

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Statement of Profit or Loss and Other Comprehensive Income
For The 1st Quarter Ended 31 March 2015

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the 3 months period ended 31 March 2015 are as follow:-

	Note	Unaudited Current Qtr Ended 31/03/2015 RM'000	Unaudited Previous Qtr Ended 31/03/2014 RM'000	Unaudited 3-months Period up to 31/03/2015 RM'000	Unaudited 3-months Period up to 31/03/2014 RM'000
Revenue		38,524	53,073	38,524	53,073
Cost of sales		(34,700)	(47,814)	(34,700)	(47,814)
Gross profit		3,824	5,259	3,824	5,259
Other income		1,150	17	1,150	17
Administrative expenses		(2,355)	(2,302)	(2,355)	(2,302)
Selling and distribution expenses		(219)	(304)	(219)	(304)
Other expenses		(195)	(191)	(195)	(191)
Results from operating activities		2,205	2,479	2,205	2,479
Share of loss of Associate		(16)	-	(16)	-
Finance costs		(84)	(107)	(84)	(107)
Profit before taxation for the financial period		2,105	2,372	2,105	2,372
Taxation	B5	(25)	(309)	(25)	(309)
Profit after taxation for the financial period		2,080	2,063	2,080	2,063
Other comprehensive income, net of tax					
Foreign currency translation		801	(428)	801	(428)
		801	(428)	801	(428)
Total comprehensive income for the period		2,881	1,635	2,881	1,635
Profit attributable to:					
Shareholders of the Company		2,080	2,080	2,080	2,080
Non-controlling interests		*	(17)	*	(17)
Profit after taxation for the financial period		2,080	2,063	2,080	2,063
Total comprehensive income attributable to:					
Shareholders of the Company		2,881	1,652	2,881	1,652
Non-controlling interests		*	(17)	*	(17)
Total comprehensive income for the period		2,881	1,635	2,881	1,635

* : - Less than RM1,000

Basic earnings per ordinary share (sen):

Basic earnings per share (sen)	B10	0.96	1.29	0.96	1.29
Diluted earnings per share (sen)	B10	0.94	1.26	0.94	1.26

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 2014 and the accompanying explanatory notes enclosed to the interim financial statements.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Statement of Financial Position
As at 31 March 2015

	Unaudited As At 31/03/2015 RM'000	Audited As At 31/12/2014 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	6,240	6,357
Goodwill on consolidation	5,626	5,535
Development costs	48	53
Other receivables	1,755	1,726
Investment in Associate	85	81
	13,754	13,752
Current assets		
Inventories	1,025	775
Amount owing by contract customers	36,947	35,814
Trade receivables	58,700	66,249
Other receivables, prepayments and deposits	10,680	12,625
Deferred tax assets	104	97
Tax refundable	152	15
Cash and cash equivalents	23,879	34,391
	131,487	149,966
	145,241	163,718
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity		
Share capital	21,697	21,697
Retained earnings	28,396	26,316
Other reserve	12,802	12,001
Treasury share	(606)	(606)
	62,289	59,408
Total Equity attributable to Shareholders of the Company		
Non-controlling interests	(74)	(74)
	62,215	59,334
Total Equity		
Non-current liabilities		
Deferred tax liabilities	92	92
Long-term borrowings	1,567	1,117
	1,659	1,209
Current liabilities		
Amount owing to contract customers	24,126	15,771
Trade payables	22,866	29,644
Other payables and accruals	10,839	11,186
Provision for taxation	218	145
Bank overdraft	-	872
Short term borrowings	23,318	45,557
	81,367	103,175
Total liabilities	83,026	104,384
	145,241	163,718
TOTAL EQUITY AND LIABILITIES		
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.2867	0.2738

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 2014 and the accompanying explanatory notes enclosed to the interim financial statements.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Condensed Consolidated Statements of Changes in Equity
For The 1st Quarter Ended 31 March 2015

	----- 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 2015	21,697	-	8,984	731	2,286	(606)	26,316	59,408	(74)	59,334
Profit after taxation for the financial period	-	-	-	-	-	-	2,080	2,080	*	2,080
Other comprehensive income, net of tax:										
- Foreign currency translation	-	-	-	-	801	-	-	801	*	801
Total comprehensive income for the financial period	-	-	-	-	801	-	2,080	2,881	-	2,881
Contributions by and distribution to owners of the company:										
- purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
- Employee's share options exercised	-	-	-	-	-	-	-	-	-	-
- bonus share issued by a subsidiary	-	-	-	-	-	-	-	-	-	-
- Bonus issue	-	-	-	-	-	-	-	-	-	-
- dividend paid for the period	-	-	-	-	-	-	-	-	-	-
- Employees' share option reserve	-	-	-	-	-	-	-	-	-	-
- Employees' share option exercise	-	-	-	-	-	-	-	-	-	-
Total recognised income and expense for the period	-	-	-	-	-	-	-	-	-	-
As at 31 March 2015	21,697	-	8,984	731	3,087	(606)	28,396	62,289	(74)	62,215
As at 1 January 2014	16,068	546	7,851	755	1,918	(482)	27,402	54,058	(23)	54,035
Profit after taxation for the financial period	-	-	-	-	-	-	2,080	2,080	(17)	2,063
Other comprehensive income, net of tax:										
- Foreign currency translation differences	-	-	-	-	(428)	-	-	(428)	*	(428)
Total comprehensive income for the financial period	-	-	-	-	(428)	-	2,080	1,652	(17)	1,635
Contributions by and distribution to owners of the company:										
- purchase of treasury shares	-	-	-	-	-	(123)	-	(123)	-	(123)
Total transactions with owners	-	-	-	-	-	(123)	-	(123)	-	(123)
As at 31 March 2014	16,068	546	7,851	755	1,490	(605)	29,482	55,587	(40)	55,547

* : - 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 2014 and the accompanying explanatory notes enclosed to the interim financial statements.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Condensed Consolidated Statement of Cash Flow
For The 3-Months Period Ended 31 March 2015

	Unaudited 3-Months Ended 31/03/15 RM'000	Unaudited 3-Months Ended 31/03/2014 RM'000
CASH FLOWS FROM/ (FOR) OPERATING ACTIVITIES		
Profit before taxation	2,105	2,372
Adjustments for:-		
Amortisation of development cost	5	15
Depreciation of property, plant and equipment	203	215
Equipment written off	-	1
Interest expense	71	245
Interest income	(88)	(72)
Share of net loss in associate	16	-
Unrealised (gain)/ loss on foreign exchange	(709)	50
Operating profit before working capital changes	<u>1,603</u>	<u>2,826</u>
(Increase)/ Decrease in inventory	(250)	240
Decrease in amounts owing by/to contract customers	7,222	14,396
Decrease/ (Increase) in trade and other receivables	9,466	(29,742)
Decrease in trade and other payables	(6,417)	(12,000)
CASH FROM/ (FOR) OPERATIONS	<u>11,624</u>	<u>(24,280)</u>
Income tax paid	(89)	(84)
Interest paid	(71)	(245)
Interest received	88	72
NET CASH FROM/ (FOR) OPERATING ACTIVITIES	<u>11,552</u>	<u>(24,537)</u>
CASH FLOWS FROM/ (FOR) INVESTING ACTIVITIES		
Purchase of plant and equipments	(46)	(80)
Placement of fixed deposit pledged with licensed bank	(328)	-
Withdrawal of cash pledged with licensed bank	4,428	-
Investment in associate	(20)	-
NET CASH FROM/ (FOR) INVESTING ACTIVITIES	<u>4,034</u>	<u>(80)</u>
CASH FLOWS (FOR)/ FROM FINANCING ACTIVITIES		
(Repayment)/ drawdown of revolving credit	(3,647)	9,000
Repayment of factoring loan	-	(1,087)
Repayment of hire purchase obligations	(30)	(110)
(Repayment)/ Drawdown of term loan	(17,825)	25,705
Repayment of trust receipts	(287)	(316)
Purchase of treasury shares	-	(123)
NET CASH (FOR) / FROM FINANCING ACTIVITIES	<u>(21,789)</u>	<u>33,069</u>
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(6,203)	8,452
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	663	(422)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	19,439	15,310
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>13,899</u>	<u>23,340</u>
Cash and cash equivalents at the end of financial period comprise the following:		
Cash and bank balances	16,298	17,651
Fixed deposits	7,581	6,975
Bank overdraft	-	(1,286)
	<u>23,879</u>	<u>23,340</u>
Less: Placement of fixed deposit pledged with licensed banks	(6,386)	(4,925)
Less: cash at bank pledged with a licensed bank	(3,594)	(3,160)
	<u>13,899</u>	<u>15,255</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 2014 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 31 MARCH 2015**

Part A - Explanatory Notes Pursuant to MFRS 134

1. Basis of Preparation

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 : Interim Financial Reporting and in accordance to the requirements of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Malaysia**").

The interim financial statements should be read in conjunction with KGB's audited consolidated financial statements for the financial year ended ("**FYE**") 31 December 2014. 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 2014.

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 2014.

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 (IFRS 9 issued by IASB in July 2014)	01 January 2018
MFRS 15 Revenue from Contracts with Customers	01 January 2017
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	01 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception	01 January 2016
Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative	01 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	01 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	01 January 2016
Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions	01 July 2014
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	01 January 2016
Annual Improvements to MFRSs 2010 – 2012 Cycle	01 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle	01 July 2014
Annual Improvements to MFRSs 2012 – 2014 Cycle	01 January 2016

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.

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 2014.

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.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015

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		Non-current Assets	
	31/03/2015	31/03/2014	31/03/2015	31/03/2014
	RM'000	RM'000	RM'000	RM'000
Malaysia	14,731	12,219	5,287	5,734
China	3,213	35,760	170	225
Taiwan	5,095	196	219	231
Singapore	15,485	4,898	8,078	7,857
Indonesia	-	-	-	-
Other	-	-	-	-
	<u>38,524</u>	<u>53,073</u>	<u>13,754</u>	<u>14,047</u>

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 31 March 2015.

5. Material Changes in Estimates

There were no material changes in estimates used in the preparation of the financial statements in the current financial quarter as compared with the previous financial quarters or financial year.

6. Seasonal or Cyclical Factors

The interim operations of the Group were not affected by any significant seasonal or cyclical factors during the quarter under review.

7. Dividends Paid

There were no dividends paid during the current quarter under review.

8. Valuation of Property, Plant and Equipment

Property, plant and equipment of the Group were not revalued during the current quarter under review. As at 31 March 2015, 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

Contingent liabilities of the Group as at 31 March 2015 are as follows:

Performance bond and warranty bond granted to contract customers:	Bank	Insurance
	RM'000	RM'000
- Warranty bond	1,574	1,447
- Performance bond	637	7,687
Total	<u>2,211</u>	<u>9,134</u>

14. Material Subsequent Events

Save as disclosed in the following, there has been no material subsequent events after the quarter ended 31 March 2015.

On 28 April 2015, the Board of Directors of the Company is pleased to announce that the Company intends to seek approval from its shareholders for proposed final tax-exempt dividend of 1 sen per ordinary share of RM0.10 each in respect of the financial year ended 31 December 2014 at the forthcoming Annual General Meeting.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015

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

1 Review Of Performance

(a) Current Quarter vs. Previous Year Corresponding Quarter

For the quarter ended 31 March 2015, the Group's revenue decreased by 27.42%, or RM14.55 million, to RM38.52 million as compared to the previous year corresponding quarter ended 31 March 2014. This is mainly due to the reduction in revenue from China operation.

In line with decrease in revenue, the Group profit before tax (PBT) decreased from RM2.37 million to RM2.11 million, or a drop of 10.97%.

(b) Variation of Results Against Preceding Quarter

The Group's revenue decreased by 10.75% to RM38.52 million for the quarter ended 31 March 2015 as compared to the preceding quarter's revenue of RM43.16 million. The Group improves from loss before taxation of RM1.13 million to PBT of RM2.11 million for the quarter ended 31 March 2015. This is due to the provision of bonus, audit and tax fees as well as an one time write-off relating to a Taiwan Biodiesel project in the quarter ended 31 December 2014.

2 Commentary Of Prospects

Kelington is on track for its expansion plan with securing of RM35.60 million new orders for the 3 months ended 31 March 2015. This contributed to an order book on hand of RM236.00 million of which RM197.48 million remains outstanding as at 31 March 2015. As a result, the Group is optimistic of achieving satisfactory performance for the financial year ending 31 December 2015.

The Group continued to strengthen its presence in core industries as the said new orders. Moving forward, the Group will continue to focus on its core industries while expanding its non-core industries to allow the Group to maintain growth with healthy profit margins.

3 Profit Forecast and Profit Guarantee

The Company did not announce any profit forecast or profit estimate for the FYE 31 December 2015 in any public document and hence this information is not applicable.

4 Profit for the Period

	Quarter ended		Year-to-date ended	
	31/03/2015	31/03/2014	31/03/2015	31/03/2014
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	88	72	88	72
Interest expense	(71)	(245)	(71)	(245)
Depreciation and amortisation	(208)	(230)	(208)	(230)
Foreign exchange gain	709	(50)	709	(50)

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 31/03/15	Cumulative Year to date ended 31/03/15
	RM'000	RM'000
Current tax: - for the financial period	25	25

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

There were no outstanding corporate proposals announced but not completed as at the current quarter under review.

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(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015

7 Group Borrowings

(a) Breakdown of the Group's borrowings and debt securities as at 31 March 2015 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short-term borrowing	23,318	-	23,318
Long-term borrowing	1,567	-	1,567
Total Borrowings	<u>24,885</u>	<u>-</u>	<u>24,885</u>

(b) Foreign currency borrowings and debt securities in RM equivalent as at 31 March 2015 were as follows:

Foreign currency	RM'000
Singapore Dollar	4,033
US Dollar	11,617
Taiwan Dollar	<u>592</u>
Total	<u>16,242</u>

8 Material Litigation

There was no pending material litigation from 1 January 2015 up to the date of this quarterly announcement.

9 Dividends Payable

There were no dividends proposed during the current quarter ended 31 March 2015.

10 Earnings Per Share

The earnings per share for the quarter and cumulative year to date are computed as follow:

	Current Quarter Ended		Cumulative Year To Date Ended	
	31/03/2015	31/03/2014	31/03/2015	31/03/2014
Profit After Taxation attributable to owners of the company (RM'000)	<u>2,080</u>	<u>2,080</u>	<u>2,080</u>	<u>2,080</u>
Weighted average number of ordinary shares in issue ('000)	<u>216,966</u>	<u>160,526</u>	<u>216,966</u>	<u>160,526</u>
Basic Earnings Per Share (Sen)	<u>0.96</u>	<u>1.30</u>	<u>0.96</u>	<u>1.30</u>
Diluted Earnings Per Share (Sen) #	<u>0.94</u>	<u>1.27</u>	<u>0.94</u>	<u>1.27</u>

Note :

- Assuming the full exercise of 12,872,533 share options under Employees' Share Option Scheme.

The unexercised convertible warrants were anti-dilutive in nature. This is due to the average market share price of the Company being below the exercise price of the warrants.

11 DISCLOSURE OF REALISED AND UNREALISED PROFITS/ LOSSES

	Cumulative Year to date ended 31/03/15 RM'000	Cumulative Year to date ended 31/03/14 RM'000
Total retained profits of KGB:		
- Realised	28,319	29,948
- Unrealised	77	(466)
Total group retained profits as per consolidated accounts	<u>28,396</u>	<u>29,482</u>