

**KELINGTON GROUP BERHAD ("KGB")**  
**(Company No. 501386-P)**  
Statement of Profit or Loss and Other Comprehensive Income  
For The 4th Quarter Ended 31 December 2016

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

	Note	Unaudited Current Qtr Ended 31/12/2016 RM'000	Unaudited Previous Qtr Ended 31/12/2015 RM'000	Unaudited 12-months Period up to 31/12/2016 RM'000	Audited 12-months Period up to 31/12/2015 RM'000
Revenue		106,083	91,359	340,228	206,356
Cost of sales		(93,646)	(81,656)	(301,921)	(186,150)
<b>Gross profit</b>		<b>12,437</b>	<b>9,703</b>	<b>38,307</b>	<b>20,206</b>
Other income		2,965	(1,375)	4,250	4,852
Administrative expenses		(7,114)	(5,367)	(19,143)	(15,535)
Selling and distribution expenses		(649)	(425)	(1,409)	(1,170)
Other expenses		(1,670)	(8,713)	(11,233)	(9,339)
<b>Results from operating activities</b>		<b>5,969</b>	<b>(6,177)</b>	<b>10,772</b>	<b>(986)</b>
Share of result in an Associate, net of tax		-	-	-	(43)
Finance costs		(509)	(713)	(988)	(1,026)
<b>Profit before taxation for the financial period</b>		<b>5,460</b>	<b>(6,890)</b>	<b>9,784</b>	<b>(2,055)</b>
Taxation	B5	(908)	(194)	(1,106)	(466)
<b>Profit after taxation for the financial period</b>		<b>4,552</b>	<b>(7,084)</b>	<b>8,678</b>	<b>(2,521)</b>
<b>Other comprehensive income/(expense), net of tax</b>					
Foreign currency translation		(1,693)	182	(2,686)	3,429
		(1,693)	182	(2,686)	3,429
<b>Total comprehensive income for the period</b>		<b>2,859</b>	<b>(6,902)</b>	<b>5,992</b>	<b>908</b>
<b>Profit attributable to:</b>					
Shareholders of the Company		4,575	(7,105)	8,691	(2,546)
Non-controlling interests		(23)	21	(13)	25
<b>Profit after taxation for the financial period</b>		<b>4,552</b>	<b>(7,084)</b>	<b>8,678</b>	<b>(2,521)</b>
<b>Total comprehensive income attributable to:</b>					
Shareholders of the Company		2,873	(6,891)	5,974	884
Non-controlling interests		50	(11)	18	24
<b>Total comprehensive income for the period</b>		<b>2,923</b>	<b>(6,902)</b>	<b>5,992</b>	<b>908</b>
<b>Basic earnings per ordinary share (sen):</b>					
Basic earnings per share (sen)	B10	2.08	(3.23)	3.95	(1.20)
Diluted earnings per share (sen)	B10	2.07	(3.21)	3.94	(1.20)

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 December 2016

	<b>Unaudited As At 31/12/2016 RM'000</b>	<b>Audited As At 31/12/2015 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	8,329	7,062
Goodwill on consolidation	6,479	6,356
Development costs	17	35
Other receivables	637	1,226
Non-current tax assets	259	254
Deferred tax assets	472	391
	<b>16,193</b>	<b>15,324</b>
<b>Current assets</b>		
Inventories	167	195
Amount owing by contract customers	76,736	66,793
Trade receivables	53,355	50,168
Other receivables, prepayments and deposits	8,650	14,611
Current tax assets	739	428
Cash and cash equivalents	42,400	27,015
	<b>182,047</b>	<b>159,210</b>
	<b>198,240</b>	<b>174,534</b>
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	22,238	22,008
Share premium	1,315	760
Retained earnings	29,166	21,581
Other reserve	12,355	15,256
Treasury share	(607)	(607)
	<b>64,467</b>	<b>58,998</b>
<b>Total Equity attributable to Shareholders of the Company</b>	<b>64,467</b>	<b>58,998</b>
Non-controlling interests	419	401
	<b>64,886</b>	<b>59,399</b>
<b>Total Equity</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	165	92
Long-term borrowings	364	459
	<b>529</b>	<b>551</b>
<b>Current liabilities</b>		
Amount owing to contract customers	40,121	29,676
Trade payables	43,318	48,483
Other payables and accruals	23,713	18,095
Current tax liabilities	1,185	177
Bank overdraft	-	-
Short term borrowings	24,488	18,153
	<b>132,825</b>	<b>114,584</b>
	<b>133,354</b>	<b>115,135</b>
<b>Total liabilities</b>		
<b>TOTAL EQUITY AND LIABILITIES</b>		
	<b>198,240</b>	<b>174,534</b>
<b>Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)</b>	<b>0.2918</b>	<b>0.2681</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 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 4th Quarter Ended 31 December 2016

	----- Attributable to Equity Holders of the Company -----							Distributable	Non-Controlling	Total
	----- Non Distributable -----									
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Employee Share Option Reserve RM'000	Exchange Fluctuation Reserve RM'000	Treasury Share RM'000	Retained Earnings RM'000	Total RM'000	RM'000	RM'000
<b>As at 1 January 2016</b>	22,008	760	8,985	555	5,716	(607)	21,581	<b>58,998</b>	401	<b>59,399</b>
Profit after taxation for the financial period	-	-	-	-	-	-	8,691	<b>8,691</b>	(13)	<b>8,678</b>
Other comprehensive expense, net of tax:										
- Foreign currency translation	-	-	-	-	(2,717)	-	-	<b>(2,717)</b>	31	<b>(2,686)</b>
Total comprehensive (expense)/ income for the financial period	-	-	-	-	(2,717)	-	8,691	<b>5,974</b>	18	<b>5,992</b>
Contributions by and distribution to owners of the company:										
- purchase of treasury shares	-	-	-	-	-	*	-	-	-	-
- Employee's share options reserve	-	-	-	15	-	-	-	<b>15</b>	-	<b>15</b>
- dividend paid for the period	-	-	-	-	-	-	(1,106)	<b>(1,106)</b>	-	<b>(1,106)</b>
- Employees' share option exercise	230	555	-	(199)	-	-	-	<b>586</b>	-	<b>586</b>
Total recognised income and expense for the period	230	555	-	(184)	-	-	(1,106)	<b>(505)</b>	-	<b>(505)</b>
<b>As at 31 December 2016</b>	<b>22,238</b>	<b>1,315</b>	<b>8,985</b>	<b>371</b>	<b>2,999</b>	<b>(607)</b>	<b>29,166</b>	<b>64,467</b>	<b>419</b>	<b>64,886</b>
<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	-	-	-	-	-	-	(2,546)	<b>(2,546)</b>	25	<b>(2,521)</b>
Other comprehensive income, net of tax:										
- Foreign currency translation differences	-	-	-	-	3,430	-	-	<b>3,430</b>	(1)	<b>3,429</b>
Total comprehensive income for the financial period	-	-	-	-	3,430	-	(2,546)	<b>884</b>	24	<b>908</b>
Contributions by and distribution to owners of the company:										
- dividend paid for the period	-	-	-	-	-	-	(2,189)	<b>(2,189)</b>	-	<b>(2,189)</b>
- purchase of treasury shares	-	-	-	-	-	(1)	-	<b>(1)</b>	-	<b>(1)</b>
- Employees' share option reserve	-	-	-	102	-	-	-	<b>102</b>	-	<b>102</b>
- Acquisition of a subsidiary:										
- Kelington Analytical Services Sdn Bhd	-	-	-	-	-	-	-	-	87	<b>87</b>
- PT Mitracon Graha Solusindo	-	-	-	-	-	-	-	-	189	<b>189</b>
- Kelington Solomon Philippines, Inc	-	-	-	-	-	-	-	-	175	<b>175</b>
- Employee's share options exercised	311	760	-	(278)	-	-	-	<b>793</b>	-	<b>793</b>
- Transfer of non-distributable reserve funds by a subsidiary	-	-	1	-	-	-	-	<b>1</b>	-	<b>1</b>
Total transactions with owners	311	760	1	(176)	-	(1)	(2,189)	<b>(1,294)</b>	451	<b>(843)</b>
<b>As at 31 December 2015</b>	<b>22,008</b>	<b>760</b>	<b>8,985</b>	<b>555</b>	<b>5,716</b>	<b>(607)</b>	<b>21,581</b>	<b>58,998</b>	<b>401</b>	<b>59,399</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 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 12-Months Period Ended 31 December 2016

	<b>Unaudited 12-Months Ended 31/12/2016 RM'000</b>	<b>Audited 12-Months Ended 31/12/2015 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	9,784	(2,055)
Adjustments for:-		
Amortisation of development cost	18	18
Depreciation of property, plant and equipment	1,136	932
Equipment written off	46	19
Impairment loss on trade receivables	4,959	629
Impairment loss on due from customer on construction contract	5,361	3,739
Impairment loss on other receivables	-	4,015
Interest expense	699	1,026
Interest income	(258)	(453)
Loss on disposal of equipment	73	-
Provision for warranty costs	40	59
Share-based payments	15	102
Share of net loss in a former associate	-	43
Writeback of impairment loss on trade receivables	-	(10)
Writeback of provision of warranty costs	-	(119)
Unwind of discount on advances to employees	1,007	(196)
Unrealised loss/(gain) on foreign exchange	(1,165)	(2,113)
Operating profit before working capital changes	21,715	5,636
Decrease in inventory	28	580
Increase in amounts owing by/to contract customers	(4,859)	(21,052)
(Increase)/ Decrease in trade and other receivables	(2,675)	13,016
Increase in trade and other payables	1,650	25,544
<b>CASH FROM OPERATIONS</b>	<b>15,859</b>	<b>23,724</b>
Income tax paid	(446)	(1,427)
Interest paid	(699)	(1,026)
Interest received	258	453
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>14,972</b>	<b>21,724</b>
<b>CASH FLOWS (FOR)/ FROM INVESTING ACTIVITIES</b>		
Purchase of plant and equipments	(1,852)	(1,277)
Placement of cash in bank held in trust	-	(870)
Placement of fixed deposit pledged with licensed bank	(1,074)	(1,104)
(Placement)/ Withdrawal of cash pledged with licensed bank	(1,379)	8,022
Net cash outflow on acquisition of subsidiaries	-	(686)
Capital contribution from non-controlling interests	-	177
Proceeds from disposal of equipment	238	-
<b>NET CASH (FOR)/ FROM INVESTING ACTIVITIES</b>	<b>(4,067)</b>	<b>4,262</b>
<b>CASH FLOWS FROM/ (FOR) FINANCING ACTIVITIES</b>		
Dividend paid	(1,106)	(2,189)
Drawdown/ (Repayment) of revolving credit	1,500	(6,647)
Drawdown of factoring loan	1,849	-
Repayment of hire purchase obligations	(278)	(122)
Repayment of term loan	(9,082)	(23,368)
Proceeds from exercise of employee's share options	586	793
(Repayment)/ Drawdown of trust receipts	(2,362)	2,049
Drawdown of invoice financing	8,675	-
Drawdown of foreign currency loan	5,051	-
Purchase of treasury shares	*	(1)
<b>NET CASH FROM/ (FOR) FINANCING ACTIVITIES</b>	<b>4,833</b>	<b>(29,485)</b>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>15,738</b>	<b>(3,499)</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>(2,806)</b>	<b>3,043</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	<b>18,983</b>	<b>19,439</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<b>31,915</b>	<b>18,983</b>

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

Cash and bank balances	34,164	19,853
Fixed deposits	8,236	7,162
Bank overdraft	-	-
	42,400	27,015
Less: fixed deposits pledged with licensed banks	(8,236)	(7,162)
Less: cash at bank pledged with a licensed bank	(2,249)	-
Less: cash at bank held in trust by a third party	-	(870)
	31,915	18,983

\* : - Less than RM1,000

**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 DECEMBER 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:-

<b>MFRSs and/or IC Interpretations (Including the Consequential Amendments)</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	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 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.

	<b>Revenue</b>		<b>Non-current Assets</b>	
	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysia	102,104	63,873	6,024	5,566
China	53,085	29,700	1,231	404
Taiwan	35,405	9,561	757	505
Singapore	134,180	76,807	8,181	7,232
Indonesia	8,424	17,577	-	-
Philippines	7,028	6,043	-	-
Other	2	2,795	-	-
	<b>340,228</b>	<b>206,356</b>	<b>16,193</b>	<b>13,707</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 2016.

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

Shares Buy Back

On 28 Nov 2016, the Company repurchased 1,000 of its issued share capital from the open market at the cost of RM0.27 per share. The total consideration paid for the share buy-back of KGB shares, including transaction costs was RM313.50.

The Shares buy back above were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A subsection 3(A) (b) of the Companies Act, 1965.

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

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

**11. Discontinued Operation**

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

**12. Capital Commitments**

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

**13. Changes in Contingent Liabilities and Contingent Assets**

Contingent liabilities of the Group as at 31 December 2016 are as follows:

Performance bond and warranty bond granted to contract customers:

- Warranty bond  
- Performance bond  
Total

	<b>Bank</b>	<b>Insurance</b>
	<b>RM'000</b>	<b>RM'000</b>
	2,700	-
	4,291	7,254
	<u>6,991</u>	<u>7,254</u>

**14. Material Subsequent Events**

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

**(1) 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 of RM0.01 each, 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).

In consequent thereto, HITI shall become a subsidiary of the Company, upon the completion of acquisition of 49% equity interest in HITI. HITI was incorporated on 25 February 1986 and has an issued and paid-up capital of RM72,000.00 comprising 7,200,000 ordinary shares of RM0.01 each. The principal activities of HITI are trading, design and construction of clean room and high technology plants.

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

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

**1 Review Of Performance**

(a) Current Quarter vs. Previous Year Corresponding Quarter

The Group's revenue for the quarter increased by 16.12% to RM106.08 million, as compared to RM91.36 million in the previous year's corresponding quarter. This was driven by an increase in the progress billings of the projects being undertaken in Malaysia, Taiwan and China.

The decrease of revenue in Indonesia and Philipines was due to the projects undertaken in these countries had almost been completed in the last quarter of year 2016.

In tandem with the increase in revenue, the Group's profit before taxation margin increased to 5.15% or RM5.46 million, as compared to loss of RM6.89 million in the previous year's corresponding quarter. This was due to the impairment losses provided in the previous year's corresponding quarter.

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

For the year ended 31 December 2016, the Group's revenue increased by 64.87% to RM340.23 million as compared to RM206.36 million reported in the previous year's corresponding period. This was attributed to a general increase in the overall revenue of the Group's four key countries of operations, namely Malaysia, Singapore, Taiwan and China.

The Group's Singapore operations contributed significantly to the Group's increase in revenue. Revenue from the Singapore operations stood at RM134.18 million, an increase of 74.70% as compared to the previous year's corresponding period. This rise is due to the progress billing of a major project secured in 2015 involving the supply of a bulk gas system, clean dry air distribution system and exhaust distribution system.

Gross profit margins for the year ended 31 December 2016 increased slightly to 11.3% as compared to 9.8% in the previous year's corresponding period. This is a result of the Group's efforts in improving internal controls and efficiency to improve profit margins.

In line with the increase in revenue, the Group's profit before taxation increase to RM9.78 million from loss of RM2.06 million in the previous year's corresponding period. This is mainly due to the provision of impairment losses on projects and receivables during year 2015.

(c) Variation of Results Against Preceding Quarter

The Group's revenue increased by 73.41% to RM106.08 million for the quarter ended 31 December 2016 as compared to RM61.18 million reported in the preceding quarter ended 30 September 2016.

In tandem with the increase in revenue, profit before taxation increased to RM5.46 million as compared to RM2.07 million in the preceding quarter.

**2 Commentary Of Prospects**

During the 12 months period ended 31 December 2016, the Group had secured new orders amounting to RM323.44 million. This is the highest amount of new orders ever to be secured by the Group within a year.

Combined with the orders carried forward from the previous year, and new orders secured to-date in 2017, the Group has an orderbook on hand of RM546.99 million, of which RM206.76 million remains outstanding.

Under the current competitive business environment, the Group is focused on delivering the projects on a timely manner and is vigilant in managing costs.

Based on the Group's orderbook level and barring unforeseen circumstances, the Group is confident that the Company will continue with the good performance in the coming year.

**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.

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

**4 Profit for the Period**

	Quarter ended		Year-to-date ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Amount owing by contract customers written off	(484)	(3,739)	(5,361)	(3,739)
Interest income	206	352	258	453
Interest expense	(385)	(791)	(699)	(1,026)
Impairment loss on trade receivables	(1,151)	(629)	(4,959)	(629)
Impairment loss on other receivables	-	(4,015)	-	(4,015)
Depreciation and amortisation	(276)	(267)	(1,136)	(950)
Equipment written off	(42)	-	(46)	(19)
Foreign exchange (loss)/gain				
- realised	652	118	1,437	1,559
- unrealised	1,995	636	2,067	2,113
Loss on disposal of equipment	(9)	-	(73)	-

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 31/12/16	Year to date
	RM'000	ended 31/12/16
	RM'000	RM'000
Current tax:		
- for the financial period	908	1,106

The effective tax rate of the Group for the current financial period under review is lower than the statutory tax rate mainly due to certain income arising from KGB's subsidiaries, Kelington Technologies Sdn Bhd and Puritec Technologies (M) Sdn Bhd, which are Pioneer Status Companies being tax exempted.

**6 Corporate Proposal**

There were no outstanding corporate proposals announced but not completed as at the current quarter under review.

**7 Group Borrowings**

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

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Short-term borrowing	24,488	-	24,488
Long-term borrowing	364	-	364
			-
Total Borrowings	24,852	-	24,852

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

Foreign currency	RM'000
Singapore Dollar	1,849
US Dollar	5,051
New Taiwan Dollar	1,787
Chinese Yuan	7,537
Total	16,224

**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.

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

**(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.

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.

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 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	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Profit After Taxation attributable to owners of the company (RM'000)	4,575	(7,105)	8,691	(2,546)
Weighted average number of ordinary shares in issue ('000)	220,261	216,966	220,262	218,863
Basic Earnings Per Share (Sen)	2.08	(3.31)	3.95	(1.20)
Diluted Earnings Per Share (Sen) #	2.07	(3.26)	3.94	(1.20)

Note :

# - Assuming the full exercise of 7,463,433 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 31/12/16 RM'000	Cumulative Year to date ended 31/12/15 RM'000
Total retained profits of KGB:		
- Realised	26,792	19,547
- Unrealised	2,374	2,034
Total group retained profits as per consolidated accounts	29,166	21,581