

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Statement of Profit or Loss and Other Comprehensive Income
For The 1st Quarter Ended 31 March 2019

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the period ended 31 March 2019 are as follow:-

Note	Unaudited	Unaudited	+	-	%	Unaudited	Unaudited	+	-	%
	Current Qtr Ended 31/03/2019 RM'000	Previous Qtr Ended 31/03/2018 RM'000				3-months Period up to 31/03/2019 RM'000	3-months Period up to 31/03/2018 RM'000			
Revenue	76,407	86,548	-		12	76,407	86,548	-		12
Cost of sales	(62,445)	(74,370)				(62,445)	(74,370)			
Gross profit	13,962	12,178	+		15	13,962	12,178	+		15
Other income	515	610				515	610			
Administrative expenses	(5,537)	(4,449)				(5,537)	(4,449)			
Selling and distribution expenses	(293)	(304)				(293)	(304)			
Other expenses	(1,800)	(1,297)				(1,800)	(1,297)			
Results from operating activities	6,847	6,738	+		2	6,847	6,738	+		2
Finance costs	(343)	(306)				(343)	(306)			
Profit before taxation for the financial period	6,504	6,432	+		1	6,504	6,432	+		1
Taxation	(1,726)	(2,238)				(1,726)	(2,238)			
Profit after taxation for the financial period	4,778	4,194	+		14	4,778	4,194	+		14
Other comprehensive income, net of tax										
Foreign currency translation	1,653	803				1,653	803			
	<u>1,653</u>	<u>803</u>				<u>1,653</u>	<u>803</u>			
Total comprehensive income for the period	6,431	4,997				6,431	4,997			
Profit attributable to:										
Shareholders of the Company	4,843	4,210	+		15	4,843	4,210	+		15
Non-controlling interests	(65)	(16)				(65)	(16)			
Profit after taxation for the financial period	4,778	4,194	+		14	4,778	4,194	+		14
Total comprehensive income attributable to:										
Shareholders of the Company	6,494	4,996				6,494	4,996			
Non-controlling interests	(63)	1				(63)	1			
Total comprehensive income for the period	6,431	4,997				6,431	4,997			
Basic earnings per ordinary share (sen):										
Basic earnings per share (sen)	B11	1.73	1.83			1.73	1.83			
Diluted earnings per share (sen)	B11	1.59	1.58			1.59	1.58			

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 2018 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 2019

	Unaudited As At 31/03/2019 RM'000	Audited As At 31/12/2018 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	32,600	24,676
Goodwill on consolidation	6,305	6,348
	38,905	31,024
Current assets		
Inventories	179	177
Contract assets	44,351	46,390
Trade receivables	59,118	81,410
Other receivables, prepayments and deposits	9,203	16,913
Current tax assets	813	452
Cash and cash equivalents	88,510	67,110
	202,174	212,452
	241,079	243,476
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity		
Share capital	62,375	50,422
Retained earnings	55,897	51,054
Other reserve	17,056	15,198
Treasury share	(534)	(534)
Total Equity attributable to Shareholders of the Company	134,794	116,140
Non-controlling interests	279	75
Total Equity	135,073	116,215
Non-current liabilities		
Deferred tax liabilities	92	92
Long-term borrowings	4,030	1,506
	4,122	1,598
Current liabilities		
Contract liabilities	30,084	22,247
Trade payables	38,995	60,321
Other payables and accruals	18,358	19,419
Current tax liabilities	6,445	5,407
Short term borrowings	8,002	15,614
Dividend payable	-	2,655
	101,884	125,663
Total liabilities	106,006	127,261
	241,079	243,476
TOTAL EQUITY AND LIABILITIES		
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.4636	0.4345

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 2018 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 2019

	<----- Attributable to Equity Holders of the Company ----->					Distributable	Total	Non-Controlling Interest	Total Equity
	<----- Non Distributable ----->								
	Share Capital RM'000	Capital Reserve RM'000	Employee Share Scheme Reserve RM'000	Exchange Fluctuation Reserve RM'000	Treasury Share RM'000	Retained Earnings RM'000	Total RM'000	RM'000	RM'000
As at 1 January 2019	50,422	9,217	1,385	4,596	(534)	51,054	116,140	75	116,215
Profit after taxation for the financial period	-	-	-	-	-	4,843	4,843	(65)	4,778
Other comprehensive expense, net of tax:									
- Foreign currency translation	-	-	-	1,651	-	-	1,651	2	1,653
Total comprehensive (expense)/ income for the financial period	-	-	-	1,651	-	4,843	6,494	(63)	6,431
Contributions by and distribution to owners of the company:									
- Investment in a subsidiary:									
- Ace Gases Sdn Bhd	-	-	-	-	-	-	-	267	267
- Exercise of convertible warrants	11,953	-	-	-	-	-	11,953	-	11,953
- Employees' share scheme reserve	-	-	207	-	-	-	207	-	207
Total recognised income and expense for the period	11,953	-	207	-	-	-	12,160	267	12,427
As at 31 March 2019	62,375	9,217	1,592	6,247	(534)	55,897	134,794	279	135,073
As at 1 January 2018	25,826	8,985	696	4,432	(534)	38,839	78,244	231	78,475
Profit after taxation for the financial period	-	-	-	-	-	4,210	4,210	(16)	4,194
Other comprehensive income, net of tax:									
- Foreign currency translation differences	-	-	-	786	-	-	786	17	803
Total comprehensive income for the financial period	-	-	-	786	-	4,210	4,996	1	4,997
Contributions by and distribution to owners of the company:									
- Employees' share scheme reserve	-	-	323	-	-	-	323	-	323
- Issuance of ordinary shares via private placement	12,168	-	-	-	-	-	12,168	-	12,168
- Utilisation of share premium against expenses incurred upon issuance of shares	(171)	-	-	-	-	-	(171)	-	(171)
Total transactions with owners	11,997	-	323	-	-	-	12,320	-	12,320
As at 31 March 2018	37,823	8,985	1,019	5,218	(534)	43,049	95,560	232	95,792

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 2018 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 First Quarter Ended 31 March 2019

	Unaudited 3-Months Ended 31/03/2019 RM'000	Unaudited 3-Months Ended 31/03/2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,504	6,432
Adjustments for:-		
Depreciation of property, plant and equipment	564	390
Impairment loss on trade receivables	198	-
Interest expense	118	273
Interest income	(59)	(87)
(Gain)/ Loss on disposal of equipment	(1)	5
Share-based payments	207	323
Writeback of impairment loss on trade receivables	(46)	-
Utilisation of share premium	-	(171)
Unrealised (gain)/ loss on foreign exchange	646	921
Operating profit before working capital changes	<u>8,131</u>	<u>8,086</u>
Increase in inventory	-	(390)
Decrease/ (Increase) in amounts owing by/to contract customers	9,876	(7,460)
Decrease in trade and other receivables	29,204	22,983
Decrease in trade and other payables	<u>(22,387)</u>	<u>(17,412)</u>
CASH FROM OPERATIONS	<u>24,824</u>	<u>5,807</u>
Income tax paid	(1,049)	(338)
Interest paid	(118)	(273)
Interest received	59	87
NET CASH FROM OPERATING ACTIVITIES	<u>23,716</u>	<u>5,283</u>
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(8,052)	(993)
Proceeds from issuance of shares to non-controlling interest	267	-
Placement of fixed deposit pledged with licensed bank	(107)	(223)
NET CASH FOR INVESTING ACTIVITIES	<u>(7,892)</u>	<u>(1,216)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,655)	-
Repayment of revolving credit	(3,035)	(1,100)
Net drawdown/ (repayment) of hire purchase obligations	3,217	(51)
Repayment of term loan	(1,381)	(548)
(Repayment)/ Drawdown of invoice financing	(3,889)	1,853
Drawdown of foreign currency loan	-	1,710
Proceeds from private placement	-	12,168
Proceeds from exercise of warrants	11,954	-
NET CASH FROM FINANCING ACTIVITIES	<u>4,211</u>	<u>14,032</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>20,035</u>	<u>18,099</u>
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>1,258</u>	<u>990</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	<u>52,202</u>	<u>49,533</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>73,495</u>	<u>68,622</u>

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

Cash and bank balances	56,705	59,249
Fixed deposits	31,805	22,225
	<u>88,510</u>	<u>81,474</u>
Less: fixed deposits pledged with licensed banks	(15,015)	(12,852)
	<u>73,495</u>	<u>68,622</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 2018 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 FIRST QUARTER ENDED 31 MARCH 2019**

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 2018. 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 2018.

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 2018.

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 17 Insurance Contracts	1 January 2021
Amendments to MFRS 3: Definition of a Business 1 January 2020	1 January 2020
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 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

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 2018.

3. Segmental Information

The operating segments reporting is not presented as the Group principally involved in the business of providing engineering services and general trading specifically in the provision of ultra-high purity gas and chemical delivery systems solutions.

Geographical information

In presenting information on the basis of geographical segments, segment revenue and results are based on the geographical location of customers. The carrying value of segment assets are based on the geographical location of the assets.

	Revenue		Non-current Assets	
	31/3/2019	31/3/2018	31/3/2019	31/3/2018
	RM'000	RM'000	RM'000	RM'000
Malaysia	21,526	22,713	28,121	13,719
China	22,057	46,719	1,717	1,942
Taiwan	1,512	3,203	226	269
Singapore	31,061	13,643	8,841	6,872
Indonesia	251	270	-	-
	76,407	86,548	38,905	22,802

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 31 March 2019.

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

KGB paid an interim tax-exempt dividend of 1 sen per ordinary share amounting to RM2,655,732 in respect of the FYE 31 December 2018 on 8 Jan 2019. This had been accounted for in the financial year ending 31 December 2018.

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 2019, all the property, plant and equipment were stated at cost less accumulated depreciation.

9. Movement of Debt And Equity Securities

Save as disclosed in the following, there were no issuance, cancellation, resale and repayment of debt and equity securities during the current quarter under review:

Exercise of Warrants

During the quarter under review, KGB increased its number of issued and paid up shares by the exercise of 23,907,665 convertible warrants at an issue price of RM0.50.

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

Saved as disclosed in the following, 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.

	As at 31/03/2019 RM'000
Purchase of plant & equipment	<u>14,425</u>

13. Changes in Contingent Liabilities and Contingent Assets

Saved as disclosed in the following, there is no other contingent liabilities and contingent assets as at quarter end 31 March 2019:

	As at 31/03/2019 Unaudited RM'000	As at 31/03/2018 Unaudited RM'000
Contingent liabilities		
Bank guarantee and insurance bond given to third party as performance bond or warranty bond	<u>23,370</u>	<u>16,532</u>

14. Material Subsequent Events

Saved as disclosed in the following, there has been no material subsequent events after the quarter ended 31 March 2019:

(i) Exercise of warrants

As at 9 May 2019, KGB increased its number of issued and paid up shares by the exercise of 3,890,666 convertible warrants at an issue price of RM0.50.

(ii) Dividend payable

On 24 April 2019, the board of KGB had declared its second interim tax-exempt dividend of 0.8 sen per ordinary share amounting to approximately RM2,300,000 in respect of the FYE 31 December 2018. The payment will be made on 3 June 2019.

(iii) Incorporation of Kelington Engineering System Integration (ChuZhou) Co., Ltd ("KESI")

On 1 April 2019, KGB wholly-owned subsidiary, Kelington Engineering (Shanghai) Co., Ltd., has incorporated a wholly-owned subsidiary, namely Kelington Engineering System Integration (ChuZhou) Co., Ltd (Company No. 91341171MA2TKM1X2U) ("KESI") with a registered capital of RMB50,000,000. To-date, no capital has been paid up. KEIFSS's principal activity is to carry out the business of fabrication of gas and liquid delivery equipment, mechanical parts for semiconductor industry.

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

1 Review Of Performance

	Current Year Quarter 31/03/2019 RM'000	Preceding Year Corresponding Quarter 31/03/2018 RM'000	Changes	
			Amount RM'000	%
Revenue	76,407	86,548	(10,141)	-12%
Operating profit	6,847	6,738	109	2%
Profit before tax	6,504	6,432	72	1%
Profit after tax	4,778	4,194	584	14%
Profit attributable to shareholders of the company	4,843	4,210	633	15%

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Revenue	% of total	Revenue	% of total
	Currency Year Quarter 31/03/2019 RM'000		Preceding Year Corresponding Quarter 31/03/2018 RM'000	
Ultra High Purity	44,043	58%	63,346	73%
Process Engineering	20,795	27%	14,547	17%
General Contracting	10,281	13%	8,014	9%
Industrial Gases	1,288	2%	641	1%
Total	76,407		86,548	

The Group's revenue for the quarter ended 31 March 2019 ("1Q2019") decreased by 12% to RM76.4 million against RM86.5 million from the same period last year ("1Q2018"). The reduction was mainly due to the absence of contribution from a large Ultra High Purity ("UHP") project which has been completed.

During the quarter under review, the Singapore operations emerged as the largest revenue contributor at RM31.1 million or 41% of total revenue, more than double from RM13.6 million in 1Q2018. The robust growth was mainly driven by larger projects undertaken under the UHP division. Revenue from China came in second at 29% or RM22.1 million of total revenue in 1Q2019, from RM46.7 million in 1Q2018. The decrease was mainly due to lower contribution recognized from a large UHP project in China.

The UHP division remained as the primary contributor to the Group's revenue, representing 58% of total revenue at RM44.0 million in 1Q2019. This was followed by Process Engineering (27%), General Contracting (13%), and Industrial Gases (2%).

Meanwhile, gross profit increased 15% year-on-year ("YoY") in 1Q2019 to RM14.0 million from RM12.2 million in 1Q2018. Gross profit margins improved to 18% from 14%, on the back of higher margin recognized from UHP projects in Singapore.

Subsequently, profit before tax ("PBT") recorded a marginal increase to RM6.5 million in 1Q2019 against RM6.4 million in 1Q2018, with PBT margins at 9% from 7% in the previous year. Coupled with a lower effective tax rate, the Group's profit after tax ("PAT") rose 14% to RM4.8 million versus RM4.2 million in 1Q2018.

(b) Variation of Results Against Preceding Quarter

	Current Quarter 31/03/2019 RM'000	Immediate Preceding Quarter 31/12/2018 RM'000	Changes	
			Amount RM'000	%
Revenue	76,407	109,765	(33,358)	-30%
Operating profit	6,847	7,183	(336)	-5%
Profit before tax	6,504	6,924	(420)	-6%
Profit after tax	4,778	5,021	(243)	-5%
Profit attributable to shareholders of the company	4,843	5,203	(360)	-7%

The Group's revenue decreased 30% to RM76.4 million in 1Q2019 as compared to RM109.8 million in the preceding quarter ended 31 December 2018 ("4Q2018"). The first quarter of the year is traditionally a weaker quarter as compared to the preceding quarter due to the festive season which affects our operations across all countries.

Notwithstanding the softer quarter, revenue from China grew 165% or RM13.7 million quarter-on-quarter ("q-o-q") to RM22.1 million in 1Q2019 from RM8.3 million in 4Q2018, while other markets recorded lower contributions.

In tandem with the softer revenue performance, PBT decreased marginally to RM6.5 million in 1Q2019 as compared to RM6.9 million in 4Q2018. The Group's PAT stood at RM4.8 million in 1Q2019 from RM5.0 million in 4Q2018.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2019

1 Review Of Performance (Cont'd)

(c) Statement of Financial Position

Financial Indicators	As at	As at
	31/03/2019	31/12/2018
	Unaudited	Audited
	RM'000	RM'000
Total assets	241,079	243,476
Total equity	135,073	116,215
Debt	12,032	17,120
Deposits, cash & bank balance	88,510	67,110
Net cash	76,478	49,990
Debt-to-Equity	0.09	0.15

As at 31 March 2019, the Group's shareholder equity (excluding non-controlling interests) rose 16% to RM134.8 million from RM116.1 million. The increase was mainly attributable to the exercise of convertible warrants and continuous quarterly profit.

The Group's total borrowings were pared down by 30% to RM12.0 million as at 31 March 2019 from RM17.1 million as at 31 December 2018.

Correspondingly, the Group's financial position strengthened to a net cash position of RM76.4 million as at 31 March 2019, as compared to RM50.0 million as at 31 December 2018. Total gross cash in hand stood at RM88.5 million exceeding total debt of RM12.0 million. Net cash per share stood at 26 sen.

The majority of the Group's debt are short term in nature and are used for project financing purposes and capital expenditure for new industrial gas business division.

2 Commentary Of Prospects

The Group continues to receive strong replenishment of orders in the first quarter of FY2019. Year to date, the Group clinched new project orders totalling RM146 million, up 87% YoY from RM77 million in 1Q2018, with majority of the projects from the UHP and Process Engineering division. Inclusive of carried forward projects, Kelington's total orderbook grew to RM406 million, of which RM330 million remains outstanding.

Moving forward, the management remains optimistic and upbeat on its long-term growth prospects as Kelington continues to achieve strong orderbook replenishment across the key operating markets. The Group expects its financial performance will continue to be driven by the UHP division in Singapore and China in FY2019.

In addition to that, the Industrial Gases division will be a key growth catalyst for the Group as higher contribution is expected from the new businesses, on-site gas supply and manufacturing of liquid carbon dioxide ("LCO2") in FY2020 onwards.

Furthermore, 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 2019 in any public document and hence this information is not applicable.

4 Profit for the Period

	Quarter ended		Year-to-date ended	
	31/3/2019	31/3/2018	31/3/2019	31/3/2018
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	59	87	59	87
Interest expense	(118)	(273)	(118)	(273)
Impairment loss on trade receivables:				
- specified	-	-	-	-
- in accordance to MFRS 9	(198)	-	(198)	-
Depreciation and amortisation	(564)	(390)	(564)	(390)
Unrealised Foreign exchange (loss)/gain	(646)	(921)	(646)	(921)
Realised Foreign exchange (loss)/gain	(117)	169	(117)	169
Gain/ (Loss) on disposal of equipment	1	(5)	1	(5)
Writeback on impairment loss on trade receivables	46	-	46	-

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 31/03/19	Cumulative Year to date ended 31/03/19
	RM'000	RM'000
Current tax:		
- for the financial period	1,726	1,726

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 expenses being disallowed for taxation purposes and profits in certain subsidiary companies are separately assessed for tax and not relieved by losses in other companies within the Group as well as certain subsidiaries operating in different tax jurisdictions.

6 Corporate Proposal

There were no outstanding corporate proposals announced but not completed as at the date of this quarterly report.

The status of utilisation of proceeds derived from the private placement as below:

Utilisation Purposes	Timeframe for Utilisation	Proposed Utilisation	Actual Utilisation	Balance	Deviation	
		RM'000	RM'000		RM'000	RM'000
To part finance the acquiring of carbon dioxide gas purification plant	Within 24 months from the date of listing	2,854	(2,854)	-	-	-
To part finance the subsequent phase of the construction of carbon dioxide gas purification plant, gas manufacturing facilities and gas delivery systems	Within 24 months from the date of listing	3,805	(3,805)	-	-	-
To part finance the acquisition of assets for the operations of the industrial gas business division	Within 24 months from the date of listing	6,522	(3,504)	3,018	-	-
General working capital	Within 24 months from the date of listing	4,279	(2,159)	2,120	-	-
Expenses relating to the Proposed Private Placement	Upon completion	380	(362)	18	18	5%
		17,840	(12,684)	5,156		

7 Derivative Financial Instruments

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

8 Group Borrowings

The borrowings as at 31 March 2019 versus 31 March 2018 are as follows:

	As At 31 March 2019					
	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	SGD 42	1,021	SGD 259	3,772		4,793
Term Loan	NTD 5,660	790	NTD 1,944	258		1,048
Import Loan/Invoice financing	RMB 8,263	6,191	-	-		6,191
Unsecured						
Nil	-	-	-	-	-	-
		8,002		4,030		12,032
Weighted average interest rate of borrowings						4.63%
Proportion of borrowings between fixed interest rate and floating interest rate						48%:52%

The decrease in borrowing during the period ended 31 March 2019 is mainly due to repayment of revolving credit and completion of few major projects in China.

	As At 31 March 2018					
	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	-	187	-	598	-	785
Term Loan	NTD 14,287	2,046	NTD 8,035	1,131	NTD 22,322	3,177
Revolving loan	-	12,400	-	-	-	12,400
Foreign currency loan	USD 439	1,710	-	-	USD 439	1,710
Import Loan/Invoice financing	RMB 19,454	14,057	-	-	RMB 19,454	14,057
Unsecured						
Nil	-	-	-	-	-	-
		30,400		1,729		32,129
Weighted average interest rate of borrowings						5.16%
Proportion of borrowings between fixed interest rate and floating interest rate						12%:88%

The increase in borrowing during the period ended 31 March 2018 is mainly used for the working capital of the operations and projects undertaken in Malaysia and Shanghai.

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, 2 February 2018, 15 March 2018, 22 June 2018, 5 July 2018, 1 August and 29 August, High court had heard the evidences given by the witnesses and fixed the final hearing on 12 September 2018.

On 12 September 2018, High Court Taiwan has delivered its court decision and ordered that Hui Neng shall pay Kelington Taiwan the sum of NTD 29,328,814 (equivalent to RM3,946,129) plus interest of 5% per annum thereon since 10 October 2015.

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

(2) Updates 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.

10 Dividends Payable

On 24 April 2019, the board of KGB had declared its second interim tax-exempt dividend of 0.8 sen per ordinary share amounting to approximately RM2,300,000 in respect of the FYE 31 December 2018. The payment will be made on 3 June 2019.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2019

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	
	31/3/2019	31/3/2018	31/3/2019	31/3/2018
Profit After Taxation attributable to owners of the company (RM'000)	4,843	4,210	4,843	4,210
Weighted average number of ordinary shares in issue ('000)	280,148	230,354	280,148	230,354
Basic Earnings Per Share (Sen)	1.73	1.83	1.73	1.83
Diluted Earnings Per Share (Sen) #	1.59	1.58	1.59	1.58

Note :

- Assuming the full exercise of 12,674,000 convertible warrants and 14,806,222 shares of Employee Shares Scheme

12 TRADE RECEIVABLES

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

	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
31/3/2019			
Not past due	38,209	(1,091)	37,118
Past due:			
- less than 3 months	14,476		14,476
- 3 to 6 months	2,064		2,064
- over 6 months	834		834
- over 1 year	11,082	(6,456)	4,626
	<u>66,665</u>	<u>(7,547)</u>	<u>59,118</u>

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

	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
31/3/2018			
Not past due	32,939	(42)	32,897
Past due:			
- less than 3 months	15,925		15,925
- 3 to 6 months	124		124
- over 6 months	2,743		2,743
- over 1 year	13,868	(6,909)	6,959
	<u>65,599</u>	<u>(6,951)</u>	<u>58,648</u>

13 DISCLOSURE OF REALISED AND UNREALISED PROFITS/ (LOSSES)

	Cumulative Year to date ended 31/03/19 RM'000	Cumulative Year to date ended 31/03/18 RM'000
Total retained profits of KGB:		
- Realised	56,634	44,126
- Unrealised	(737)	(1,077)
Total group retained profits as per consolidated accounts	<u>55,897</u>	<u>43,049</u>