

**KELINGTON GROUP BERHAD ("KGB")**  
**(Company No. 501386-P)**  
Statement of Profit or Loss and Other Comprehensive Income  
For The 3rd Quarter Ended 30 September 2014

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the 9 months period ended 30 September 2014 are as follow:-

Note	Unaudited Current Qtr Ended 30/09/2014 RM'000	Unaudited Previous Qtr Ended 30/09/2013 RM'000	Unaudited 9-months Period up to 30/09/2014 RM'000	Unaudited 9-months Period up to 30/09/2013 RM'000
Revenue	48,943	19,733	145,943	66,804
Cost of sales	(44,080)	(17,424)	(130,398)	(56,965)
<b>Gross profit</b>	<b>4,863</b>	<b>2,309</b>	<b>15,545</b>	<b>9,839</b>
Other income	73	63	198	149
Administrative expenses	(2,416)	(2,213)	(7,221)	(7,003)
Selling and distribution expenses	(305)	(408)	(933)	(930)
Other expenses	(107)	453	(866)	95
<b>Results from operating activities</b>	<b>2,108</b>	<b>204</b>	<b>6,723</b>	<b>2,150</b>
Share of loss of Associate	(8)	-	(8)	-
Finance costs	(91)	(223)	(402)	(586)
<b>Profit before taxation for the financial period</b>	<b>2,009</b>	<b>(19)</b>	<b>6,313</b>	<b>1,564</b>
Taxation	72	41	(204)	22
<b>Profit after taxation for the financial period</b>	<b>2,081</b>	<b>22</b>	<b>6,109</b>	<b>1,586</b>
<b>Other comprehensive income/(expense), net of tax</b>				
Foreign currency translation	287	492	(333)	919
	287	492	(333)	919
<b>Total comprehensive income for the period</b>	<b>2,368</b>	<b>514</b>	<b>5,776</b>	<b>2,505</b>
<b>Profit attributable to:</b>				
Shareholders of the Company	2,097	61	6,154	1,625
Non-controlling interests	(16)	(39)	(45)	(39)
<b>Profit after taxation for the financial period</b>	<b>2,081</b>	<b>22</b>	<b>6,109</b>	<b>1,586</b>
<b>Total comprehensive income attributable to:</b>				
Shareholders of the Company	1,764	555	5,821	2,546
Non-controlling interests	(16)	(41)	(45)	(41)
<b>Total comprehensive income for the period</b>	<b>1,748</b>	<b>514</b>	<b>5,776</b>	<b>2,505</b>
<b>Basic earnings per ordinary share (sen):</b>				
Basic earnings per share (sen)	0.96	0.01	3.34	0.99
Diluted earnings per share (sen)	0.96	0.01	3.33	0.97

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 2013 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 30 September 2014

	<b>Unaudited As At 30/09/2014 RM'000</b>	<b>Audited As At 31/12/2013 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	6,262	6,704
Goodwill on consolidation	5,380	5,419
Development costs	54	95
Other receivables	1,922	1,937
Investment in Associate	112	-
	<b>13,730</b>	<b>14,155</b>
<b>Current assets</b>		
Inventories	1,450	1,830
Amount owing by contract customers	28,405	35,625
Trade receivables	79,064	43,914
Other receivables, prepayments and deposits	5,879	2,183
Amount due by Associate	28	-
Tax refundable	147	94
Cash and cash equivalents	17,484	18,782
	<b>132,457</b>	<b>102,428</b>
<b>TOTAL ASSETS</b>	<b>146,187</b>	<b>116,583</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	21,697	16,068
Share premium	-	546
Retained earnings	27,077	27,402
Other reserve	11,306	10,524
Treasury share	(606)	(482)
<b>Total Equity attributable to Shareholders of the Company</b>	<b>59,474</b>	<b>54,058</b>
Non-controlling interests	(68)	(23)
<b>Total Equity</b>	<b>59,406</b>	<b>54,035</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	299	303
Long-term borrowings	1,037	585
	<b>1,336</b>	<b>888</b>
<b>Current liabilities</b>		
Amount owing to contract customers	15,060	7,104
Trade payables	22,077	30,297
Other payables and accruals	2,599	4,783
Provision for taxation	211	278
Bank overdraft	-	3,472
Short term borrowings	45,498	15,726
	<b>85,445</b>	<b>61,660</b>
<b>Total liabilities</b>	<b>86,781</b>	<b>62,548</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>146,187</b>	<b>116,583</b>
<b>Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)</b>	<b>0.2738</b>	<b>0.3364</b>

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 2013 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 2014

	----- Attributable to Equity Holders of the Company -----							Distributable	Non-Controlling Interest	Total Equity
	----- 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	RM'000
<b>As at 1 January 2014</b>	16,068	546	7,851	755	1,918	(482)	27,402	<b>54,058</b>	(23)	<b>54,035</b>
Profit after taxation for the financial period	-	-	-	-	-	-	6,154	<b>6,154</b>	(45)	<b>6,109</b>
Other comprehensive income, net of tax:										
- Foreign currency translation	-	-	-	-	(333)	-	-	<b>(333)</b>	*	<b>(333)</b>
Total comprehensive income for the financial period	-	-	-	-	(333)	-	6,154	<b>5,821</b>	(45)	<b>5,776</b>
Contributions by and distribution to owners of the company:										
- purchase of treasury shares	-	-	-	-	-	(124)	-	<b>(124)</b>	-	<b>(124)</b>
- share options exercised	235	563	-	-	-	-	-	<b>798</b>	-	<b>798</b>
- bonus share issued by a subsidiary	-	-	1,115	-	-	-	(1,115)	-	-	-
- Bonus issue	5,394	(1,109)	-	-	-	-	(4,285)	-	-	-
- dividend paid for the period	-	-	-	-	-	-	(1,079)	<b>(1,079)</b>	-	<b>(1,079)</b>
Total recognised income and expense for the period	5,629	(546)	1,115	-	-	(124)	(6,479)	<b>(405)</b>	-	<b>(405)</b>
<b>As at 30 September 2014</b>	<b>21,697</b>	<b>-</b>	<b>8,966</b>	<b>755</b>	<b>1,585</b>	<b>(606)</b>	<b>27,077</b>	<b>59,474</b>	<b>(68)</b>	<b>59,406</b>
<b>As at 1 January 2013</b>	15,959	214	6,714	556	324	(31)	30,088	<b>53,824</b>	-	<b>53,824</b>
Profit after taxation for the financial period	-	-	-	-	-	-	1,586	<b>1,586</b>	-	<b>1,586</b>
Other comprehensive income, net of tax:										
- Foreign currency translation	-	-	-	-	921	-	-	<b>921</b>	(2)	<b>919</b>
Total comprehensive income for the financial period	-	-	-	-	921	-	1,586	<b>2,507</b>	(2)	<b>2,505</b>
Contributions by and distribution to owners of the company:										
- Incorporation of a subsidiary	-	-	-	-	-	-	-	-	30	<b>30</b>
- bonus issue	-	-	-	-	-	-	-	-	-	-
- bonus share issued by a subsidiary	-	-	982	-	-	-	(982)	-	-	-
- dividend paid for the period	-	-	-	-	-	-	(3,212)	<b>(3,212)</b>	-	<b>(3,212)</b>
- purchase of treasury shares	-	-	-	-	-	(381)	-	<b>(381)</b>	-	<b>(381)</b>
- share options exercised	109	260	-	-	-	-	-	<b>369</b>	-	<b>369</b>
Total recognised income and expense for the period	109	260	982	-	-	(381)	(4,194)	<b>(3,224)</b>	30	<b>(3,194)</b>
<b>As at 30 September 2013</b>	<b>16,068</b>	<b>474</b>	<b>7,696</b>	<b>556</b>	<b>1,245</b>	<b>(412)</b>	<b>27,480</b>	<b>53,107</b>	<b>28</b>	<b>53,135</b>

\* : - 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 2013 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 2014

	<b>Unaudited 9-Months Ended 30/09/2014 RM'000</b>	<b>Unaudited 9-Months Ended 30/09/2013 RM'000</b>
<b>CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES</b>		
Profit before taxation	6,313	1,564
Adjustments for:-		
Amortisation of development cost	46	96
Depreciation of property, plant and equipment	645	725
Equipment written off	38	1
Loss on disposal of equipment	22	-
Loss/ (Gain) on foreign exchange - unrealised	57	(93)
Interest expense	456	377
Interest income	(120)	(57)
Transfer of property, plant & equipment to cost of sales	-	5
Operating profit before working capital changes	<u>7,457</u>	<u>2,618</u>
Decrease/ (Increase) in inventory	380	(242)
Decrease in amounts owing by/to contract customers	15,176	3,879
Increase in amount owing by associate	(28)	-
(Increase)/ Decrease in trade and other receivables	(38,831)	9,882
Decrease in trade and other payables	<u>(10,461)</u>	<u>(6,829)</u>
<b>CASH (FOR)/FROM OPERATIONS</b>	<u>(26,307)</u>	<u>9,308</u>
Income tax paid	(324)	(296)
Interest paid	(456)	(377)
Interest received	120	57
<b>NET CASH (FOR)/FROM OPERATING ACTIVITIES</b>	<u>(26,967)</u>	<u>8,692</u>
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Purchase of plant and equipments	(212)	(280)
Development costs paid	(5)	(12)
Proceeds from non-controlling interest	-	30
Net cash outflow on investment in associate	(112)	-
Proceeds from disposal of equipment	75	-
<b>NET CASH FOR INVESTING ACTIVITIES</b>	<u>(254)</u>	<u>(262)</u>
<b>CASH FLOWS FROM/ (FOR) FINANCING ACTIVITIES</b>		
Dividend paid	(1,079)	(3,212)
Drawdown of revolving credit	5,980	3,093
(Repayment) /Drawdown of factoring loan	(1,087)	200
Repayment of hire purchase obligations	(204)	(182)
Drawdown /(Repayment) of term loan	25,701	(53)
Proceeds from share options exercised	798	369
Repayment of trust receipts	(316)	-
Purchase of treasury shares	(124)	(381)
<b>NET CASH FROM/ (FOR) FINANCING ACTIVITIES</b>	<u>29,669</u>	<u>(166)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,448	8,264
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	(274)	1,103
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	15,310	13,353
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<u>17,484</u>	<u>22,720</u>
<b>Cash and cash equivalents at the end of financial period comprise the following:</b>		
Cash and bank balances	11,879	16,078
Fixed deposits	5,605	7,611
Bank overdraft	-	(969)
	<u>17,484</u>	<u>22,720</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 2013 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 30 SEPTEMBER 2014**

**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 2013. 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 2013.

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 2013.

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:-

<b>FRSs/ IC Interpretations</b>	<b>Effective date</b>
MFRS 9 (2009) Financial Instruments	} To be announced by MASB
MFRS 9 (2010) Financial Instruments	
MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 and MFRS 139)	
Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures	
Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions	01 July 2014
Annual Improvements to MFRSs 2010 – 2012 Cycle	01 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle	01 July 2014
MFRS 14 Regulatory Deferral Accounts	01 January 2016
Amendments to MFRS 11 : Accounting for Acquisitions of Interests in Joint Operations	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
MFRS 15 Revenue from Contracts with Customers	01 January 2017

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 (2009) introduces new requirements for the classification and measurement of financial assets. Subsequently, this MFRS 9 was amended in year 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition (known as MFRS 9 (2010)). Generally, 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. Therefore, there will be no financial impact on the financial statements of the Group upon its initial application.

*Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation*

The Amendments to MFRS 116 and MFRS 138 prohibit revenue-based amortisation because revenue does not, as a matter of principle, reflect the way in which an item of intangible assets is used or consumed. Therefore, the Group will be changing its current amortisation policy that based on revenue to the straight-line method upon its initial application of the amendments.

*MFRS 15 Revenue from contracts with customers*

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 goods or services underlying the particular performance obligation is transferred to the customers. In addition, extensive disclosures are required by MFRS 15.

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 2013.

**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")**  
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**EXPLANATORY NOTES TO THE QUARTERLY REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2014**

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	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
	RM'000	RM'000	RM'000	RM'000
Malaysia	73,461	29,121	5,596	5,928
China	42,727	12,014	173	272
Taiwan	1,619	5,355	214	255
Singapore	28,136	19,352	7,747	8,123
Indonesia	-	565	-	-
Other	-	397	-	-
	<u>145,943</u>	<u>66,804</u>	<u>13,730</u>	<u>14,578</u>

**4. Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 30 September 2014.

**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 0.5 sen per ordinary share (FYE 31 December 2012: 2 sen per ordinary share) amounting to RM1,078,758 in respect of the FYE 31 December 2013 had been approved by the shareholders of KGB during the Fourteenth Annual General Meeting of KGB which was held on 25 June 2014. The dividend was paid on 8 August 2014.

**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 2014, 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**

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

KGB had on 25 July 2014 subscribed 40 ordinary shares of RM 1.00 each representing 40% equity interest in Kelington Analytical Services Sdn Bhd ("KASSB"). KASB was incorporated on 25 July 2014 and its issued share capital is RM100. KASB's intended principal activity is carry on business in scientific and technical researches, laboratory testing services and experiments.

**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 2014 are as follows:

	Bank	Insurance
	RM'000	RM'000
Performance bond and warranty bond granted to contract customers:		
- Warranty bond	243	507
- Performance bond	1,277	4,600
Total	<u>1,520</u>	<u>5,107</u>

**14. Material Subsequent Events**

There has been no material subsequent events after the quarter ended 30 september 2014.

**KELINGTON GROUP BERHAD ("KGB")**  
**(Company No. 501386-P)**  
**EXPLANATORY NOTES TO THE QUARTERLY REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2014**

**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 2014, the Group's revenue increased by 148.03%, or RM29.21 million, to RM48.94 million comparing to the previous year corresponding quarter ended 30 September 2013. This was mainly due to higher contribution from operation in Malaysia and Singapore which offset against lower revenue from Taiwan's operation.

Revenue from Malaysia's operation increased by 349.28% to RM36.86 million mainly due to services rendered to wafer and chemical processing industry.

Revenue from Singapore's operation increased by 28.17% to RM9.17 million mainly due to services rendered to wafer industry.

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

The Group had improved from loss before tax of RM0.02 million to profit before tax (PBT) of RM2.01 million mainly due to increase in revenue.

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

For the financial period ended 30 September 2014, the Group's revenue increased by 118.46% to RM145.94 million as compared to RM66.80 million reported in the previous year's corresponding period. This was mainly due to the operation in China, Malaysia and Singapore.

PBT increased by 303.64% to RM6.31 million as compared to RM1.56 million in the previous year's corresponding period mainly due to the increase in revenue.

(b) Variation of Results Against Preceding Quarter

For the quarter ended 30 September 2014, the Group's revenue of RM48.94 million represents an increase of 11.42% as compared to the preceding quarter's revenue of RM43.93 million mainly due to the higher contribution from Malaysia's operation. The Group's PBT increased slightly by 3.99% to RM2.01 as compared to RM1.93 million for the preceding quarter ended 30 June 2014.

**2 Commentary Of Prospects**

Barring any unforeseen change in global economic climate and market conditions, the Group expects to deliver satisfactory performance for the financial year ending 31 December 2014. Growth momentum continues as the Group has secured new orders amounting to RM56.10 million for the three months ended 30 September 2014.

The Group achieves record order book of RM344.20 million of which RM198.26 million remains outstanding as at 30 September 2014. Despite longer than expected completion date for the Group's Ultra High Purity mechanical and electrical services and medical system project, on-track execution of other projects to contribute positively to the Group's performance for the financial year ending 31 December 2014.

The Group will continue seeking opportunities for expansion into other industries which will 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 2014 in any public document and hence this information is not applicable.

**4 Profit for the Period**

	Quarter ended		Year-to-date ended	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	32	23	120	57
Interest expense	(155)	(180)	(456)	(377)
Depreciation and amortisation	(232)	(268)	(691)	(821)
Foreign exchange (loss) or gain	47	81	(57)	93

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 30/09/14	Year to date
	RM'000	ended 30/09/14
		RM'000
Current tax:		
- for the financial period	(72)	204

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.

**KELINGTON GROUP BERHAD ("KGB")**  
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**EXPLANATORY NOTES TO THE QUARTERLY REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2014**

**7 Group Borrowings**

(a) Breakdown of the Group's borrowings and debt securities as at 30 September 2014 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short-term borrowing	45,498	-	45,498
Long-term borrowing	1,037	-	1,037
Total Borrowings	<u>46,535</u>	<u>-</u>	<u>46,535</u>

(b) Foreign currency borrowings and debt securities in RM equivalent as at 30 September 2014 were as follows:

Foreign currency	RM'000
Singapore Dollar	3,151
US Dollar	30,634
Taiwan Dollar	-
Total	<u>33,785</u>

**8 Material Litigation**

There was no pending material litigation from 1 July 2014 up to the date of this quarterly announcement.

**9 Dividends Payable**

There were no dividends proposed during the current quarter ended 30 September 2014.

**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	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
Profit After Taxation attributable to owners of the company (RM'000)	2,097	22	6,154	1,586
Weighted average number of ordinary shares in issue ('000)	216,966	160,367	182,821	159,970
Basic Earnings Per Share (Sen)	0.97	0.01	3.37	0.99
Diluted Earnings Per Share (Sen) #	0.96	0.01	3.33	0.97

Note :

# - Assuming the full exercise of 9,654,400 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 30/09/14 RM'000	Cumulative Year to date ended 30/09/13 RM'000
Total retained profits of KGB:		
- Realised	27,713	28,051
- Unrealised	(636)	(532)
Total group retained profits as per consolidated accounts	<u>27,077</u>	<u>27,519</u>