 million to RM31.3 million. The Group's revenue in 4Q17 was mainly contributed from Malaysia (47%), followed by Singapore (30%) and China (17%).

Gross profit margin in 4Q2017 increased by 8.0 percentage points ('ppt') to 21.9% as compared to 12.2% in 4Q2016. The increase is mainly attributable to the Group's variation order claims on selected projects and favourable project mix.

Revenue contributions from the Ultra High Purity and Process Engineering division, which carry higher profit margins, increased to 73% of the Group's total revenue in 4Q2017 as compared to 51% in 4Q2016.

As a result, 4Q2017 gross profit increased by 71% to RM22.8 million from RM13.4 million in 4Q2016. The increase was slightly offset by a rise in administrative expenses due to higher bonus expenses, an increase in the number of employee headcount for the Group's expansion into the new business segment and higher corporate expenses.

4Q2017 Profit before tax ("PBT") improved by 29% to RM7.4 million as compared to RM5.7 million in 4Q2016. PBT margins increased to 7.1% from 5.3% in the previous year.

The Group recorded a higher effective tax rate of 39% in 4Q2017 as compared to 18% in 4Q2016 due to the expiry of the Pioneer Status of one of the Group's wholly-owned subsidiary, Kelington Technologies Sdn Bhd in May 2017, certain non tax deductible expenses incurred as well as adjustments to prior years taxation.

Hence, Profit after tax ("PAT") in 4Q2017 recorded a marginal decrease to RM4.5 million as compared to RM4.7 million in 4Q2016.

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

	Revenue 31/12/2017 RM'000	% of total	Revenue 31/12/2016 RM'000	% of total
Ultra High Purity	130,061	41%	188,026	55%
Process Engineering	70,393	22%	19,600	6%
General Contracting	114,869	36%	135,700	40%
Industrial Gases	2,097	1%	18	0%
Total	317,420		343,344	

KELINGTON GROUP BERHAD ("KGB")
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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1 Review Of Performance (Cont'd)

For the financial year ended 31 December 2017 ("FY2017"), the Group recorded a revenue of RM317.4 million, 8% lower as compared to the previous year's corresponding period. The decrease is reflective of the Group's efforts to focus more on bottom-line profit growth as compared to top-line revenue growth by optimizing the Group's project mix and improving cost control.

In FY2017, revenue contribution from the Process Engineering division grew by 259% to RM70.4 million as compared to RM19.6 million in FY2016. Including the Ultra High Purity division, these two divisions collectively increased their revenue contributions to 63% of the total revenue in FY2017 as compared to 61% in FY2016. The newly established Industrial Gases division contributed revenue of RM2.10 million in FY2017.

Revenue contribution by geographical segments were led by Malaysia (45%), Singapore (25%) and China (18%). During the period under review, Malaysia recorded the highest revenue growth of RM40.0 million to RM143.0 million.

Gross profit margins for FY2017 increased to 15.7% from 11.4% in 2016, on the back of better project mix and cost optimization.

The provision of impairment losses on projects and receivables reduced to RM3.8 million in FY2017 as compared to RM10.9 million in FY2016.

PBT in FY2017 improved 68% y-o-y to RM16.9 million with PBT margin increasing to 5.3% from 2.9% in FY2016.

Subsequently, the Group recorded a 37% y-o-y rise in PAT to RM12.1 million in FY2017 against RM8.8 million in the same period last year.

(c) Variation of Results Against Preceding Quarter

	Current Quarter 31/12/2017 RM'000	Immediate Preceding Quarter 30/09/2017 RM'000	Changes	
			Amount RM'000	%
Revenue	104,069	87,226	16,843	19%
Operating profit	7,800	4,714	3,086	65%
Profit before tax	7,417	4,469	2,948	66%
Profit after tax	4,498	3,237	1,261	39%
Profit attributable to shareholders of the company	4,606	3,248	1,358	42%

The Group's revenue increased by 19% quarter on quarter ("q-o-q") to RM104.1 million as compared to RM87.2 million, on the back of improved revenue from Malaysia operations and Ultra High Purity division.

As compared to 3Q2017, gross profit margins strengthened to 21.9% from 14.3% and PBT margins increased to 7.1% from 5.1%. Thus, gross profit and PBT rose by 82% and 66% respectively.

Due to the expiration of the Pioneer Status of Kelington Technologies Sdn Bhd and adjustments to prior years taxation, tax expense rose to RM2.9 million from RM1.2 million in the previous quarter.

As for PAT, the Group recorded an increase of 39% q-o-q to RM4.5 million from RM3.3 million in 3Q17.

(d) Statement of Financial Position

Financial Indicators	As at 31/12/2017 RM'000	As at 31/12/2016 RM'000
Total assets	234,867	199,945
Total equity	80,118	66,993
Debt	30,294	24,561
Deposits, cash & bank balance	60,687	42,597
Net cash	30,393	18,036
Debt-to-Equity	0.38	0.37

The proceeds of RM1.90 million injected from the employees shares option exercise and continuous quarterly profit contributed to the growth in total equity to RM80.1 million.

The Group's financial position has strengthened to a net cash position of RM30.4 million from net cash of RM18.0 million as at 31 December 2016 with total cash of RM60.7 million exceeding total debt of RM30.3 million. Net cash per share stood at 13.2 sen.

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2 Commentary Of Prospects

The Group remains committed to strengthen and grow its market position especially in China, which is amongst the top three largest spending countries on fab equipment and construction. China is expected to be the key growth driver for the global semiconductor industry in 2017 and 2018. In light of this, the Group has recently increased its project biddings and has clinched multiple projects from major global semiconductor foundries in China.

The scope of these projects is mainly for the "base build" works which is the backbone of a new manufacturing facility. In the coming years, as the manufacturing facility scales up its production capacity, the Group will also have the opportunity to secure the subsequent "hook up" jobs which entail connecting the backbone to new tools and equipment.

In FY2017, the Group had secured new projects amounting to approximately RM374 million. The Group continues to record a healthy orderbook growth and combined with the carried forward orderbook, the Group has an orderbook on hand of RM507 million, of which RM182 million remains outstanding. The progress billing of the outstanding orderbook will contribute positively to the Group's financial performance.

In addition, the Group's ventures to expand its Industrial Gases division will also contribute positively to the financial performance in the coming years:-

- a) Contract for the on-site supply of nitrogen gas from a major photovoltaic manufacturer will commence in the financial year ending 31 December 2018.
- b) Manufacturing of liquid carbon dioxide ("LCO2") business is expected to commence in the next financial year ending 31 December 2019.

These, coupled with the Group's on-going efforts to bid for new contracts for the on-site gas supply business augurs well in building up the Group's earnings visibility.

The Group's key operations outside Malaysia, which are Taiwan, China and Singapore are carried out in the respective local currencies of those countries. Hence, the Group enjoys a natural currency hedge, and this minimizes the Group's exposure to the fluctuations in the currency markets.

3 Profit Forecast and Profit Guarantee

The Company did not announce any profit forecast or profit estimate for the FYE 31 December 2017 in any public document and hence this information is not applicable.

4 Profit for the Period

	Quarter ended		Year-to-date ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	579	213	726	265
Interest expense	(212)	(502)	(715)	(816)
Impairment loss on trade receivables	(790)	(1,572)	(1,379)	(5,380)
Impairment loss on due from customer on construction contracts	(1,810)	(832)	(2,450)	(832)
Impairment loss on other receivables		(224)	-	(224)
Depreciation and amortisation	(341)	(316)	(1,296)	(1,176)
Equipment written off	7	(2)	(3)	(6)
Inventory written off	-	(59)	-	(59)
Unrealised Foreign exchange (loss)/gain	(1,989)	2,338	(2,519)	2,410
Realised Foreign exchange (loss)/gain	913	696	883	1,481
Loss on disposal of equipment	-	2	(60)	(62)
Trade receivables written off	-	(1,103)	-	(4,496)
Writeback on impairment loss on trade receivables	-	-	44	-

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 31/12/17	Cumulative Year to date ended 31/12/17
	RM'000	RM'000
Current tax:		
- for the financial period	2,919	4,857

The effective tax rate of the Group for the current financial period under review is higher than the statutory tax rate mainly due to certain non tax deductible expenses incurred as well as adjustments to prior years taxation.

6 Corporate Proposal

Saved as disclosed in note 14 of part A, there were no outstanding corporate proposals announced but not completed as at the current quarter under review.

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7 Group Borrowings

The borrowings as at 31 December 2017 versus 31 December 2016 are as follows:

	As At 31 December 2017					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Foreign Currency ('000)	RM'000	Foreign Currency ('000)	RM'000	Foreign Currency ('000)	RM'000
Secured						
Hire purchase	-	218	-	618	-	836
Term Loan	<i>NTD 26,200</i>	3,676	-	78	<i>NTD 26,200</i>	3,754
Revolving loan	-	13,500	-	-	-	13,500
Factoring	-	-	-	-	-	-
Foreign currency loan	-	-	-	-	-	-
Import Loan/Invoice financing	<i>RMB12,937</i>	12,204	-	-	<i>RMB12,937</i>	12,204
Bank draft	-	-	-	-	-	-
Letter of credit	-	-	-	-	-	-
Unsecured						
Nil	-	-	-	-	-	-
		29,598		696		30,294
Weighted average interest rate of borrowings						5.62%
Proportion of borrowings between fixed interest rate and floating interest rate						15%:85%

The increase in borrowing during the year ended 31 December 2017 is mainly used for the working capital of the operations and projects undertaken in Taiwan.

	As At 31 December 2016					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Foreign Currency ('000)	RM'000	Foreign Currency ('000)	RM'000	Foreign Currency ('000)	RM'000
Secured						
Hire purchase	-	169	-	536	-	705
Term Loan	<i>RMB11,673, NTD9,470</i>	8,956	<i>NTD1,300</i>	361	<i>RMB11,673, NTD10,770</i>	9,317
Revolving loan	-	6,500	-	-	-	6,500
Bankers' acceptances	-	176	-	-	-	176
Trust receipts	<i>SGD596</i>	6,900	-	-	<i>SGD 596</i>	6,900
Import Loan/Invoice financing	-	963	-	-	-	963
Bank draft	-	-	-	-	-	-
Letter of credit	-	-	-	-	-	-
Unsecured						
Nil	-	-	-	-	-	-
		23,664		897		24,561
Weighted average interest rate of borrowings						4.76%
Proportion of borrowings between fixed interest rate and floating interest rate						9%:91%

The material changes to borrowings of the Group during the year ended 31 December 2016 mainly used for project undertaken in Taiwan and China. It would be fully repaid upon the completion of the jobs.

8 Derivative Financial Instruments

There were no material outstanding derivatives entered into by the Group as at the end of the quarter under review.

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9 Material Litigation

Save as disclosed below, as at the date of this quarterly report, neither KGB nor any of its subsidiaries is engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board has no knowledge of any proceedings pending or threatened against the Company and/or its subsidiaries or of any fact likely to give rise to any proceedings, which may materially or adversely affect the financial position or business of the Group:-

(1) Updates on legal proceeding against Hui Neng Mechanical & Electrical Engineering Co. ("Hui Neng")(27518963)

On 29 June 2016, the Judge has decided in favour of Kelington Taiwan and allowed Kelington Taiwan's claim of NTD34,234,442 (equivalent to RM4,279,305) being the net amount after deducting Hui Neng's progress claim of NTD1,765,558, plus all interest thereon since 13 March 2015 until full and final settlement and that all litigation cost shall be borne by Hui Neng.

On 25 July 2016, Hui Neng has submitted an appeal to the Court.

On 14 October 2016, Hui Neng has submitted a written plea to the High Court, Taiwan. On 9 December 2016, Kelington Taiwan answered to the plea submitted by Hui Neng to the High Court.

On 19 January 2017, High court decided to call the witnesses to Court to give evidence on the next hearing. On 24 February 2017, 7 April 2017, 18 May 2017, 6 July 2017, 25 August 2017, 28 September 2017, 16 November 2017, 21 December 2017 and 2 February 2018, High court had heard the evidences given by the witnesses and fixed the next hearing on 15 March 2018.

The Company will announce further developments on the above matter in due course.

(2) Commencement of legal proceeding between Kelington Technologies Sdn Bhd ("KTSB"), a wholly owned subsidiary of Kelington, against Australian Marine Technology (License No.:631371, DCCI No.:184436) and Eric Robert Bowra (Passport No.:E4011930), one of the guarantors for the works performed for Australian Marine Technology (Collectively referred as the "Defendants")

On 5 October 2016, KTSB filed a Writ and Statement of Claim at the High Court of Kuala Lumpur against Australian Marine Technology ["AMT"], a company incorporated in Dubai, United Arab Emirates; and Eric Robert Bowra one of the guarantors in the project undertaken by KTSB for AMT, to claim for the sum of USD702,206.13 or equivalent to RM 2,893,089.26 (based on exchange rate of RM4.12 to USD1) together with interest and foreign exchange loss thereon ["Claimed Sum"].

KTSB was appointed by AMT to perform projects works in Dubai, United Arab Emirates and an invoice was issued to AMT on 19 August 2015 for the works done. KTSB had issued a letter of demand dated 23 May 2016 to AMT and two (2) guarantors in the project, namely, Mr Koh Chen Tien (NRIC No.:551002-04-5095) and Eric Robert Bowra (Passport No.:E4011930) to demand for the payment from AMT but to no avail from the defendants.

The Company has engaged a lawyer to file a Writ and Statement of Claim against the defendants by virtue of the defendants' obligation as principal debtor / guarantor in the said project for the Claimed Sum. In addition, the Company will pursue the matter separately with Mr Koh Chen Tien via a Settlement Agreement entered between KTSB and Mr Koh Chen Tien on 25 July 2016.

On 5 December 2016, the Court has fixed the action for further case management on 27 February 2017 for completing the service of the court papers on the Defendants. Further, the Court has set down the action for trial on 29 May 2017.

On 27 February 2017, the Court has fixed the action for further case management on 21 March 2017 to update the Court on service of the Writ and Statement of Claim on the Defendants.

On 21 March 2017, the Court allowed the Company's application to extend the validity of the Writ until 4 October 2017 pending service of the same by Ministry of Foreign Affairs of Malaysia. The trial date originally fixed on 29 May 2017 was vacated and re-fixed on 8 November 2017. The Court has fixed the action for the next case management on 29 May 2017.

On 29 May 2017, the Court has fixed the action for the final case management on 6 July 2017 to update the Court on the service of the Writ and Statement of Claim on the Defendants.

On 6 July 2017, the Court has fixed the action for the final case management on 17 July 2017 to effect service of the Writ and Statement of Claim on the Defendants.

On 17 July 2017, the Court refused to grant further extension of time for Ministry of Foreign Affairs of Malaysia to attempt service of the cause papers on the Defendants and struck off the Writ with liberty to file afresh.

The timeframe to attempt service of the cause papers by the Consulate General of Malaysia is out of the Company's control and the Company will make further announcement if the next cause of action is decided, including the possibility of file afresh.

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9 Material Litigation (Cont'd)

(3) Commencement of adjudication proceeding between KTSB, a wholly owned subsidiary of Kelington, against Biocon Sdn. Bhd.

On 28 February 2017, KTSB (Company No.: 562280-U"), a wholly owned subsidiary of Kelington served a Notice of Adjudication to Biocon Sdn. Bhd. (Company No. 930330-U) ("Biocon") in accordance with Section 7 and 8 of Construction Industry Payment & Adjudication Act 2012 ("CIPAA") to seek following reliefs or remedies from Biocon:-

Payment amounting to RM5,027,062.04 (inclusive of interest and Goods and Service Tax ("GST")) being the outstanding payment due to KTSB; Interest on the unpaid amounts from the date of payment was due to the date full payment is received (The interest rate on the unpaid amounts is 7.65% p.a.); and all cost incurred by KTSB in referring the dispute to adjudication, including but not limited to KTSB's claim consultant's cost, the registration and administrative fee of Kuala Lumpur Regional Centre of Arbitration, and the adjudicator's fee.

On 16 July 2013, KTSB was appointed by Biocon as the Contractor pursuant to three (3) Purchase Orders under reference numbers BSDN/PROJ/SV/1300063, BSDN/PROJ/SV/1300064, BSDN/PROJ/SV/1300065 dated 16th July 2013 ("Contract") for the supply and installation of specialty gas system, clean piping and stainless steel piping work for the Biocon's factory in Nusajaya, Johor ("Works"). The Works were completed on 4th December 2015.

On 22 December 2016, KTSB ("Claimant") served a Payment Claim to Biocon ("Respondent") in accordance with Section 5 of CIPAA for the sum of RM6,183,648.07 (inclusive of interest) as Biocon had failed to make payment to KTSB.

On 12 January 2017, Biocon made a partial payment of RM1,342,022.00 (exclusive of interest and GST) to KTSB.

On 29 May 2017, the following procedures under the CIPAA had been completed:

- (i) KTSB submitted an Adjudication Claim (Form 7) dated 17 April 2017;
- (ii) Adjudication Response (Form 8) dated 12 May 2017 received from Biocon;
- (iii) KTSB submitted an Adjudication Reply (Form 9) dated 25 May 2017.

On 10 July 2017, The Adjudicator's Decision was as follows:-

- (i) The Respondent should pay the Claimant the sum of RM4,593,743.36;
- (ii) The Respondent should pay the Claimant simple interest at the rate of 5% per annum on the said sum of RM4,593,743.36 from the date of the Adjudication Decision until full and final settlement.
- (iii) The Respondent should pay the Claimant:-
 - a. The Claimant's adjudication costs including the cost of the Claimant's Expert, which shall be taxed by the court;
 - b. Advanced Payments to Kuala Lumpur Regional Centre for Arbitration (KLRC) as security deposit; and
 - c. Interest of 5% p.a. calculated from the date of the adjudication decision until full and final settlement.

On 20 September 2017, KTSB had applied to the High Court at Kuala Lumpur ("the High Court") to enforce the Adjudication Decision as if it is a judgment or order of the High Court pursuant to Section 28 of the Construction Industry Payment and Adjudication Act 2012 ("CIPAA").

Biocon had on 16 October 2017 filed its application to the High Court to set aside the Adjudication Decision pursuant to Section 15 of the CIPAA. Subsequently, Biocon had on 30 November 2017 filed an application to stay the Adjudication Decision pending the disposal of the Arbitration pursuant to Section 16 of the CIPAA.

On 29 November 2017, Biocon served a Notice of Arbitration to KTSB to refer the dispute between KTSB and Biocon for arbitration in Singapore ("Arbitration"). The Notice of Arbitration seeks to claim for the total amount of RM5,848,560.68 being the claims for the liquidated damages, additional costs and expenses allegedly incurred and loss of profit allegedly suffered by Biocon. KTSB had on 18 December 2017 filed an arbitration response and counterclaim for RM5,182,663.71 against Biocon in the impending arbitration.

On 22 December 2017, the High Court allowed KTSB's application to enforce the Adjudication Decision with costs while Biocon's applications to set aside the Adjudication Decision and to stay the Adjudication Decision were dismissed with costs.

On 17 January 2018, KTSB and Biocon ("the Parties") had agreed to enter into a Settlement Agreement and Release ("Agreement") to provide, for a full and final settlement and discharge of all claims, actions, and disputes of whatsoever kind of nature which the Parties may have, may now have or may hereafter have against each other arising out and/or relating to the contract subject to the terms and conditions as stipulated in the Agreement.

Pursuant to the Agreement, Biocon shall pay to KTSB RM3,500,000 as settlement of claims, actions, and disputes of whatsoever kind of nature which the Parties may have, may now have or may hereafter have against each other arising out and/or relating to contract including but not limited to the Adjudication Decision, the Arbitration, all fees and costs incurred by the Parties in pursuing the litigation and arbitration.

Upon receipt of the settlement sum by KTSB, the lawsuit and/or arbitration initiated by the Parties shall be deemed settled and any and all orders made therein are deemed to have been fully satisfied and/or be forthwith withdrawn with no order as to costs.

The settlement of the litigation will have a positive impact on earnings per share, net assets per shares and gearing of the Group for the financial year ending 31 December 2018.

On 23 January 2018, KTSB had collected the settlement sum from Biocon.

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10 Dividends Payable

There were no dividends proposed during the current quarter ended 31 December 2017.

11 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	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Profit After Taxation attributable to owners of the company (RM'000)	4,606	4,750	12,258	8,866
Weighted average number of ordinary shares in issue ('000)	229,834	220,262	227,859	221,412
Basic Earnings Per Share (Sen)	2.00	2.16	5.38	4.00
Diluted Earnings Per Share (Sen) #	1.81	2.15	4.86	4.00

Note :

- Assuming the full exercise of 53,937,631 convertible warrants and 16,088,392 shares of Employee Shares Scheme

12 TRADE RECEIVABLES

The ageing analysis of the Group's gross trade receivables is as follows:

<u>31/12/2017</u>	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
Not past due	56,053	(105)	55,948
Past due:			
- less than 3 months	4,460	-	4,460
- 3 to 6 months	900	-	900
- over 6 months	-	-	-
- over 1 year	14,345	(3,568)	10,777
	<u>75,758</u>	<u>(3,673)</u>	<u>72,085</u>

Some of the trade receivables that are past due were not impaired based on the historical collection trends.

<u>31/12/2016</u>	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
Not past due	37,582	-	37,582
Past due:			
- less than 3 months	9,009	-	9,009
- 3 to 6 months	1,697	(86)	1,611
- over 6 months	6,675	(15)	6,660
- over 1 year	10,440	(6,001)	4,439
	<u>65,403</u>	<u>(6,102)</u>	<u>59,301</u>

13 DISCLOSURE OF REALISED AND UNREALISED PROFITS/ (LOSSES)

	Cumulative Year to date ended 31/12/17 RM'000	Cumulative Year to date ended 31/12/16 RM'000
Total retained profits of KGB:		
- Realised	41,988	27,126
- Unrealised	(2,676)	2,215
Total group retained profits as per consolidated accounts	<u>39,312</u>	<u>29,341</u>