

**KELINGTON GROUP BERHAD ("KGB")**  
**(Company No. 501386-P)**  
Statement of Profit or Loss and Other Comprehensive Income  
For The 4th Quarter Ended 31 December 2015

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the year ended 31 December 2015 are as follow:-

	Note	Unaudited Current Qtr Ended 31/12/2015 RM'000	Unaudited Previous Qtr Ended 31/12/2014 RM'000	Unaudited 12-months Period up to 31/12/2015 RM'000	Audited 12-months Period up to 31/12/2014 RM'000
Revenue		91,452	43,159	206,449	189,102
Cost of sales		(82,167)	(39,683)	(186,661)	(170,081)
<b>Gross profit</b>		<b>9,285</b>	<b>3,476</b>	<b>19,788</b>	<b>19,021</b>
Other income		(1,212)	2,043	5,015	2,241
Administrative expenses		(4,827)	(6,362)	(14,995)	(13,583)
Selling and distribution expenses		(425)	(228)	(1,170)	(1,161)
Other expenses		(8,775)	198	(9,401)	(668)
<b>Results from operating activities</b>		<b>(5,954)</b>	<b>(873)</b>	<b>(763)</b>	<b>5,850</b>
Share of result in an Associate, net of tax		-	(31)	(43)	(39)
Finance costs		(791)	(229)	(1,104)	(631)
<b>(Loss)/Profit before taxation for the financial period</b>		<b>(6,745)</b>	<b>(1,133)</b>	<b>(1,910)</b>	<b>5,180</b>
Taxation	B5	(407)	173	(679)	(31)
<b>(Loss)/Profit after taxation for the financial period</b>		<b>(7,152)</b>	<b>(960)</b>	<b>(2,589)</b>	<b>5,149</b>
<b>Other comprehensive income, net of tax</b>					
Foreign currency translation		292	701	3,539	368
		292	701	3,539	368
<b>Total comprehensive (expense)/ income for the period</b>		<b>(6,860)</b>	<b>(259)</b>	<b>950</b>	<b>5,517</b>
<b>Profit attributable to:</b>					
Shareholders of the Company		(7,182)	(954)	(2,623)	5,200
Non-controlling interests		30	(6)	34	(51)
<b>(Loss)/Profit after taxation for the financial period</b>		<b>(7,152)</b>	<b>(960)</b>	<b>(2,589)</b>	<b>5,149</b>
<b>Total comprehensive (expense)/income attributable to:</b>					
Shareholders of the Company		(6,906)	(253)	869	5,568
Non-controlling interests		46	(6)	81	(51)
<b>Total comprehensive (expense)/income for the period</b>		<b>(6,860)</b>	<b>(259)</b>	<b>950</b>	<b>5,517</b>
<b>Basic (loss)/earnings per ordinary share (sen):</b>					
Basic (loss)/earnings per share (sen)	B10	(3.23)	(0.45)	(1.19)	2.40
Diluted (loss)/earnings per share (sen)	B10	(3.21)	(0.45)	(1.18)	2.40

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 2014 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 2015

	<b>Unaudited As At 31/12/2015 RM'000</b>	<b>Audited As At 31/12/2014 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	7,061	6,357
Goodwill on consolidation	6,143	5,535
Development costs	35	53
Other receivables	2,195	1,726
Investment in Associate	-	81
	<b>15,434</b>	<b>13,752</b>
<b>Current assets</b>		
Inventories	195	775
Amount owing by contract customers	67,441	35,814
Trade receivables	56,460	66,249
Other receivables, prepayments and deposits	8,667	12,625
Deferred tax assets	115	97
Tax refundable	471	15
Cash and cash equivalents	26,849	34,391
	<b>160,198</b>	<b>149,966</b>
<b>TOTAL ASSETS</b>	<b>175,632</b>	<b>163,718</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	22,008	21,697
Share premium	483	-
Retained earnings	21,504	26,316
Other reserve	15,595	12,001
Treasury share	(607)	(606)
<b>Total Equity attributable to Shareholders of the Company</b>	<b>58,983</b>	<b>59,408</b>
Non-controlling interests	230	(74)
<b>Total Equity</b>	<b>59,213</b>	<b>59,334</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	95	92
Long-term borrowings	1,043	1,117
	<b>1,138</b>	<b>1,209</b>
<b>Current liabilities</b>		
Amount owing to contract customers	29,460	15,771
Trade payables	47,915	29,644
Other payables and accruals	19,882	11,186
Provision for taxation	295	145
Bank overdraft	-	872
Short term borrowings	17,729	45,557
	<b>115,281</b>	<b>103,175</b>
<b>Total liabilities</b>	<b>116,419</b>	<b>104,384</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>175,632</b>	<b>163,718</b>
<b>Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)</b>	<b>0.2691</b>	<b>0.2738</b>

The Statement of Financial Position should be read in conjunction with the audited consolidated financial statements of KGB for the financial year ended 31 December 2014 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 2015

	<----- Attributable to Equity Holders of the Company ----->							Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
	<----- Non Distributable ----->				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			
<b>As at 1 January 2015</b>	21,697	-	8,984	731	2,286	(606)	26,316	<b>59,408</b>	(74)	<b>59,334</b>
Profit after taxation for the financial period	-	-	-	-	-	-	(2,623)	<b>(2,623)</b>	34	<b>(2,589)</b>
Other comprehensive income, net of tax:										
- Foreign currency translation	-	-	-	-	3,492	-	-	<b>3,492</b>	47	<b>3,539</b>
Total comprehensive income for the financial period	-	-	-	-	3,492	-	(2,623)	<b>869</b>	81	<b>950</b>
Contributions by and distribution to owners of the company:										
- purchase of treasury shares	-	-	-	-	-	(1)	-	<b>(1)</b>	-	<b>(1)</b>
- Employee's share options reserved	-	-	-	102	-	-	-	<b>102</b>	-	<b>102</b>
- dividend paid for the period	-	-	-	-	-	-	(2,189)	<b>(2,189)</b>	-	<b>(2,189)</b>
- Incorporation of a subsidiary	-	-	-	-	-	-	-	-	170	<b>170</b>
- Acquisition of a subsidiary	-	-	-	-	-	-	-	-	53	<b>53</b>
- Employees' share option exercise	311	483	-	-	-	-	-	<b>794</b>	-	<b>794</b>
Total recognised income and expense for the period	311	483	-	102	-	(1)	(2,189)	<b>(1,294)</b>	223	<b>(1,071)</b>
<b>As at 31 December 2015</b>	<b>22,008</b>	<b>483</b>	<b>8,984</b>	<b>833</b>	<b>5,778</b>	<b>(607)</b>	<b>21,504</b>	<b>58,983</b>	<b>230</b>	<b>59,213</b>
<b>As at 1 January 2014</b>	16,068	546	7,851	755	1,918	(482)	27,402	<b>54,058</b>	(23)	<b>54,035</b>
Profit after taxation for the financial period	-	-	-	-	-	-	5,200	<b>5,200</b>	(51)	<b>5,149</b>
Other comprehensive income, net of tax:										
- Foreign currency translation differences	-	-	-	-	368	-	-	<b>368</b>	*	<b>368</b>
Total comprehensive income for the financial period	-	-	-	-	368	-	5,200	<b>5,568</b>	(51)	<b>5,517</b>
Contributions by and distribution to owners of the company:										
- bonus issue										
- by Company	5,394	(1,320)	-	-	-	-	(4,074)	-	-	-
- by a subsidiary	-	-	1,115	-	-	-	(1,115)	-	-	-
- dividend paid for the period	-	-	-	-	-	-	(1,079)	<b>(1,079)</b>	-	<b>(1,079)</b>
- purchase of treasury shares	-	-	-	-	-	(124)	-	<b>(124)</b>	-	<b>(124)</b>
- Employees' share option reserve	-	-	-	186	-	-	-	<b>186</b>	-	<b>186</b>
- Reclassification to capital reserve	-	-	18	-	-	-	(18)	-	-	-
- Employee's share options exercised	235	774	-	(210)	-	-	-	<b>799</b>	-	<b>799</b>
Total transactions with owners	5,629	(546)	1,133	(24)	-	(124)	(6,286)	<b>(218)</b>	-	<b>(218)</b>
<b>As at 31 December 2014</b>	<b>21,697</b>	<b>-</b>	<b>8,984</b>	<b>731</b>	<b>2,286</b>	<b>(606)</b>	<b>26,316</b>	<b>59,408</b>	<b>(74)</b>	<b>59,334</b>

\* : - Less than RM1,000

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with KGB's audited consolidated financial statements for the financial year ended 31 December 2014 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 2015

	<b>Unaudited 12-Months Ended 31/12/2015 RM'000</b>	<b>Audited 12-Months Ended 31/12/2014 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	(1,910)	5,180
Adjustments for:-		
Amortisation of development cost	18	47
Depreciation of property, plant and equipment	926	863
Equipment written off	2	39
Impairment loss on trade receivables	616	-
Impairment loss on due from customer on construction contract	3,739	-
Interest expense	951	631
Interest income	(449)	(395)
Loss on disposal of equipment	-	40
Provision for warranty costs	125	154
Share-based payments	102	186
Share of net loss in associate	43	39
Writeback of impairment loss on trade receivables	-	(36)
Writeback of provision of warranty costs	(47)	(213)
Unwind of discount on advances to employees	(196)	(413)
Unrealised gain on foreign exchange	(1,338)	(571)
Operating profit before working capital changes	2,582	5,551
Decrease in inventory	580	1,055
(Increase)/ Decrease in amounts owing by/to contract customers	(21,677)	8,478
Decrease/ (Increase) in trade and other receivables	12,882	(31,730)
Increase in trade and other payables	28,154	5,991
<b>CASH FROM/ (FOR) OPERATIONS</b>	<b>22,521</b>	<b>(10,655)</b>
Income tax paid	(306)	(402)
Interest paid	(951)	(631)
Interest received	449	395
<b>NET CASH FROM/ (FOR) OPERATING ACTIVITIES</b>	<b>21,713</b>	<b>(11,293)</b>
<b>CASH FLOWS FROM/ (FOR) INVESTING ACTIVITIES</b>		
Purchase of plant and equipments	(1,288)	(479)
Development costs paid	-	(5)
Placement of fixed deposit pledged with licensed bank	(1,104)	(8,022)
Withdrawal of cash pledged with licensed bank	8,022	670
Net cash outflow on acquisition of subsidiary (Note 1)	(87)	-
Investment in an associate	170	(120)
Proceeds from disposal of equipment	-	82
<b>NET CASH FROM/ (FOR) INVESTING ACTIVITIES</b>	<b>5,713</b>	<b>(7,874)</b>
<b>CASH FLOWS (FOR)/ FROM FINANCING ACTIVITIES</b>		
Dividend paid	(2,189)	(1,079)
(Repayment)/ drawdown of revolving credit	(3,608)	11,331
Drawdown/ (Repayment) of factoring loan	7,555	(8,590)
Repayment of hire purchase obligations	(123)	(264)
(Repayment)/ Drawdown of term loan	(31,721)	28,505
Proceeds from exercise of employee's share options	794	799
Repayment of trust receipts	(287)	(800)
Drawdown of foreign currency loan	281	-
Purchase of treasury shares	(1)	(124)
<b>NET CASH (FOR) / FROM FINANCING ACTIVITIES</b>	<b>(29,299)</b>	<b>29,778</b>
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,873)</b>	<b>10,611</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>2,121</b>	<b>246</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	<b>19,439</b>	<b>8,582</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<b>19,687</b>	<b>19,439</b>

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

Cash and bank balances	19,687	28,333
Fixed deposits	7,162	6,058
Bank overdraft	-	(872)
	26,849	33,519
Less: fixed deposits pledged with licensed banks	(7,162)	(6,058)
Less: cash at bank pledged with a licensed bank	-	(8,022)
	19,687	19,439

**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 2014 and the accompanying explanatory notes enclosed to the interim financial statements.**

**Note 1**

On 30 September 2015, KGB acquired additional 52,500 ordinary shares of RM1.00 each in Kelington Analytical Services Sdn. Bhd. (1103012-H) ("KASSB"), representing 15% of the issued and paid-up share capital of KASSB for a total consideration of RM52,500.00 ("Acquisition of Shares").

Before the additional investment, KASSB was an associate company to KGB and that the Company is holding 140,000 ordinary shares of RM1.00 each in KASSB representing 40% of the issued and paid-up share capital of KASSB. In consequent to the Acquisition of Shares, KASSB shall become a 55% owned subsidiary of the Company.

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

	<b>RM'000</b>
Property, plant and equipments	187
Trade and other receivables	8
Cash and cash equivalents	24
Trade and other payables	(74)
Net Assets	145
Less: Non-controlling interest (45%)	(65)
Goodwill	31
Purchase consideration	111
Cash and cash equivalents of a subsidiary acquired	(24)
Net cash outflow on acquisition in a subsidiary company	87

**KELINGTON GROUP BERHAD ("KGB")**  
**(Company No. 501386-P)**  
**EXPLANATORY NOTES TO THE QUARTERLY REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

**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 2014. 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 2014.

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 2014.

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

<b>FRSs/ IC Interpretations</b>	<b>Effective date</b>
MFRS 9 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 2014.

**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.

	<b>Revenue</b>		<b>Non-current Assets</b>	
	<b>31/12/2015</b>	<b>31/12/2014</b>	<b>31/12/2015</b>	<b>31/12/2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysia	63,783	94,993	5,565	5,441
China	29,671	45,990	404	170
Taiwan	9,623	1,791	251	212
Singapore	76,957	46,328	9,214	6,200
Indonesia	17,577	-	-	-
Philippines	6,043	-	-	-
Middle East	2,795	-	-	-
Other	-	-	-	3
	<b>206,449</b>	<b>189,102</b>	<b>15,434</b>	<b>12,026</b>

**4. Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 31 December 2015.

**KELINGTON GROUP BERHAD ("KGB")  
(Company No. 501386-P)  
EXPLANATORY NOTES TO THE QUARTERLY REPORT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

**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 2015, all the property, plant and equipment were stated at cost less accumulated depreciation.

**9. Movement of Debt And Equity Securities**

There were no issuance, cancellation, resale and repayment of debt and equity securities during the current quarter under review.

**10. Changes in Composition of the Group**

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

**Acquisition of Kelington Solomon Philippines, Inc ("KSP")**

The Board of Directors of KGB is pleased to announce that Kelington Engineering (S) Pte. Ltd. ("KES"), a wholly-owned subsidiary of the Company, had on 11 November 2015 subscribed a total of 75,995 shares representing 80% of the total issued and paid-up capital of KSP, a company incorporated on 11 November 2015 in Philippines for a total consideration of PHP7,599,500.00 or equivalent to RM706,627.23. In consequent thereto, KSP shall become a 80% owned subsidiary of KES.

KSP has an issued and paid-up capital of PHP9,500,000.00 comprising 95,000 shares of PHP100 each. The intended principal activities of KSP are to undertake business of development, procurement, manufacturing, trading and insofar as may be permitted by law of Ultra High Purity Gas Accessories and other related regulations.

**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 2015 are as follows:

Performance bond and warranty bond granted to contract customers:

- Advance payment bond  
- Warranty bond  
- Performance bond

Total

	<b>Bank</b>	<b>Insurance</b>
	<b>RM'000</b>	<b>RM'000</b>
	-	16,995
	1,450	653
	1,460	16,791
	<u>2,910</u>	<u>34,439</u>

**14. Material Subsequent Events**

There has been no material subsequent events after the quarter ended 31 December 2015.

**KELINGTON GROUP BERHAD ("KGB")**  
**(Company No. 501386-P)**  
**EXPLANATORY NOTES TO THE QUARTERLY REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

**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 2015, the Group's revenue increased by 111.90%, or RM48.29 million, to RM91.45 million as compared to the previous year's corresponding quarter ended 31 December 2014. This was mainly due to the increase in contributions from the Singapore and Indonesia projects.

The Group's loss before taxation increased from RM1.13 million in the previous year's corresponding quarter to RM6.75 million as the Group recognized impairment losses on certain projects, trade receivables and amounts owing by contract customers during the quarter ended 31 December 2015.

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

For the financial period ended 31 December 2015, the Group's revenue increased by 9.17% to RM206.45 million as compared to RM189.10 million reported in the previous year's corresponding period. This was mainly due to the increase in contributions from the Singapore, Indonesia and Philippines projects.

Revenue from Malaysia's and China's operation decreased by 32.86% and 35.48% respectively mainly due to lesser projects undertaken during the period as compared to previous year's corresponding period.

The Group's loss before taxation for the period ended 31 December 2015 was due to the impairment losses in projects and receivables.

(c) Variation of Results Against Preceding Quarter

The Group's revenue increased by 154.83% to RM91.45 million for the quarter ended 31 December 2015 as compared to the preceding quarter's revenue of RM35.89 million. This was mainly due to the commencement of certain major projects in Malaysia and Singapore during the quarter.

**2 Commentary Of Prospects**

In the 12 months period ended 31 December 2015, Kelington secured new orders amounting to RM286.89 million. This contributed to an order book on hand of RM380.90 million of which RM174.45 million remains outstanding as at 31 December 2015. This is expected to contribute positively to the revenue in the coming financial year.

The Group will also focus on expanding its presence into the new markets recently entered; namely Philippines, Indonesia and the Middle East. Revenue from these markets contributed RM26.42 million, representing approximately 12.79% of the Group's FY2015 revenue.

In view of the uncertainty in the global economy, the Group expects FY2016 to be a challenging year. Moving forward, the Group will continue to explore business opportunities in new markets and non-core industries to maintain the Group's 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 2015 in any public document and hence this information is not applicable.

**4 Profit for the Period**

	Quarter ended		Year-to-date ended	
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	348	275	449	395
Interest expense	(716)	(175)	(951)	(631)
Depreciation and amortisation	(261)	(219)	(944)	(910)
Foreign exchange gain	(139)	628	1,338	571

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

**5 Taxation**

	Current quarter	Cumulative
	ended 31/12/15 RM'000	Year to date ended 31/12/15 RM'000
Current tax: - for the financial period	407	679

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 DECEMBER 2015**

**7 Group Borrowings**

(a) Breakdown of the Group's borrowings and debt securities as at 31 December 2015 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short-term borrowing	17,729	-	17,729
Long-term borrowing	1,043	-	1,043
			-
Total Borrowings	18,772	-	18,772

(b) Foreign currency borrowings and debt securities in RM equivalent as at 31 December 2015 were as follows:

Foreign currency	RM'000
Singapore Dollar	3,772
US Dollar	2,524
New Taiwan Dollar	1,667
Chinese Yuan	5,312
Total	13,275

**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:-

**Commencement of legal proceeding against Hui Neng Mechanical & Electrical Engineering Co. (27518963)**

On 26 Feb 2016, the Board of Directors of Kelington wishes to announce that its Taiwan branch ("KETW") on 18 September 2015 received a Statement of Claim from a subcontractor in Taiwan namely, (慧能机电工程有限公司) Hui Neng Mechanical & Electrical Engineering Co. (27518963) for progress claims amounting to NTD 1,182,924 or equivalent to RM 150,206.

Hui Neng was appointed by KETW to perform project works for a project in Taiwan on 26 February 2015.

KETW had paid a deposit amounting to NTD 36,000,000 or equivalent to RM 4,571,245 upon commencement of the project. However, in carrying out the project works, Hui Neng did not fulfill certain obligations under the contract.

The matter is now pending mediation in court scheduled to be held on 4 March 2016 after the first mediation hearing held on 31 December 2015. 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 December 2015.

**10 (Loss)/ 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	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
(Loss)/Profit After Taxation attributable to owners of the company (RM'000)	(7,182)	(954)	(2,623)	5,200
Weighted average number of ordinary shares in issue ('000)	221,210	216,966	218,809	216,059
Basic (Loss)/Earnings Per Share (Sen)	(3.25)	(0.45)	(1.20)	2.40
Diluted (Loss)/Earnings Per Share (Sen) #	(3.21)	(0.45)	(1.18)	2.40

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 31/12/15 RM'000	Cumulative Year to date ended 31/12/14 RM'000
Total retained profits of KGB:		
- Realised	19,498	25,899
- Unrealised	2,006	417
Total group retained profits as per consolidated accounts	21,504	26,316