

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Statement of Profit or Loss and Other Comprehensive Income
For The 1st Quarter Ended 31 March 2016

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the 3 months period ended 31 March 2016 are as follow:-

Note	Unaudited Current Qtr Ended 31/03/2016 RM'000	Unaudited Previous Qtr Ended 31/03/2015 RM'000	Unaudited 3-months Period up to 31/03/2016 RM'000	Unaudited 3-months Period up to 31/03/2015 RM'000
Revenue	78,481	38,524	78,481	38,524
Cost of sales	(69,799)	(34,700)	(69,799)	(34,700)
Gross profit	8,682	3,824	8,682	3,824
Other income	374	1,150	374	1,150
Administrative expenses	(2,963)	(2,355)	(2,963)	(2,355)
Selling and distribution expenses	(147)	(219)	(147)	(219)
Other expenses	(5,488)	(195)	(5,488)	(195)
Results from operating activities	458	2,205	458	2,205
Share of result in an Associate, net of tax	-	(16)	-	(16)
Finance costs	(125)	(84)	(125)	(84)
Profit before taxation for the financial period	333	2,105	333	2,105
Taxation	B5 (57)	(25)	(57)	(25)
Profit after taxation for the financial period	276	2,080	276	2,080
Other comprehensive (expense)/ income, net of tax				
Foreign currency translation	(1,099)	801	(1,099)	801
	(1,099)	801	(1,099)	801
Total comprehensive (expense)/ income for the period	(823)	2,881	(823)	2,881
Profit attributable to:				
Shareholders of the Company	257	2,080	257	2,080
Non-controlling interests	19	*	19	*
Profit after taxation for the financial period	276	2,080	276	2,080
Total comprehensive (expense)/income attributable to:				
Shareholders of the Company	(806)	2,881	(806)	2,881
Non-controlling interests	(17)	*	(17)	*
Total comprehensive (expense)/income for the period	(823)	2,881	(823)	2,881
Basic earnings per ordinary share (sen):				
Basic earnings per share (sen)	B10 0.12	0.96	0.12	0.96
Diluted earnings per share (sen)	B10 0.11	0.94	0.11	0.94

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 2015 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 2016

	Unaudited As At 31/03/2016 RM'000	Audited As At 31/12/2015 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	7,300	7,062
Goodwill on consolidation	6,070	6,356
Development costs	30	35
Other receivables	1,889	1,226
Non-current tax assets	242	254
Deferred tax assets	363	391
	15,894	15,324
Current assets		
Inventories	241	195
Amount owing by contract customers	59,419	66,793
Trade receivables	67,845	50,168
Other receivables, prepayments and deposits	13,132	14,611
Current tax assets	437	428
Cash and cash equivalents	26,235	27,015
	167,309	159,210
TOTAL ASSETS	183,203	174,534
EQUITY AND LIABILITIES		
Equity		
Share capital	22,008	22,008
Share premium	760	760
Retained earnings	21,838	21,581
Other reserve	14,193	15,256
Treasury share	(607)	(607)
Total Equity attributable to Shareholders of the Company	58,192	58,998
Non-controlling interests	384	401
Total Equity	58,576	59,399
Non-current liabilities		
Deferred tax liabilities	92	92
Long-term borrowings	1,538	459
	1,630	551
Current liabilities		
Amount owing to contract customers	36,262	29,676
Trade payables	32,177	48,483
Other payables and accruals	15,063	18,095
Current tax liabilities	161	177
Bank overdraft	2,179	-
Short term borrowings	37,155	18,153
	122,997	114,584
Total liabilities	124,627	115,135
TOTAL EQUITY AND LIABILITIES	183,203	174,534
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.2662	0.2681

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 2015 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 2016

	Attributable to Equity Holders of the Company							Total Equity RM'000		
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Share Option Reserve RM'000	Exchange Fluctuation Reserve RM'000	Treasury Share RM'000	Distributable Retained Earnings RM'000			
As at 1 January 2016	22,008	760	8,985	555	5,716	(607)	21,581	58,998	401	59,399
Profit after taxation for the financial period	-	-	-	-	-	-	257	257	19	276
Other comprehensive expense, net of tax:	-	-	-	-	(1,063)	-	-	(1,063)	(36)	(1,099)
- Foreign currency translation	-	-	-	-	(1,063)	-	-	(1,063)	(36)	(1,099)
Total comprehensive (expense)/ income for the financial period	-	-	-	-	(1,063)	-	257	(806)	(17)	(823)
Contributions by and distribution to owners of the company:	-	-	-	-	-	-	-	-	-	-
- purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
- Employee's share options reserved	-	-	-	-	-	-	-	-	-	-
- dividend paid for the period	-	-	-	-	-	-	-	-	-	-
- Incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	-
- Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-
- Employee's share option exercise	-	-	-	-	-	-	-	-	-	-
Total recognised income and expense for the period	-	-	-	-	-	-	-	-	-	-
As at 31 March 2016	22,008	760	8,985	555	4,653	(607)	21,838	58,192	384	58,576
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:	-	-	-	-	801	-	-	801	*	801
- Foreign currency translation differences	-	-	-	-	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:	-	-	-	-	-	-	-	-	-	-
- bonus issue	-	-	-	-	-	-	-	-	-	-
- by Company	-	-	-	-	-	-	-	-	-	-
- by a subsidiary	-	-	-	-	-	-	-	-	-	-
- dividend paid for the period	-	-	-	-	-	-	-	-	-	-
- purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
- Employee's share option reserve	-	-	-	-	-	-	-	-	-	-
- Reclassification to capital reserve	-	-	-	-	-	-	-	-	-	-
- Employee's share options exercised	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-	-	-	-
As at 31 March 2015	21,697	-	8,984	731	3,087	(606)	28,396	62,289	(74)	62,215

* : - 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 2015 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 2016

	Unaudited 3-Months Ended 31/3/2016 RM'000	Audited 3-Months Ended 31/3/2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	333	2,105
Adjustments for:-		
Amortisation of development cost	5	5
Depreciation of property, plant and equipment	271	203
Equipment written off	4	-
Impairment loss on trade receivables	1,498	-
Impairment loss on due from customer on construction contract	1,468	-
Interest expense	125	71
Interest income	(16)	(88)
Loss on disposal of equipment	64	-
Share of net loss in associate	-	16
Unrealised loss/(gain) on foreign exchange	2,183	(709)
	<hr/>	<hr/>
Operating profit before working capital changes	5,935	1,603
Increase in inventory	(46)	(250)
Decrease in amounts owing by/to contract customers	12,511	7,222
(Increase)/Decrease in trade and other receivables	(21,357)	9,466
Decrease in trade and other payables	(19,338)	(6,417)
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CASH (FOR)/ FROM OPERATIONS	(22,295)	11,624
Income tax paid	(42)	(89)
Interest paid	(125)	(71)
Interest received	16	88
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NET CASH (FOR)/ FROM OPERATING ACTIVITIES	(22,446)	11,552
CASH FLOWS (FOR)/ FROM INVESTING ACTIVITIES		
Purchase of plant and equipments	(194)	(46)
Placement of fixed deposit pledged with licensed bank	(184)	(328)
Withdrawal of cash pledged with licensed bank	55	4,428
Investment in an associate	-	(20)
Proceeds from disposal of equipment	185	-
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NET CASH (FOR)/ FROM INVESTING ACTIVITIES	(138)	4,034
CASH FLOWS FROM/ (FOR) FINANCING ACTIVITIES		
Drawdown/ (Repayment) of revolving credit	5,795	(3,647)
Repayment of hire purchase obligations	(93)	(30)
Drawdown/ (Repayment) of term loan	10,735	(17,825)
Repayment of trust receipts	2,974	(287)
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NET CASH FROM/ (FOR) FINANCING ACTIVITIES	19,411	(21,789)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,173)	(6,203)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(730)	663
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	18,983	19,439
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CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	15,080	13,899

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

Cash and bank balances	18,074	16,298
Fixed deposits	7,346	7,581
Bank overdraft	(2,179)	-
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	23,241	23,879
Less: fixed deposits pledged with licensed banks	(7,346)	(6,386)
Less: cash at bank pledged with a licensed bank	(815)	(3,594)
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	15,080	13,899

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 2015 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 MARCH 2016

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 2015. 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 2015.

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 2015.

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	01 January 2018
MFRS 15 Revenue from Contracts with Customers & Amendments to MFRS 15: Effective Date of MFRS 15	01 January 2018
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 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 127 (2011): Equity Method in Separate Financial Statements	01 January 2016
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 2015.

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	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	RM'000	RM'000	RM'000	RM'000
Malaysia	17,190	14,731	5,868	5,287
China	2,488	3,213	437	170
Taiwan	7,740	5,095	234	219
Singapore	51,063	15,485	8,750	8,078
	78,481	38,524	15,289	13,754

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 31 March 2016.

**KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

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 2016, 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 2016 are as follows:

	Bank	Insurance
	RM'000	RM'000
Performance bond and warranty bond granted to contract customers:		
- Advance payment bond	-	3,949
- Warranty bond	1,430	623
- Performance bond	<u>1,460</u>	<u>19,626</u>
Total	<u>2,890</u>	<u>24,198</u>

14. Material Subsequent Events

Save as disclosed in the following, there has been no material subsequent events after the quarter ended 31 March 2016.

On 20 April 2016, 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 0.5 sen per ordinary share of RM0.10 each in respect of the financial year ended 31 December 2015 at the forthcoming Annual General Meeting.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

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 2016, the Group's revenue increased by 103.72%, or RM39.96 million, to RM78.48 million as compared to the previous year's corresponding quarter ended 31 March 2015. This was mainly due to the increase in contributions from the Singapore projects.

The Group's profit before taxation decreased from RM2.11 million in the previous year's corresponding quarter to RM0.33 million as the Group recognised impairment losses on certain projects, trade receivables and amounts owing by contract customers during the quarter ended 31 March 2016.

(b) Variation of Results Against Preceding Quarter

The Group's revenue decreased by 14.18% to RM78.48 million for the quarter ended 31 March 2016 as compared to the preceding quarter's revenue of RM91.45 million. The Group improved from a loss before taxation of RM6.75 million to PBT of RM0.33 million for the quarter ended 31 March 2016. This is due to the impairment loss on certain projects and receivables and an impairment loss on the advances paid relating to a Taiwan project in the quarter ended 31 December 2015.

2 Commentary Of Prospects

In the current financial year-to-date, the Group has secured new orders amounting to RM158.1 million. Combined with the orders carried forward from the previous year, the Group has an order book on hand of RM332.5 million of which RM254.1 million remains outstanding.

The Group expects 2016 to be a challenging year, with uncertainties in the global economy and volatility in foreign exchange rates.

Despite the challenges ahead, the Group remains focused on delivering our existing projects in a timely and cost-effective manner and will continue to explore business opportunities in new markets and non-core businesses.

3 Profit Forecast and Profit Guarantee

The Company did not announce any profit forecast or profit estimate for the FYE 31 December 2016 in any public document and hence this information is not applicable.

4 Profit for the Period

	Quarter ended		Year-to-date ended	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	16	88	16	88
Interest expense	(125)	(71)	(125)	(71)
Impairment loss on trade receivables	(1,498)	-	(1,498)	-
Impairment loss on due from customer on construction contract	(1,468)	-	(1,468)	-
Depreciation and amortisation	(276)	(208)	(276)	(208)
Equipment written off	(4)	-	(4)	-
Foreign exchange (loss)/gain	(2,183)	709	(2,183)	709
Loss on disposal of equipment	(64)	-	(64)	-

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 31/3/16	Cumulative Year to date ended 31/3/16
	RM'000	RM'000
Current tax:		
- for the financial period	57	57

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")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

7 Group Borrowings

(a) Breakdown of the Group's borrowings and debt securities as at 31 March 2016 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short-term borrowing	39,334	-	39,334
Long-term borrowing	1,538	-	1,538
Total Borrowings	40,872	-	40,872

(b) Foreign currency borrowings and debt securities in RM equivalent as at 31 March 2016 were as follows:

Foreign currency	RM'000
Singapore Dollar	19,766
US Dollar	9,057
New Taiwan Dollar	1,303
Chinese Yuan	4,709
Total	34,835

8 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:-

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

On 22 April 2016, Hui Neng had submitted the total progress claims of NTD37 million or equivalent to RM4.46 million. Taiwan Branch ("KETW") did not agree with the progress claims submitted by Hui Neng.

The Court has fixed the next hearing on 1 June 2016 or 15 June 2016, and the exact date of the hearing will be decided by the Judges in due course. An announcement on the outcome of the third court hearing is submitted to Bursa Malaysia Securities Berhad on 25 April 2016.

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

9 Dividends Payable

There were no dividends proposed during the current quarter ended 31 March 2016.

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	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
Profit After Taxation attributable to owners of the company (RM'000)	257	2,080	257	2,080
Weighted average number of ordinary shares in issue ('000)	220,080	216,966	220,080	216,966
Basic Earnings Per Share (Sen)	0.12	0.96	0.12	0.96
Diluted Earnings Per Share (Sen) #	0.11	0.94	0.11	0.94

Note :

- Assuming the full exercise of 9,758,936 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 31/3/16 RM'000	Cumulative Year to date ended 31/3/15 RM'000
Total retained profits of KGB:		
- Realised	23,953	28,319
- Unrealised	(2,115)	77
Total group retained profits as per consolidated accounts	21,838	28,396