

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Statement of Profit or Loss and Other Comprehensive Income
For The 1st Quarter Ended 31 March 2017

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the year ended 31 March 2017 are as follow:-

Note	Unaudited Current Qtr Ended 31/3/2017 RM'000	Unaudited Previous Qtr Ended 31/3/2016 RM'000	Unaudited 3-months Period up to 31/3/2017 RM'000	Unaudited 3-months Period up to 31/3/2016 RM'000
Revenue	56,503	78,481	56,503	78,481
Cost of sales	(50,863)	(69,799)	(50,863)	(69,799)
Gross profit	5,640	8,682	5,640	8,682
Other income	964	374	964	374
Administrative expenses	(3,170)	(2,963)	(3,170)	(2,963)
Selling and distribution expenses	(267)	(147)	(267)	(147)
Other expenses	(601)	(5,488)	(601)	(5,488)
Results from operating activities	2,566	458	2,566	458
Finance costs	(165)	(125)	(165)	(125)
Profit before taxation for the financial period	2,401	333	2,401	333
Taxation	B5 (365)	(57)	(365)	(57)
Profit after taxation for the financial period	2,036	276	2,036	276
Other comprehensive income/(expense), net of tax				
Foreign currency translation	1,061	(1,099)	1,061	(1,099)
	1,061	(1,099)	1,061	(1,099)
Total comprehensive income for the period	3,097	(823)	3,097	(823)
Profit attributable to:				
Shareholders of the Company	2,068	257	2,068	257
Non-controlling interests	(32)	19	(32)	19
Profit after taxation for the financial period	2,036	276	2,036	276
Total comprehensive income attributable to:				
Shareholders of the Company	3,082	(806)	3,082	(806)
Non-controlling interests	15	(17)	15	(17)
Total comprehensive income for the period	3,097	(823)	3,097	(823)
Basic earnings per ordinary share (sen):				
Basic earnings per share (sen)	B10 0.93	0.12	0.93	0.12
Diluted earnings per share (sen)	B10 0.92	0.11	0.92	0.11

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 2016 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 2017

	Unaudited As At 31/3/2017 RM'000	Audited As At 31/12/2016 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	8,200	8,329
Goodwill on consolidation	6,607	6,479
Development costs	12	17
Other receivables	650	184
Non-current tax assets	-	349
	15,469	15,358
Current assets		
Inventories	160	167
Amount owing by contract customers	81,532	68,906
Trade receivables	46,680	59,301
Other receivables, prepayments and deposits	9,066	12,765
Current tax assets	833	851
Cash and cash equivalents	41,508	42,597
	179,779	184,587
	195,248	199,945
EQUITY AND LIABILITIES		
Equity		
Share capital	22,037	22,238
Share premium	1,315	1,315
Retained earnings	31,409	29,341
Other reserve	15,303	14,289
Treasury share	(608)	(608)
	70,456	66,575
Total Equity attributable to Shareholders of the Company		
Non-controlling interests	433	418
	70,889	66,993
Total Equity		
Non-current liabilities		
Deferred tax liabilities	160	158
Long-term borrowings	590	897
	750	1,055
Current liabilities		
Amount owing to contract customers	50,081	40,550
Trade payables	43,357	45,921
Other payables and accruals	16,247	21,219
Current tax liabilities	809	543
Short term borrowings	13,115	23,664
	123,609	131,897
Total liabilities	124,359	132,952
	195,248	199,945
TOTAL EQUITY AND LIABILITIES		
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.3143	0.2994

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 2016 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 2017

	----- Attributable to Equity Holders of the Company -----						Distributable	Non-Controlling	Total	
	----- Non Distributable -----									Total
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Employee Share Option Reserve RM'000	Exchange Fluctuation Reserve RM'000	Treasury Share RM'000	Retained Earnings RM'000	RM'000	RM'000	RM'000
As at 1 January 2017	22,238	1,315	8,985	371	4,933	(608)	29,341	66,575	418	66,993
Profit after taxation for the financial period	-	-	-	-	-	-	2,068	2,068	(32)	2,036
Other comprehensive expense, net of tax:										
- Foreign currency translation	-	-	-	-	1,014	-	-	1,014	47	1,061
Total comprehensive (expense)/ income for the financial period	-	-	-	-	1,014	-	2,068	3,082	15	3,097
Contributions by and distribution to owners of the company:										
- Employees' share option exercise	799	-	-	-	-	-	-	799	-	799
Total recognised income and expense for the period	799	-	-	-	-	-	-	799	-	799
As at 31 March 2017	23,037	1,315	8,985	371	5,947	(608)	31,409	70,456	433	70,889
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 income, net of tax:										
- Foreign currency translation differences	-	-	-	-	(1,063)	-	-	(1,063)	(36)	(1,099)
Total comprehensive income for the financial period	-	-	-	-	(1,063)	-	257	(806)	(17)	(823)
As at 31 March 2016	22,008	760	8,985	555	4,653	(607)	21,838	58,192	384	58,576

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 2016 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 2017

	Unaudited 3-Months Ended 31/3/2017 RM'000	Unaudited 3-Months Ended 31/3/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,401	333
Adjustments for:-		
Amortisation of development cost	5	5
Depreciation of property, plant and equipment	319	271
Equipment written off	1	4
Impairment loss on trade receivables	322	1,498
Impairment loss on due from customer on construction contract	-	1,468
Interest expense	232	125
Interest income	(49)	(16)
Loss on disposal of equipment	60	64
Unrealised loss/(gain) on foreign exchange	(808)	2,183
Operating profit before working capital changes	2,483	5,935
Decrease/ (Increase) in inventory	7	(46)
(Increase)/Decrease in amounts owing by/to contract customers	(3,095)	12,511
Decrease/(Increase) in trade and other receivables	16,601	(21,357)
Decrease in trade and other payables	(7,196)	(19,338)
CASH FROM/(FOR) OPERATIONS	8,800	(22,295)
Income tax paid	(36)	(42)
Interest paid	(232)	(125)
Interest received	49	16
NET CASH FROM/(FOR) OPERATING ACTIVITIES	8,581	(22,446)
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(309)	(194)
Placement of fixed deposit pledged with licensed bank	(1,117)	(184)
Withdrawal of cash pledged with licensed bank	-	55
Net cash outflow on acquisition of a subsidiary (Note 1)	(248)	-
Proceeds from disposal of equipment	81	185
NET CASH FOR INVESTING ACTIVITIES	(1,593)	(138)
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES		
Drawdown of revolving credit	1,000	5,795
(Repayment)/Drawdown of trust receipts	(6,900)	2,974
Repayment of hire purchase obligations	(102)	(93)
(Repayment)/Drawdown of term loan	(7,770)	10,735
Proceeds from exercise of employee's share options	799	-
Repayment of bankers' acceptance	(176)	-
Drawdown of invoice financing	3,092	-
NET CASH (FOR)/FROM FINANCING ACTIVITIES	(10,057)	19,411
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,069)	(3,173)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	863	(730)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	34,361	18,983
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	32,155	15,080

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

Cash and bank balances	28,156	18,074
Fixed deposits	13,352	7,346
Bank overdraft	-	(2,179)
	41,508	23,241
Less: fixed deposits pledged with licensed banks	(9,353)	(7,346)
Less: cash at bank pledged with a licensed bank	-	(815)
	32,155	15,080

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 2016 and the accompanying explanatory notes enclosed to the interim financial statements.

Note 1

On 6 February 2017, the Company had acquired 3,528,000 ordinary shares, representing 49% of the total issued and paid-up capital of HITI Engineering (M) Sdn. Bhd. (Company No. 151260-M) ("HITI") for a total consideration of RM303,121.65.

The fair value of the net assets acquired and cash flow arising from the acquisition as at acquisition date is as follows: -

	RM'000
Other receivables	261
Cash and cash equivalents	55
Prepaid tax	44
Other payables	(8)
Net Assets	352
Less: NCI	(49)
Purchase consideration	303
Cash and cash equivalents of a subsidiary acquired	(55)
Exchange difference	-
Net cash outflow on acquisition in a subsidiary company	248

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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 2016. 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 2016.

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 2016.

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	01 January 2018
MFRS 16 Leases	01 January 2019
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	01 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment	01 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance	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 15: Effective Date of MFRS 15	01 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	01 January 2018
Amendments to MFRS 107: Disclosure Initiative	01 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	01 January 2017

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 2016.

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	
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
	RM'000	RM'000	RM'000	RM'000
Malaysia	21,087	18,035	5,787	5,868
China	11,845	2,488	1,293	437
Taiwan	13,390	7,740	262	234
Singapore	8,047	46,595	8,127	8,750
Indonesia	117	1,807	-	-
Philippines	2,017	1,816	-	-
	56,503	78,481	15,469	15,289

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 31 March 2017.

KELINGTON GROUP BERHAD ("KGB")
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FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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 2017, 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:

Employee's Shares Option Scheme ("ESOS")

	No. of Shares	Ordinary Shares (RM'000)	Share Premium (RM'000)
As at 1 January 2017	222,375,331	22,238	1,315
Issued at RM0.255 per share pursuant to ESOS on:			
- 6 March 2017	3,134,718	799	-
As at 31 March 2017	225,510,049	23,037	1,315

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:

(i) Striking off of Kelington Healthcare Technologies (S) Pte. Ltd. ("KEHT")

The Board of Directors of the Company is pleased to announce that Kelington Healthcare Technologies (S) Pte. Ltd. ("KEHT"), a dormant indirect subsidiary of Kelington, has been struck off from the register of Business Registry and Facilitation Department of Singapore Accounting and Corporate Regulatory Authority on 4 October 2016 pursuant to the notification letter dated 4 October 2016 from Accounting and Corporate Regulatory Authority.

(ii) Acquisition of HITI Engineering (M) Sdn. Bhd. ("HITI")

On 6 February 2017, the Company has entered into a Sales and Purchase Agreement of Shares ("SPA") with the following parties for the acquisition of 3,528,000 ordinary shares, representing 49% of the total issued and paid-up capital of HITI Engineering (M) Sdn. Bhd. (Company No. 151260-M) ("HITI") for a total consideration of RM303,121.65.

1. Chang Chin Sia (NRIC No. 620731-08-5675);
2. Ng Boon Hock (NRIC No. 541019-08-5553); and
3. Francis Chia Mong Tet (NRIC No. 510801-05-5117).

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

Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries

Company	
As at 31/3/2017 Unaudited RM'000	As at 31/3/2016 Unaudited RM'000
4,055	30,851

KELINGTON GROUP BERHAD ("KGB")
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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

14. Material Subsequent Events

Saved as disclosed in the following, there has been no material subsequent events after the quarter ended 31 March 2017:

(i) Proposal of Final Tax-Exempt Dividend

On 18 April 2017, the Board of Directors of the Company is pleased to announce that the Company intends to seek approval from its shareholders for proposed final tax-exempt dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2016 at the forthcoming Annual General Meeting.

(ii) ESOS

	No. of Shares	Ordinary Shares (RM'000)	Share Premium (RM'000)
As at 1 April 2017	225,510,049	23,037	1,315
Issued at RM0.255 per share pursuant to ESOS on:			
- 4 April 2017	1,631,801	416	-
- 5 May 2017	2,383,116	608	-
As at 5 May 2017	229,524,966	24,061	1,315

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

1 Review Of Performance

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

For the quarter ended 31 March 2017 (1Q 2017), the Group achieved revenue of RM56.50 million, 28.00% lower as compared to RM78.48 million reported in the previous year's corresponding period. The decrease in revenue was mainly attributed to the completion of a major project secured in 2015 involving the supply of a bulk gas system, clean dry air distribution system and exhaust distribution system in Singapore.

In 1Q 2017, revenue from Malaysia contributed 37% to the Group's total revenue, followed by Taiwan (24%), China (21%) and Singapore (14%). Projects in Indonesia and Philippines contributed the remaining 4%. In 1Q 2016, Singapore was the largest revenue contributor at 59%, due to the major project secured in 2015 as described above.

	Revenue 31/3/2017 RM'000	Revenue 31/3/2016 RM'000
Ultra High Purity	23,588	39,644
Process Engineering	5,310	3,371
General Contracting	27,517	35,466
Industrial Gases	88	-
Total	56,503	78,481

Due to the project mix of projects undertaken in 1Q 2017, which was largely contributed by general contracting projects, gross profit margins declined slightly to 10.0% as compared to 11.1% in the previous year's corresponding period (1Q 2016).

1Q 2017 profit before tax rose to RM2.40 million, as compared to RM0.33 million in 1Q 2016. This was due to the higher provision of impairment losses on projects and receivables and an unrealized foreign exchange loss that was incurred in 1Q 2016.

(b) Variation of Results Against Preceding Quarter

The Group's revenue decreased by 46.74% to RM56.50 million as compared to RM106.08 million reported in the preceding quarter ended 31 December 2016 (4Q 2016).

The decrease was due to the completion of the major project in Singapore described above which was completed in 4Q 2016. Furthermore, the first quarter of the year (January to March) is a traditionally weaker quarter for the Group as its operations in China and Taiwan are affected by the winter season and Chinese New Year holidays.

In 1Q 2017, the Group reported an unrealized foreign exchange gain of RM0.81 million, as compared to an unrealized foreign exchange gain of RM2.00 million in 4Q 2016.

In tandem with the decrease in revenue, profit before tax decreased by 56.03% to RM2.40 million from RM5.46 million in 4Q2016.

Finance costs decreased to RM0.17 million in 1Q 2017 from RM 0.51 million in 4Q 2016 as the Group reduced its borrowings to RM13.71 million as at 31 March 2017, down from RM24.56 million as at 31 December 2016.

2 Commentary Of Prospects

The Group continues to enjoy a healthy rate of orderbook replenishment. Since the beginning of the year, the Group has secured new projects amounting to approximately RM100 million. Including the orderbook carried forward from the previous year, the Group has an orderbook on hand of RM250 million, of which RM198 million remains outstanding.

In addition to securing projects from the electronic sector, which the Group has a track record in, the recent project wins from non-electronic MNCs strengthens the Group's prospects in bidding for similar type of projects amongst the non-electronic sector.

The Group had recently started a new business unit involved in the supply of Industrial Gases. As announced on 28 March 2017, the Group had secured its first Industrial Gas Supply contract with a major photovoltaic manufacturer. The Group aims to grow this business further, which will add a stable and recurring income stream to the Group.

The progress billing of the outstanding orderbook will contribute positively to the Group's financial performance.

3 Profit Forecast and Profit Guarantee

The Company did not announce any profit forecast or profit estimate for the FYE 31 December 2017 in any public document and hence this information is not applicable.

4 Profit for the Period

	Quarter ended		Year-to-date ended	
	31/3/2017 RM'000	31/3/2016 RM'000	31/3/2017 RM'000	31/3/2016 RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	49	16	49	16
Interest expense	(232)	(125)	(232)	(125)
Impairment loss on trade receivables	(322)	(1,498)	(322)	(1,498)
Impairment loss on due from customer on construction contracts	-	(1,468)	-	(1,468)
Depreciation and amortisation	(319)	(276)	(319)	(276)
Equipment written off	(1)	(4)	(1)	(4)
Unrealised Foreign exchange (loss)/gain	808	(2,183)	808	(2,183)
Realised Foreign exchange (loss)/gain	(59)	303	(59)	303
Loss on disposal of equipment	(60)	(64)	(60)	(64)

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")
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5 Taxation

	Current quarter ended 31/3/17 RM'000	Cumulative Year to date ended 31/3/17 RM'000
Current tax: - for the financial period	365	365

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, which are Pioneer Status Companies being tax exempted.

6 Corporate Proposal

Save as disclosed in the following, there were no outstanding corporate proposals announced but not completed as at the current quarter under review.

On 31 March 2017, Board of Directors of Kelington ("Board") wishes to announce that Kelington proposes to undertake the following:

(i) Proposed ESOS Termination

To terminate the Company's existing ESOS and;

(ii) Proposed Employee Shares Scheme ("ESS")

to establish and implement an employee share scheme of up to 7% of the issued share capital of Kelington (excluding treasury shares, if any) at any point in time during the duration of the Proposed ESS for employees and Directors (including non-executive directors) of Kelington and its subsidiaries (excluding dormant subsidiaries) who fulfil the eligibility criteria.

7 Group Borrowings

(a) Breakdown of the Group's borrowings and debt securities as at 31 March 2017 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short-term borrowing	13,115	-	13,115
Long-term borrowing	590	-	590
Total Borrowings	<u>13,705</u>	<u>-</u>	<u>13,705</u>

(b) Foreign currency borrowings and debt securities in RM equivalent as at 31 March 2017 were as follows:

Foreign currency	RM'000
New Taiwan Dollar	1,288
Chinese Yuan	<u>4,368</u>
Total	<u>5,656</u>

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:-

(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 and 7 April 2017, High court had heard the evidences given by the witnesses and fixed the next hearing on 18 May 2017.

On 18 May 2017, the High Court had fixed the next hearing on 6 July 2017.

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

(2) Commencement 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.

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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

8 (2) Commencement 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") (Cont'd)

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.

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

(3) Commencement of adjudication proceeding between KTSB, a wholly owned subsidiary of Kelington, against Biocon Sdn. Bhd.

On 28 February 2017, KTSB (Company No.: 562280-U), a wholly owned subsidiary of Kelington served a Notice of Adjudication to Biocon Sdn. Bhd. (Company No. 930330-U) ("Biocon") in accordance with Section 7 and 8 of Construction Industry Payment & Adjudication Act 2012 ("CIPAA") to seek following reliefs or remedies from Biocon:-

Payment amounting to RM5,027,062.04 (inclusive of interest and Goods and Service Tax ("GST")) being the outstanding payment due to KTSB; Interest on the unpaid amounts from the date of payment was due to the date full payment is received (The interest rate on the unpaid amounts is 7.65% p.a.); and all cost incurred by KTSB in referring the dispute to adjudication, including but not limited to KTSB's claim consultant's cost, the registration and administrative fee of Kuala Lumpur Regional Centre of Arbitration, and the adjudicator's fee.

On 16 July 2013, K1SB was appointed by Biocon as the Contractor pursuant to three (3) Purchase Orders under reference numbers BSDN/PROJ/SV/1300063, BSDN/PROJ/SV/1300064, BSDN/PROJ/SV/1300065 dated 16th July 2013 ("Contract") for the supply and installation of specialty gas system, clean piping and stainless steel piping work for the Biocon's factory in Nusajaya, Johor ("Works"). The Works were completed on 4th December 2015.

On 22 December 2016, K1SB served a Payment Claim to Biocon in accordance with Section 5 of CIPAA for the sum of RM6,183,648.00 (inclusive of interest) as Biocon had failed to make payment to KTSB.

On 12 January 2017, Biocon made a partial payment of RM1,342,022.00 (exclusive of interest and GST) to KTSB.

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 2017.

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	
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
Profit After Taxation attributable to owners of the company (RM'000)	2,068	257	2,068	257
Weighted average number of ordinary shares in issue ('000)	222,590	220,080	222,590	220,080
Basic Earnings Per Share (Sen)	0.93	0.12	0.93	0.12
Diluted Earnings Per Share (Sen) #	0.92	0.11	0.92	0.11

Note :

- Assuming the full exercise of 4,328,715 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 as at 31 March 2017.

11 DISCLOSURE OF REALISED AND UNREALISED PROFITS/ (LOSSES)

	Cumulative Year to date ended 31/3/17 RM'000	Cumulative Year to date ended 31/3/16 RM'000
Total retained profits of KGB:		
- Realised	30,761	23,953
- Unrealised	648	(2,115)
Total group retained profits as per consolidated accounts	31,409	21,838