

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Statement of Profit or Loss and Other Comprehensive Income
For The 4th Quarter Ended 31 December 2014

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the 12 months period ended 31 December 2014 are as follow:-

	Note	Unaudited Current Qtr Ended 31/12/2014 RM'000	Unaudited Previous Qtr Ended 31/12/2013 RM'000	Unaudited 12-months Period up to 31/12/2014 RM'000	Audited 12-months Period up to 31/12/2013 RM'000
Revenue		43,713	50,612	189,656	117,416
Cost of sales		(39,682)	(44,353)	(170,080)	(101,318)
Gross profit		4,031	6,259	19,576	16,098
Other income		1,963	780	1,922	929
Administrative expenses		(5,409)	(5,166)	(12,630)	(12,169)
Selling and distribution expenses		(339)	(339)	(1,272)	(1,269)
Other expenses		(857)	(1,273)	(1,484)	(1,178)
Results from operating activities		(611)	261	6,112	2,411
Share of loss of Associate		(31)	-	(39)	-
Finance costs		(172)	(176)	(574)	(762)
(Loss)/Profit before taxation for the financial period		(814)	85	5,499	1,649
Taxation	B5	(172)	(60)	(376)	(38)
(Loss)/Profit after taxation for the financial period		(986)	25	5,123	1,611
Other comprehensive income, net of tax					
Foreign currency translation		688	674	355	1,593
		688	674	355	1,593
Total comprehensive (expense)/income for the period		(298)	699	5,478	3,204
Profit attributable to:					
Shareholders of the Company		(979)	38	5,175	1,663
Non-controlling interests		(7)	(13)	(52)	(52)
(Loss)/Profit after taxation for the financial period		(986)	25	5,123	1,611
Total comprehensive income attributable to:					
Shareholders of the Company		(291)	711	5,530	3,257
Non-controlling interests		(7)	(12)	(52)	(53)
Total comprehensive (expense)/income for the period		(298)	699	5,478	3,204
Basic earnings per ordinary share (sen):					
Basic (Loss)/earnings per share (sen)	B10	(0.45)	0.00	2.68	1.04
Diluted (Loss)/earnings per share (sen)	B10	(0.45)	0.00	2.67	1.02

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 31 December 2014

	Unaudited As At 31/12/2014 RM'000	Audited As At 31/12/2013 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	6,357	6,704
Goodwill on consolidation	5,534	5,419
Development costs	53	95
Other receivables	1,980	1,937
Investment in Associate	81	-
	14,005	14,155
Current assets		
Inventories	775	1,830
Amount owing by contract customers	36,130	35,625
Trade receivables	66,080	43,914
Other receivables, prepayments and deposits	10,787	2,183
Tax refundable	218	94
Cash and cash equivalents	34,387	18,782
	148,377	102,428
TOTAL ASSETS	162,382	116,583
EQUITY AND LIABILITIES		
Equity		
Share capital	21,697	16,068
Share premium	-	546
Retained earnings	26,306	27,402
Other reserve	11,971	10,524
Treasury share	(606)	(482)
Total Equity attributable to Shareholders of the Company	59,368	54,058
Non-controlling interests	(75)	(23)
Total Equity	59,293	54,035
Non-current liabilities		
Deferred tax liabilities	305	303
Long-term borrowings	1,774	585
	2,079	888
Current liabilities		
Amount owing to contract customers	16,190	7,104
Trade payables	29,590	30,297
Other payables and accruals	9,107	4,783
Provision for taxation	354	278
Bank overdraft	868	3,472
Short term borrowings	44,901	15,726
	101,010	61,660
Total liabilities	103,089	62,548
TOTAL EQUITY AND LIABILITIES	162,382	116,583
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.3690	0.3364

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 4th Quarter Ended 31 December 2014

	<----- Attributable to Equity Holders of the Company ----->						Distributable	Total	Non-Controlling	Total
	<----- Non Distributable ----->									
	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
As at 1 January 2014	16,068	546	7,852	755	1,918	(482)	27,401	54,058	(23)	54,035
Profit after taxation for the financial period	-	-	-	-	-	-	5,175	5,175	(52)	5,123
Other comprehensive income, net of tax:										
- Foreign currency translation	-	-	-	-	355	-	-	355	*	355
Total comprehensive income for the financial period	-	-	-	-	355	-	5,175	5,530	(52)	5,478
Contributions by and distribution to owners of the company:										
- purchase of treasury shares	-	-	-	-	-	(124)	-	(124)	-	(124)
- Employee's share options exercised	235	563	-	-	-	-	-	798	-	798
- bonus share issued by a subsidiary	-	-	1,115	-	-	-	(1,115)	-	-	-
- Bonus issue	5,394	(1,318)	-	-	-	-	(4,076)	-	-	-
- dividend paid for the period	-	-	-	-	-	-	(1,079)	(1,079)	-	(1,079)
- Employees' share option reserve	-	-	-	185	-	-	-	185	-	185
- Employees' share option exercise	-	209	-	(209)	-	-	-	-	-	-
Total recognised income and expense for the period	5,629	(546)	1,115	(24)	-	(124)	(6,270)	(220)	-	(220)
As at 31 December 2014	21,697	-	8,967	731	2,273	(606)	26,306	59,368	(75)	59,293
As at 1 January 2013	15,959	214	6,714	556	324	(31)	30,088	53,824	-	53,824
Profit after taxation for the financial period	-	-	-	-	-	-	1,663	1,663	(52)	1,611
Other comprehensive income, net of tax:										
- Foreign currency translation differences	-	-	-	-	1,594	-	-	1,594	(1)	1,593
Total comprehensive income for the financial period	-	-	-	-	1,594	-	1,663	3,257	(53)	3,204
Contributions by and distribution to owners of the company:										
- Incorporation of a subsidiary	-	-	-	-	-	-	-	-	30	30
- bonus issue	-	-	-	-	-	-	-	-	-	-
- bonus share issued by a subsidiary	-	-	982	-	-	-	(982)	-	-	-
- dividend paid for the period	-	-	-	-	-	-	(3,212)	(3,212)	-	(3,212)
- purchase of treasury shares	-	-	-	-	-	(451)	-	(451)	-	(451)
- Employees' share option reserve	-	-	-	271	-	-	-	271	-	271
- Reclass to capital reserve	-	-	156	-	-	-	(156)	-	-	-
- Employee's share options exercised	109	332	-	(72)	-	-	-	369	-	369
Total recognised income and expense for the period	109	332	1,138	199	-	(451)	(4,350)	(3,023)	30	(2,993)
As at 31 December 2013	16,068	546	7,852	755	1,918	(482)	27,401	54,058	(23)	54,035

* : - 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 12-Months Period Ended 31 December 2014

	Unaudited 12-Months Ended 31/12/2014 RM'000	Audited 12-Months Ended 31/12/2013 RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES		
Profit before taxation	5,499	1,649
Adjustments for:-		
Amortisation of development cost	47	111
Depreciation of property, plant and equipment	863	986
Equipment written off	39	8
Imputed interest on advances to employees at amortised cost	-	195
Impairment loss on trade receivables	-	27
Interest expense	550	762
Interest income	(292)	(140)
Loss on disposal of equipment	30	-
Provision for warranty costs	96	209
Share-based payments	184	271
Share of net loss in associate	39	-
Writeback of provision of warranty costs	(210)	(176)
Unwind of discount on advances to employees	-	(36)
Unrealised gain on foreign exchange	(60)	(496)
Operating profit before working capital changes	6,785	3,370
Decrease/ (Increase) in inventory	1,055	(134)
Decrease/ (Increase) in amounts owing by/to contract customers	8,581	(9,545)
(Increase)/ Decrease in trade and other receivables	(30,813)	8,233
Increase in trade and other payables	3,790	1,323
CASH (FOR)/FROM OPERATIONS	(10,602)	3,247
Income tax paid	(425)	(421)
Interest paid	(550)	(762)
Interest received	292	140
NET CASH (FOR)/FROM OPERATING ACTIVITIES	(11,285)	2,204
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(508)	(355)
Development costs paid	(5)	(12)
Proceeds from non-controlling interest	-	30
Net cash outflow on investment in associate	(120)	-
Proceeds from disposal of equipment	82	-
NET CASH FOR INVESTING ACTIVITIES	(551)	(337)
CASH FLOWS FROM/ (FOR) FINANCING ACTIVITIES		
Dividend paid	(1,079)	(3,212)
Drawdown of revolving credit	3,057	2,087
(Repayment) /Drawdown of factoring loan	(1,087)	736
Repayment of hire purchase obligations	(233)	(244)
Drawdown /(Repayment) of term loan	28,506	(876)
Proceeds from share options exercised	798	369
(Repayment)/ Drawdown of trust receipts	(29)	316
Purchase of treasury shares	(124)	(451)
NET CASH FROM/ (FOR) FINANCING ACTIVITIES	29,809	(1,275)
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,973	592
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	236	1,365
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	15,310	13,353
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	33,519	15,310
Cash and cash equivalents at the end of financial period comprise the following:		
Cash and bank balances	27,203	12,054
Fixed deposits	7,184	6,728
Bank overdraft	(868)	(3,472)
	33,519	15,310

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 31 DECEMBER 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:-

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 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	01 January 2016

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:

MFRS 9 (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Therefore, it is expected that the Group's investments in unquoted shares that are currently stated at cost [less accumulated impairment losses]* will be measured at fair value through other comprehensive income upon the adoption of MFRS 9.

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.

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

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")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RM'000	RM'000	RM'000	RM'000
Malaysia	95,468	46,611	5,404	5,805
China	45,990	34,938	170	250
Taiwan	1,870	6,377	212	245
Singapore	46,328	28,516	8,219	5,918
Indonesia	-	577	-	-
Other	-	397	-	-
	<u>189,656</u>	<u>117,416</u>	<u>14,005</u>	<u>12,218</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 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

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 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, except for the following:

On 1 December 2014, the Company has purchased 1,000 of its issued share capital from the open market at the cost from RM0.425 per share. The total consideration paid for the share buy-back of KGB shares, including transaction costs was RM466.13.

10. Changes in Composition of the Group

There has been no change in the composition of the Group during the current quarter under review.

11. Discontinued Operation

There were no discontinued operations within the activities of the Group for the quarter under review.

12. Capital Commitments

There were no capital commitments for the purchase of any property, plant and equipment or any other expenses that were not accounted for in the financial statements of the current quarter under review.

13. Changes in Contingent Liabilities and Contingent Assets

Contingent liabilities of the Group as at 31 December 2014 are as follows:

Performance bond and warranty bond granted to contract customers:	Bank	Insurance
	RM'000	RM'000
- Warranty bond	387	1,423
- Performance bond	773	4,740
Total	<u>1,160</u>	<u>6,163</u>

14. Material Subsequent Events

There has been no material subsequent events after the quarter ended 31 December 2014.

**KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 31 December 2014, the Group's revenue decreased by 13.63%, or RM6.90 million, to RM43.71 million as compared to the previous year corresponding quarter ended 31 December 2013.

The Group profit before tax (PBT) decreased from profit of RM0.09 million to loss of RM0.81 million. This is mainly due to an one time write-off relating to a Taiwan's Biodiesel project, which was put on hold due to falling oil prices.

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

For the financial period ended 31 December 2014, the Group's revenue increased by 61.52% to RM189.66 million as compared to RM117.42 million reported in the previous year's corresponding period. This was mainly due to the operations in Malaysia, China and Singapore.

Revenue from Malaysia's operation increased by 104.82% to RM95.47 million mainly due to services rendered for wafer, chemical processing industry and oil and gas plant projects.

Revenue from China's operation increased by 31.63% to RM45.99 million mainly due to services of Ultra High Purity (UHP) mechanical & electrical services and medical system being rendered for a healthcare project.

Revenue from Singapore's operation increased by 62.46% to RM46.33 million mainly due to services rendered for pharmaceutical industry and research & development complex projects.

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

PBT increased by 233.47% to RM5.50 million as compared to RM1.65 million in the previous year's corresponding period mainly due to the increase in revenue.

(c) Variation of Results Against Preceding Quarter

The Group's revenue decreased by 10.69% to RM43.71 million for the quarter ended 31 December 2014 as compared to the preceding quarter's revenue of RM48.94 million. As compared to PBT of RM2.01 million for the preceding quarter ended 30 September 2014, the Group recorded loss before taxation of RM0.81 million for the current quarter ended 31 December 2014 due to provision of bonus, audit, tax fees and an one-time write-off relating to a Taiwan's biodiesel project for the said quarter. The biodiesel project, was put on hold due to falling oil prices in the past few months.

2 Commentary Of Prospects

Leveraging on KGB's skill in engineering, the Group had expanded to healthcare and process plant industries in addition to existing semiconductor industry. The expansion had seen continued growth of the Group's order book with RM45.30 million new orders being secured for the three months ended 31 December 2014. Accordingly, KGB achieved record order book of RM389.50 million as at 31 December 2014.

Expected on track execution of the Group's outstanding order book of RM199.84 million as at 31 December 2014 as well as continued new orders should deliver satisfactory performance for the financial year ending 31 December 2015.

Moving forward, the Group will continue to strengthen its presence in the existing industries while identifying new opportunities for expansion into other industries which allows 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	
	31/12/2014 RM'000	31/12/2013 RM'000	31/12/2014 RM'000	31/12/2013 RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	172	83	292	140
Interest expense	(94)	(385)	(550)	(762)
Depreciation and amortisation	(219)	(276)	(910)	(1,097)
Foreign exchange gain	117	403	60	496

Save as disclosed above, the other items as required under Appendix 9B, Part A(16) of the Bursa Listing Requirements are not applicable.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

5 Taxation

	Current quarter ended 31/12/14 RM'000	Cumulative Year to date ended 31/12/14 RM'000
Current tax: - for the financial period	172	376

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.

7 Group Borrowings

(a) Breakdown of the Group's borrowings and debt securities as at 31 December 2014 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short-term borrowing	45,769	-	45,769
Long-term borrowing	1,774	-	1,774
	-	-	-
Total Borrowings	47,543	-	47,543

(b) Foreign currency borrowings and debt securities in RM equivalent as at 31 December 2014 were as follows:

Foreign currency	RM'000
Singapore Dollar	4,232
US Dollar	32,753
Taiwan Dollar	-
Total	36,985

8 Material Litigation

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

9 Dividends Payable

There were no dividends proposed during the current quarter ended 31 December 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	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Profit After Taxation attributable to owners of the company (RM'000)	(979)	38	5,175	1,663
Weighted average number of ordinary shares in issue ('000)	216,966	160,568	191,377	159,992
Basic (Loss)/ Earnings Per Share (Sen)	(0.45)	0.00	2.70	1.00
Diluted (Loss)/ Earnings Per Share (Sen) #	(0.45)	0.00	2.67	1.00

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 31/12/14 RM'000	Cumulative Year to date ended 31/12/13 RM'000
Total retained profits of KGB:		
- Realised	26,229	28,051
- Unrealised	77	(532)
Total group retained profits as per consolidated accounts	26,306	27,519