

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Statement of Profit or Loss and Other Comprehensive Income
For The 1st Quarter Ended 31 March 2018

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the year ended 31 March 2018 are as follow:-

	Unaudited	Unaudited		Unaudited	Unaudited	
Note	Current Qtr Ended 31/03/2018 RM'000	Previous Qtr Ended 31/03/2017 RM'000	+ - %	3-months Period up to 31/03/2018 RM'000	3-months Period up to 31/03/2017 RM'000	+ - %
Revenue	86,548	56,503	+53	86,548	56,503	+53
Cost of sales	(74,370)	(50,863)		(74,370)	(50,863)	
Gross profit	12,178	5,640		12,178	5,640	
Other income	610	964		610	964	
Administrative expenses	(4,449)	(3,170)		(4,449)	(3,170)	
Selling and distribution expenses	(304)	(267)		(304)	(267)	
Other expenses	(1,297)	(601)		(1,297)	(601)	
Results from operating activities	6,738	2,566	+163	6,738	2,566	+163
Finance costs	(306)	(165)		(306)	(165)	
Profit before taxation for the financial period	6,432	2,401	+168	6,432	2,401	+168
Taxation	(2,238)	(365)		(2,238)	(365)	
Profit after taxation for the financial period	4,194	2,036	+106	4,194	2,036	+106
Other comprehensive income, net of tax						
Foreign currency translation	803	1,061		803	1,061	
	803	1,061		803	1,061	
Total comprehensive income for the period	4,997	3,097		4,997	3,097	
Profit attributable to:						
Shareholders of the Company	4,210	2,068	+104	4,210	2,068	+104
Non-controlling interests	(16)	(32)		(16)	(32)	
Profit after taxation for the financial period	4,194	2,036	+106	4,194	2,036	+106
Total comprehensive income attributable to:						
Shareholders of the Company	4,996	3,082		4,996	3,082	
Non-controlling interests	1	15		1	15	
Total comprehensive income for the period	4,997	3,097		4,997	3,097	
Basic earnings per ordinary share (sen):						
Basic earnings per share (sen)	1.83	0.93		1.83	0.93	
Diluted earnings per share (sen)	1.58	0.92		1.58	0.92	

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 2017 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 2018

	Unaudited As At 31/03/2018 RM'000	Audited As At 31/12/2017 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	16,628	15,525
Goodwill on consolidation	6,174	6,336
	22,802	21,861
Current assets		
Inventories	1,359	969
Amount owing by contract customers	63,628	42,851
Trade receivables	58,648	81,194
Other receivables, prepayments and deposits	19,015	20,373
Current tax assets	433	464
Cash and cash equivalents	81,474	62,162
	224,557	208,013
TOTAL ASSETS	247,359	229,874
EQUITY AND LIABILITIES		
Equity		
Share capital	37,823	25,826
Retained earnings	43,049	38,839
Other reserve	15,222	14,113
Treasury share	(534)	(534)
Total Equity attributable to Shareholders of the Company	95,560	78,244
Non-controlling interests	232	231
Total Equity	95,792	78,475
Non-current liabilities		
Deferred tax liabilities	156	157
Long-term borrowings	1,729	2,317
	1,885	2,474
Current liabilities		
Amount owing to contract customers	35,654	21,806
Trade payables	56,364	59,322
Other payables and accruals	20,820	35,274
Current tax liabilities	6,444	4,575
Short term borrowings	30,400	27,948
	149,682	148,925
Total liabilities	151,567	151,399
TOTAL EQUITY AND LIABILITIES	247,359	229,874
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.3903	0.3414

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 2017 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 2018

	----- Attributable to Equity Holders of the Company -----						Distributable	Total	Non-Controlling	Total
	----- Non Distributable -----									
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	ESOS and ESS 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 2018	25,826	-	8,985	696	4,432	(534)	38,839	78,244	231	78,475
Profit after taxation for the financial period	-	-	-	-	-	-	4,210	4,210	(16)	4,194
Other comprehensive expense, net of tax:										
- Foreign currency translation	-	-	-	-	786	-	-	786	17	803
Total comprehensive (expense)/ income for the financial period	-	-	-	-	786	-	4,210	4,996	1	4,997
Contributions by and distribution to owners of the company:										
- Utilisation of share premium against expenses incurred upon issuance of shares	(171)	-	-	-	-	-	-	(171)	-	(171)
- Issuance of ordinary shares via private placement	12,168	-	-	-	-	-	-	12,168	-	12,168
- Employees' share scheme reserve	-	-	-	323	-	-	-	323	-	323
Total recognised income and expense for the period	11,997	-	-	323	-	-	-	12,320	-	12,320
As at 31 March 2018	37,823	-	8,985	1,019	5,218	(534)	43,049	95,560	232	95,792
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 income, net of tax:										
- Foreign currency translation differences	-	-	-	-	1,014	-	-	1,014	(2)	1,012
Total comprehensive income for the financial period	-	-	-	-	1,014	-	2,068	3,082	(34)	3,048
Contributions by and distribution to owners of the company:										
- Acquisition of a subsidiary:										
- Hiti Engineering (M) Sdn Bhd	-	-	-	-	-	-	-	-	49	49
- Employee's share options exercised	799	-	-	-	-	-	-	799	-	799
Total transactions with owners	799	-	-	-	-	-	-	799	49	848
As at 31 March 2017	23,037	1,315	8,985	371	5,947	(608)	31,409	70,456	433	70,889

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 2017 and the accompanying explanatory notes enclosed to the interim financial statements.

ESOS: Employee Shares Option Scheme

ESS: Employee Share Scheme

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Condensed Consolidated Statement of Cash Flow
For The 3-Months Period Ended 31 March 2018

	Unaudited 3-Months Ended 31/03/2018 RM'000	Unaudited 3-Months Ended 31/03/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,432	2,401
Adjustments for:-		
Amortisation of development cost	-	5
Depreciation of property, plant and equipment	390	319
Equipment written off	-	1
Impairment loss on trade receivables	-	322
Interest expense	273	232
Interest income	(87)	(49)
Loss on disposal of equipment	5	60
Share-based payments	323	-
Utilisation of share premium	(171)	-
Unrealised (gain)/ loss on foreign exchange	921	(808)
Operating profit before working capital changes	<u>8,086</u>	<u>2,483</u>
(Increase)/ Decrease in inventory	(390)	7
Increase in amounts owing by/to contract customers	(7,460)	(3,095)
Decrease in trade and other receivables	22,983	16,601
Decrease in trade and other payables	(17,412)	(7,196)
CASH FROM OPERATIONS	<u>5,807</u>	<u>8,800</u>
Income tax paid	(338)	(36)
Interest paid	(273)	(232)
Interest received	87	49
NET CASH FROM OPERATING ACTIVITIES	<u>5,283</u>	<u>8,581</u>
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(993)	(309)
Proceeds from disposal of equipment	-	81
Placement of fixed deposit pledged with licensed bank	(223)	(1,117)
Net cash outflow on acquisition of a subsidiary	-	(248)
NET CASH FOR INVESTING ACTIVITIES	<u>(1,216)</u>	<u>(1,593)</u>
CASH FLOWS FROM/ (FOR) FINANCING ACTIVITIES		
(Repayment)/ Drawdown of revolving credit	(1,100)	1,000
Repayment of trust receipts	-	(6,900)
Repayment of hire purchase obligations	(51)	(102)
Repayment of term loan	(548)	(7,770)
Proceeds from exercise of employee's share options	-	799
Repayment of bankers' acceptance	-	(176)
Drawdown of invoice financing	1,853	3,092
Drawdown of foreign currency loan	1,710	-
Proceeds from private placement	12,168	-
NET CASH FROM/ (FOR) FINANCING ACTIVITIES	<u>14,032</u>	<u>(10,057)</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	18,099	(3,069)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	990	863
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	49,533	34,361
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>68,622</u>	<u>32,155</u>

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

Cash and bank balances	59,249	28,156
Fixed deposits	22,225	13,352
	<u>81,474</u>	<u>41,508</u>
Less: fixed deposits pledged with licensed banks	(12,852)	(9,353)
	<u>68,622</u>	<u>32,155</u>

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited consolidated financial statements of KGB for the year ended 31 December 2017 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 2018

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 2017. 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 2017.

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 2017.

Adoption of New and Revised Financial Reporting Standards ("FRSs")

On 1 January 2018, the Group and the Company adopted the following new and amended MFRSs for annual financial periods beginning on or after 1 January 2018.

Description	Effective for annual period beginning on or after
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018

The adoption of the above standards and interpretation did not have any material effect on the financial performance or position of the Group and the Company.

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 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
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 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

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 2017.

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.

KELINGTON GROUP BERHAD ("KGB")
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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

3. Segmental Information (Cont'd)

	Revenue		Non-current Assets	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
Malaysia	22,713	21,087	7,887	5,787
China	46,719	11,845	1,942	1,293
Taiwan	3,203	13,390	269	262
Singapore	13,643	8,047	6,872	8,127
Indonesia	270	117	-	-
Philippines	-	2,017	-	-
Other	-	-	-	-
	86,548	56,503	16,970	15,469

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 31 March 2018.

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 2018, all the property, plant and equipment were stated at cost less accumulated depreciation.

9. Movement of Debt And Equity Securities

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

On 23 March 2018, the Company increased its issued and paid up capital from RM25,825,820 to RM37,993,820 by the issuance of 15,600,000 ordinary shares at an issue price of RM0.78 by way of private placement. The new shares rank pari passu with the existing shares of the Company.

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

	Company	
	As at 31/12/2017 Unaudited RM'000	As at 31/12/2016 Unaudited RM'000
Contingent liabilities		
Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries	17,367	9,386

14. Material Subsequent Events

Saved as disclosed in the following, there has been no material subsequent events after the quarter ended 31 March 2018.

(i) Proposal of Final Tax-Exempt Dividend

On 18 April 2018, 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 1.5 sen per ordinary share in respect of the financial year ended 31 December 2017 at the forthcoming Annual General Meeting.

(ii) Incorporation of Kelington Technologies (Sarawak) Sdn. Bhd. ("KTSSB")

On 20 April 2018, KGB wholly-owned subsidiary, Kelington Technologies Sdn. Bhd., has incorporated a new wholly-owned subsidiary, namely KTSSB (Company No. 1277583-T) with an issued and paid-up capital of RM100 comprising 100 ordinary shares. KTSSB's principal activity is to carry out the business of providing turnkey engineering services from initial system design up to maintenance and servicing after completion.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

1 Review Of Performance

	Current Year-to-date 31/03/2018 RM'000	Preceding Year Corresponding Quarter 31/03/2017 RM'000	Changes	
			Amount RM'000	%
Revenue	86,548	56,503	30,045	53%
Operating profit	6,738	2,566	4,172	163%
Profit before tax	6,432	2,401	4,031	168%
Profit after tax	4,194	2,036	2,158	106%
Profit attributable to shareholders of the company	4,210	2,068	2,142	104%

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

	Revenue	% of total	Revenue	% of total
	Currency Year Quarter 31/03/2018 RM'000		Preceding Year Corresponding Quarter 31/03/2017 RM'000	
Ultra High Purity	63,346	73%	23,588	42%
Process Engineering	14,547	17%	5,310	9%
General Contracting	8,014	9%	27,517	49%
Industrial Gases	641	1%	88	0%
Total	86,548		56,503	

The Group's revenue for the quarter ended 31 March 2018 ("1Q2018") recorded a increased of 53% to RM86.65 million, as compared to RM56.5 million from the same period last year ("1Q2017"). The increase is mainly contributed by higher revenue contribution from China and Singapore.

During the quarter under review, revenue from China increased by almost four-fold to RM46.7 million from RM11.8 million, on the back of larger projects undertaken in the Ultra High Purity ("UHP") division. China overtook Malaysia as the primary revenue contributor, representing 54% of the Group's total revenue in 1Q2018. Malaysia came in second at 26%, followed by Singapore (16%) and Taiwan (4%).

Revenue contribution from the UHP division more than doubled to RM63.3 million in 1Q2018 as compared to RM23.6 million in the preceding year. Process Engineering division's revenue more than doubled to RM14.6 million, from RM5.3 million previously. The UHP and Process Engineering division collectively represented 90% of the Group's total revenue in 1Q2018 as compared to 51% in 1Q2017.

Subsequently, gross profit grew more than doubled to RM12.2 million, on the back of higher contribution from UHP and Process Engineering projects that carry greater profit margins, as well as the one off settlement claim from Biocon.

Profit before tax ("PBT") also more than doubled to RM6.4 million in 1Q2018 as compared to RM2.4 million in 1Q2017. PBT margins increased to 7.4% from 4.3% in the previous year.

In 1Q2018, the Group recorded a higher effective tax rate of 35% as compared to 15% in 1Q2017 due to the expiry of the Pioneer Status of one of the Group's wholly-owned subsidiary, Kelington Technologies Sdn Bhd in May 2017 and certain non tax deductible expenses incurred.

Profit after tax ("PAT") in 1Q2018 increased to RM4.2 million as compared to RM2.0 million in 1Q2017.

(b) Variation of Results Against Preceding Quarter

	Current Quarter 31/03/2018 RM'000	Immediate Preceding Quarter 31/12/2017 RM'000	Changes	
			Amount RM'000	%
Revenue	86,548	104,069	(17,521)	-17%
Operating profit	6,738	7,800	(1,062)	-14%
Profit before tax	6,432	7,417	(985)	-13%
Profit after tax	4,194	4,498	(304)	-7%
Profit attributable to shareholders of the company	4,210	4,606	(396)	-9%

The first quarter of the year is traditionally a weaker quarter for the Group as compared to the preceding quarter due to the winter season in China and Taiwan and Chinese New Year celebration which affects our operations across Malaysia, Singapore, China and Taiwan. Thus, the Group's revenue recorded a softer quarter on quarter ("q-o-q") performance by 17% to RM86.5 million as compared to RM104.1 million.

In comparison with 4Q2017, gross profit margins reduced to 14.1% from 21.9%, mainly due to the absence of variation order claims from selected projects recognized in the preceding quarter.

As for PAT, the Group recorded a marginal decrease to RM4.2 million from RM4.5 million in 4Q17.

KELINGTON GROUP BERHAD ("KGB")
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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

1 Review Of Performance (Cont'd)

(c) Statement of Financial Position

Financial Indicators	As at 31/03/2018 RM'000	As at 31/12/2017 RM'000	As at 31/03/2017 RM'000
Total assets	247,359	229,874	195,248
Total equity	95,792	78,475	70,889
Debt	32,129	30,265	13,705
Deposits, cash & bank balance	81,474	62,162	41,508
Net cash	49,345	31,897	27,803
Debt-to-Equity	0.34	0.39	0.19

Year-to-date, the Group's shareholder equity (excluding non-controlling interests) rose 22% to RM95.6 million, on the back of continuous quarterly profit, proceeds injection from private placement in March 2018 (RM12.2 million), as well as proceeds from employees shares option exercise (RM1.1 million).

The Group's financial position has strengthened to a net cash position of RM49.3 million as at 31 March 2018, as compared to RM31.9 million last year. Total cash in hand grew to RM81.5 million exceeding total debt of RM32.1 million. Net cash per share stood at 20.1 sen.

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

2 Commentary Of Prospects

The Group remains committed to strengthen and grow its market position especially in China, which is amongst the top three largest spending countries on fab equipment and construction. China is expected to be the key growth driver for the global semiconductor industry in 2018 and 2019. In light of this, the Group has increased its project biddings and has clinched multiple projects from major global semiconductor foundries in China.

The scope of these projects is mainly for the "base build" works which is the backbone of a new manufacturing facility. In the coming years, as the manufacturing facility scales up its production capacity, the Group will also have the opportunity to secure the subsequent "hook up" jobs which entail connecting the backbone to new tools and equipment.

In FY2018, the Group had secured new projects amounting to approximately RM77 million. The Group continues to record a healthy orderbook growth and combined with the carried forward projects, the Group has an orderbook in hand of RM267 million, of which RM181 million remains outstanding. The progress billing of the outstanding orderbook will contribute positively to the Group's financial performance.

In addition, the Group's ventures to expand its Industrial Gases division will also contribute positively to the financial performance in the coming years. The Group has started to recognize maiden contribution from the 10 years on-site gas supply contract in March 2018.

The Group is actively bidding for new contracts under the on-site gas supply scheme. Together with the Group's plans of venturing into manufacturing of liquid carbon dioxide ("LCO2") business, the Group expects the industrial gas business to augur well in building up the Group's earnings visibility.

The Group's key operations outside Malaysia, which are Taiwan, China and Singapore are carried out in the respective local currencies of those countries. Hence, the Group enjoys a natural currency hedge, and this minimizes the Group's exposure to the fluctuations in the currency markets.

3 Profit Forecast and Profit Guarantee

The Company did not announce any profit forecast or profit estimate for the FYE 31 December 2018 in any public document and hence this information is not applicable.

4 Profit for the Period

	Quarter ended		Year-to-date ended	
	31/03/2018 RM'000	31/03/2017 RM'000	31/03/2018 RM'000	31/03/2017 RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	87	49	87	49
Interest expense	(273)	(232)	(273)	(232)
Impairment loss on trade receivables	-	(322)	-	(322)
Depreciation and amortisation	(390)	(319)	(390)	(319)
Equipment written off	-	(1)	-	(1)
Unrealised Foreign exchange (loss)/gain	(921)	808	(921)	808
Realised Foreign exchange (loss)/gain	(169)	(59)	(169)	(59)
Loss on disposal of equipment	(5)	(60)	(5)	(60)

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")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

5 Taxation

	Current quarter ended 31/03/18 RM'000	Cumulative Year to date ended 31/03/18 RM'000
Current tax: - for the financial period	<u>2,238</u>	<u>2,238</u>

The effective tax rate of the Group for the current financial period under review is higher than the statutory tax rate mainly due to certain expenses being disallowed for taxation purposes and profits in certain subsidiary companies are separately assessed for tax and not relieved by losses in other companies within the Group as well as certain subsidiaries operating in different tax jurisdictions.

6 Corporate Proposal

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

On 2 February 2018, the Company proposed to undertake a private placement of up to 10% of the total number of issued shares of KGB.

On 22 March 2018, the Company increased its issued and paid up capital to RM37,993,820 by the issuance of 15,600,000 ordinary shares at an issue price of RM0.78 by way of private placement. Status of utilisation of proceeds derived from the private placement as below:

Utilisation Purposes	Timeframe for Utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000
To part finance the acquiring of carbon dioxide gas purification plant	Within 1 year from the date of listing	1,946	-	1,946
To part finance the subsequent phase of the construction of carbon dioxide gas purification plant, gas manufacturing facilities and gas delivery systems	Within 1 year from the date of listing	2,595	-	2,595
To part finance the acquisition of assets for the operations of the industrial gas business division	Within 1 year from the date of listing	4,449	-	4,449
General working capital	Within 1 year from the date of listing	2,918	-	2,918
Expenses relating to the Proposed Private Placement	Upon completion	260	(171)	89
		<u>12,168</u>	<u>(171)</u>	<u>11,997</u>

The final tranche of the private placement is required to be completed by 15 August 2018 pursuant to the letter from Bursa Malaysia dated 15 February 2018. In the event the private placement is not completed by 15 August 2018, the Company will apply for an extension of time for the private placement with Bursa Malaysia.

7 Derivative Financial Instruments

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

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8 Group Borrowings

The borrowings as at 31 March 2018 versus 31 March 2017 are as follows:

	As At 31 March 2018					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Foreign Currency ('000)	RM'000	Foreign Currency ('000)	RM'000	Foreign Currency ('000)	RM'000
Secured						
Hire purchase	-	187	-	598	-	785
Term Loan	<i>NTD 14,287</i>	2,046	<i>NTD 8,035</i>	1,131	<i>NTD 22,322</i>	3,177
Revolving loan	-	12,400	-	-	-	12,400
Factoring	-	-	-	-	-	-
Foreign currency loan	<i>USD 439</i>	1,710	-	-	<i>USD 439</i>	1,710
Import Loan/Invoice financing	<i>RMB 19,454</i>	14,057	-	-	<i>RMB 19,454</i>	14,057
Bank draft	-	-	-	-	-	-
Letter of credit	-	-	-	-	-	-
Unsecured						
Nil	-	-	-	-	-	-
		30,400		1,729		32,129
Weighted average interest rate of borrowings						5.16%
Proportion of borrowings between fixed interest rate and floating interest rate						12%:88%

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

	As At 31 March 2017					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Foreign Currency ('000)	RM'000	Foreign Currency ('000)	RM'000	Foreign Currency ('000)	RM'000
Secured						
Hire purchase	-	169	-	434	-	603
Term Loan	<i>NTD 9,025</i>	1,391	-	156	-	1,547
Revolving loan	-	7,500	-	-	-	7,500
Bankers' acceptances	-	-	-	-	-	-
Trust receipts	-	-	-	-	-	-
Import Loan/Invoice financing	<i>RMB 6,317</i>	4,055	-	-	-	4,055
Bank draft	-	-	-	-	-	-
Letter of credit	-	-	-	-	-	-
Unsecured						
Nil	-	-	-	-	-	-
		13,115		590		13,705
Weighted average interest rate of borrowings						5.55%
Proportion of borrowings between fixed interest rate and floating interest rate						16%:84%

The material changes to borrowings of the Group during the period ended 31 March 2017 mainly due to repayment of borrowing used for project undertaken in Taiwan, China and Singapore.

9 Material Litigation

Save as disclosed below, as at the date of this quarterly report, neither KGB nor any of its subsidiaries is engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board has no knowledge of any proceedings pending or threatened against the Company and/or its subsidiaries or of any fact likely to give rise to any proceedings, which may materially or adversely affect the financial position or business of the Group:-

9 Material Litigation (Cont'd)

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

On 29 June 2016, the Judge has decided in favour of Kelington Taiwan and allowed Kelington Taiwan's claim of NTD34,234,442 (equivalent to RM4,279,305) being the net amount after deducting Hui Neng's progress claim of NTD1,765,558, plus all interest thereon since 13 March 2015 until full and final settlement and that all litigation cost shall be borne by Hui Neng.

On 25 July 2016, Hui Neng has submitted an appeal to the Court.

On 14 October 2016, Hui Neng has submitted a written plea to the High Court, Taiwan. On 9 December 2016, Kelington Taiwan answered to the plea submitted by Hui Neng to the High Court.

On 19 January 2017, High court decided to call the witnesses to Court to give evidence on the next hearing. On 24 February 2017, 7 April 2017, 18 May 2017, 6 July 2017, 25 August 2017, 28 September 2017, 16 November 2017, 21 December 2017, 2 February 2018 and 15 March 2018 High court had heard the evidences given by the witnesses and fixed the next hearing on 31 May 2018.

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.

The Company has engaged a lawyer to file a Writ and Statement of Claim against the defendants by virtue of the defendants' obligation as principal debtor / guarantor in the said project for the Claimed Sum. In addition, the Company will pursue the matter separately with Mr Koh Chen Tien via a Settlement Agreement entered between KTSB and Mr Koh Chen Tien on 25 July 2016.

On 5 December 2016, the Court has fixed the action for further case management on 27 February 2017 for completing the service of the court papers on the Defendants. Further, the Court has set down the action for trial on 29 May 2017.

On 27 February 2017, the Court has fixed the action for further case management on 21 March 2017 to update the Court on service of the Writ and Statement of Claim on the Defendants.

On 21 March 2017, the Court allowed the Company's application to extend the validity of the Writ until 4 October 2017 pending service of the same by Ministry of Foreign Affairs of Malaysia. The trial date originally fixed on 29 May 2017 was vacated and re-fixed on 8 November 2017. The Court has fixed the action for the next case management on 29 May 2017.

On 29 May 2017, the Court has fixed the action for the final case management on 6 July 2017 to update the Court on the service of the Writ and Statement of Claim on the Defendants.

On 6 July 2017, the Court has fixed the action for the final case management on 17 July 2017 to effect service of the Writ and Statement of Claim on the Defendants.

On 17 July 2017, the Court refused to grant further extension of time for Ministry of Foreign Affairs of Malaysia to attempt service of the cause papers on the Defendants and struck off the Writ with liberty to file afresh.

The timeframe to attempt service of the cause papers by the Consulate General of Malaysia is out of the Company's control and the Company will make further announcement if the next cause of action is decided, including the possibility of file afresh.

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10 Dividends Payable

On 18 April 2018, 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 1.5 sen per ordinary share in respect of the financial year ended 31 December 2017 at the forthcoming Annual General Meeting.

11 Earnings Per Share

The earnings per share for the quarter and cumulative year to date are computed as follow:

	Current Quarter Ended		Cumulative Year To Date Ended	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
Profit After Taxation attributable to owners of the company (RM'000)	4,210	2,068	4,210	2,068
Weighted average number of ordinary shares in issue ('000)	230,354	222,590	230,354	222,590
Basic Earnings Per Share (Sen)	1.83	0.93	1.83	0.93
Diluted Earnings Per Share (Sen) #	1.58	0.92	1.58	0.92

Note :

- Assuming the full exercise of 53,937,631 convertible warrants and 16,088,392 shares of Employee Shares Scheme

12 TRADE RECEIVABLES

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

<u>31/03/2018</u>	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
Not past due	32,939	(42)	32,897
Past due:			
- less than 3 months	15,925	-	15,925
- 3 to 6 months	124	-	124
- over 6 months	2,743	-	2,743
- over 1 year	13,868	(6,909)	6,959
	<u>65,599</u>	<u>(6,951)</u>	<u>58,648</u>

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

<u>31/03/2017</u>	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
Not past due	25,793	(84)	25,709
Past due:			
- less than 3 months	8,649	-	8,649
- 3 to 6 months	1,192	-	1,192
- over 6 months	820	-	820
- over 1 year	16,558	(6,247)	10,311
	<u>53,012</u>	<u>(6,331)</u>	<u>46,681</u>

13 DISCLOSURE OF REALISED AND UNREALISED PROFITS/ (LOSSES)

	Cumulative Year to date ended 31/03/18 RM'000	Cumulative Year to date ended 31/03/17 RM'000
Total retained profits of KGB:		
- Realised	44,126	30,761
- Unrealised	(1,077)	648
Total group retained profits as per consolidated accounts	<u>43,049</u>	<u>31,409</u>