

**KELINGTON GROUP BERHAD ("KGB")**  
**(Company No. 501386-P)**  
Statement of Profit or Loss and Other Comprehensive Income  
For The 4th Quarter Ended 31 December 2018

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

Note	Unaudited Current Qtr Ended 31/12/2018 RM'000	Unaudited Previous Qtr Ended 31/12/2017 RM'000	+	-	%	Unaudited 12-months Period up to 31/12/2018 RM'000	Audited 12-months Period up to 31/12/2017 RM'000	+	-	%
Revenue	109,765	99,982	+		10	349,198	313,333	+		11
Cost of sales	(91,037)	(77,029)				(291,814)	(263,308)			
<b>Gross profit</b>	<b>18,728</b>	<b>22,953</b>		-	18	<b>57,384</b>	<b>50,025</b>		+	15
Other income	303	1,626				1,210	2,105			
Administrative expenses	(9,061)	(11,220)				(25,878)	(25,176)			
Selling and distribution expenses	(353)	(278)				(1,179)	(1,123)			
Other expenses	(2,434)	(5,263)				(6,073)	(7,908)			
<b>Results from operating activities</b>	<b>7,183</b>	<b>7,818</b>		-	8	<b>25,464</b>	<b>17,923</b>		+	42
Finance costs	(259)	(182)				(1,005)	(761)			
<b>Profit before taxation for the financial period</b>	<b>6,924</b>	<b>7,636</b>		-	9	<b>24,459</b>	<b>17,162</b>		+	43
Taxation	(1,903)	(3,683)				(6,295)	(5,621)			
<b>Profit after taxation for the financial period</b>	<b>5,021</b>	<b>3,953</b>		+	27	<b>18,164</b>	<b>11,541</b>		+	57
<b>Other comprehensive income, net of tax</b>										
Foreign currency translation	144	(1,535)				1,379	(522)			
	<u>144</u>	<u>(1,535)</u>				<u>1,379</u>	<u>(522)</u>			
<b>Total comprehensive income for the period</b>	<b>5,165</b>	<b>2,418</b>				<b>19,543</b>	<b>11,019</b>			
<b>Profit attributable to:</b>										
Shareholders of the Company	5,203	4,133		+	26	18,458	11,785		+	57
Non-controlling interests	(182)	(180)				(294)	(244)			
<b>Profit after taxation for the financial period</b>	<b>5,021</b>	<b>3,953</b>		+	27	<b>18,164</b>	<b>11,541</b>		+	57
<b>Total comprehensive income attributable to:</b>										
Shareholders of the Company	5,347	2,610				19,816	11,284			
Non-controlling interests	(182)	(192)				(273)	(265)			
<b>Total comprehensive income for the period</b>	<b>5,165</b>	<b>2,418</b>				<b>19,543</b>	<b>11,019</b>			
<b>Basic earnings per ordinary share (sen):</b>										
Basic earnings per share (sen)	B11	1.99	1.80			7.45	5.20			
Diluted earnings per share (sen)	B11	1.77	1.63			6.60	4.80			

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 December 2018

	<b>Unaudited As At 31/12/2018 RM'000</b>	<b>Audited As At 31/12/2017 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	25,475	15,525
Goodwill on consolidation	6,348	6,336
	<u>31,823</u>	<u>21,861</u>
<b>Current assets</b>		
Inventories	177	969
Amount owing by contract customers	44,838	42,851
Trade receivables	80,710	81,194
Other receivables, prepayments and deposits	18,494	20,373
Current tax assets	1,397	464
Cash and cash equivalents	67,044	62,162
	<u>212,660</u>	<u>208,013</u>
	<u><b>244,483</b></u>	<u><b>229,874</b></u>
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	49,349	25,826
Retained earnings	53,632	38,839
Other reserve	16,159	14,113
Treasury share	(534)	(534)
	<u>118,606</u>	<u>78,244</u>
<b>Total Equity attributable to Shareholders of the Company</b>	118,606	78,244
Non-controlling interests	258	231
	<u>118,864</u>	<u>78,475</u>
<b>Total Equity</b>	118,864	78,475
<b>Non-current liabilities</b>		
Deferred tax liabilities	92	157
Long-term borrowings	1,526	2,317
	<u>1,618</u>	<u>2,474</u>
<b>Current liabilities</b>		
Amount owing to contract customers	21,406	21,806
Trade payables	61,236	59,322
Other payables and accruals	20,144	35,274
Current tax liabilities	5,700	4,575
Short term borrowings	15,515	27,948
	<u>124,001</u>	<u>148,925</u>
<b>Total liabilities</b>	125,619	151,399
	<u><b>244,483</b></u>	<u><b>229,874</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>244,483</b>	<b>229,874</b>
<b>Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)</b>	0.4444	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 4th Quarter Ended 31 December 2018

	-----> Attributable to Equity Holders of the Company <-----						Distributable	Non-Controlling Interest	Total Equity	
	-----> 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	Total RM'000	RM'000	RM'000
<b>As at 1 January 2018</b>	25,826	-	8,985	696	4,432	(534)	38,839	<b>78,244</b>	231	<b>78,475</b>
Profit after taxation for the financial period	-	-	-	-	-	-	18,458	<b>18,458</b>	(294)	<b>18,164</b>
Other comprehensive expense, net of tax:										
- Foreign currency translation	-	-	-	-	1,358	-	-	<b>1,358</b>	21	<b>1,379</b>
Total comprehensive (expense)/ income for the financial period	-	-	-	-	1,358	-	18,458	<b>19,816</b>	(273)	<b>19,543</b>
Contributions by and distribution to owners of the company:										
- Utilisation of share premium against expenses incurred upon issuance of shares	(1,434)	-	-	-	-	-	-	<b>(1,434)</b>	-	<b>(1,434)</b>
- Issuance of ordinary shares via private placement	17,840	-	-	-	-	-	-	<b>17,840</b>	-	<b>17,840</b>
- Investment in a subsidiary:										
- Ace Gases Sdn Bhd	-	-	-	-	-	-	-	-	300	<b>300</b>
- Exercise of convertible warrants	6,732	-	-	-	-	-	-	<b>6,732</b>	-	<b>6,732</b>
- Dividend paid for the period	-	-	-	-	-	-	(3,665)	<b>(3,665)</b>	-	<b>(3,665)</b>
- Employees' share scheme reserve	-	-	-	1,073	-	-	-	<b>1,073</b>	-	<b>1,073</b>
- Employees' share option exercise	385	-	-	(385)	-	-	-	-	-	-
Total recognised income and expense for the period	23,523	-	-	688	-	-	(3,665)	<b>20,546</b>	300	<b>20,846</b>
<b>As at 31 December 2018</b>	<b>49,349</b>	<b>-</b>	<b>8,985</b>	<b>1,384</b>	<b>5,790</b>	<b>(534)</b>	<b>53,632</b>	<b>118,606</b>	<b>258</b>	<b>118,864</b>
<b>As at 1 January 2017</b>	22,238	1,315	8,985	371	4,933	(608)	29,341	<b>66,575</b>	418	<b>66,993</b>
Profit after taxation for the financial period	-	-	-	-	-	-	11,785	<b>11,785</b>	(244)	<b>11,541</b>
Other comprehensive income, net of tax:										
- Foreign currency translation differences	-	-	-	-	(501)	-	-	<b>(501)</b>	(21)	<b>(522)</b>
Total comprehensive income for the financial period	-	-	-	-	(501)	-	11,785	<b>11,284</b>	(265)	<b>11,019</b>
Contributions by and distribution to owners of the company:										
- Acquisition/Investment of a subsidiary:										
- Hiti Engineering (M) Sdn Bhd	-	-	-	-	-	-	-	-	48	<b>48</b>
- Ace Gases Sdn Bhd	-	-	-	-	-	-	-	-	110	<b>110</b>
- Dividend paid for the period	-	-	-	-	-	-	(2,287)	<b>(2,287)</b>	-	<b>(2,287)</b>
- Purchase of treasury shares	-	-	-	-	-	74	-	<b>74</b>	-	<b>74</b>
- Employees' share option reserve	-	-	-	696	-	-	-	<b>696</b>	-	<b>696</b>
- Employee's share options exercised	2,273	-	-	(371)	-	-	-	<b>1,902</b>	-	<b>1,902</b>
- Changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	-	-	-	-	-	-	(80)	<b>(80)</b>
- Transfer to share capital upon implementation of the Companies Act 2016	1,315	(1,315)	-	-	-	-	-	-	-	-
Total transactions with owners	3,588	(1,315)	-	325	-	74	(2,287)	<b>385</b>	78	<b>463</b>
<b>As at 31 December 2017</b>	<b>25,826</b>	<b>-</b>	<b>8,985</b>	<b>696</b>	<b>4,432</b>	<b>(534)</b>	<b>38,839</b>	<b>78,244</b>	<b>231</b>	<b>78,475</b>

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.

\* : - Less than RM1,000

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 Year Ended 31 December 2018

	<b>Unaudited 12-Months Ended 31/12/2018 RM'000</b>	<b>Audited 12-Months Ended 31/12/2017 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	24,459	17,162
Adjustments for:-		
Amortisation of development cost	-	17
Depreciation of property, plant and equipment	2,081	1,296
Equipment written off	343	17
Impairment loss on trade receivables	1,159	1,110
Amount owing by contract customer written off	797	635
Bad debts written off	2	2,082
Interest expense	828	761
Interest income	(673)	(389)
(Gain)/ Loss on disposal of equipment	(23)	44
Provision for foreseeable loss	871	327
Provision for warranty costs	544	623
Provision for unutilised leaves	-	8
Share-based payments	688	696
Unwind of discount on advances to employees	-	(251)
Writeback of impairment loss on trade receivables	-	(84)
Writeback of provision of warranty costs	-	(112)
Writeback of provision of foreseeable losses	-	(503)
Utilisation of share premium	(1,434)	-
Unrealised (gain)/ loss on foreign exchange	1,683	2,529
Operating profit before working capital changes	31,325	25,968
Decrease/ (Increase) in inventory	792	(826)
(Increase)/ Decrease in amounts owing by/to contract customers	(3,184)	6,499
Increase in trade and other receivables	(481)	(36,257)
(Decrease)/ Increase in trade and other payables	(14,631)	28,930
<b>CASH FROM OPERATIONS</b>	<b>13,821</b>	<b>24,314</b>
Income tax paid	(6,168)	(752)
Interest paid	(828)	(761)
Interest received	673	389
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>7,498</b>	<b>23,190</b>
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Purchase of plant and equipments	(11,508)	(8,352)
Proceeds from disposal of equipment	54	80
Proceeds from issuance of shares to non-controlling interest	-	110
Placement of fixed deposit pledged with licensed bank	(2,244)	(4,948)
Additional investment in a subsidiary	-	(80)
Net cash inflow from increase investment in a subsidiary	300	-
Capital contribution from non-controlling interests	-	(249)
<b>NET CASH FOR INVESTING ACTIVITIES</b>	<b>(13,398)</b>	<b>(13,439)</b>
<b>CASH FLOWS (FOR)/ FROM FINANCING ACTIVITIES</b>		
Dividend paid	(3,665)	(2,287)
(Repayment)/ Drawdown of revolving credit	(10,464)	7,000
Repayment of trust receipts	-	(6,907)
Repayment of hire purchase obligations	(189)	(212)
Repayment/ (Drawdown) of term loan	(1,375)	2,044
Proceeds from exercise of employee's share options	385	1,902
Repayment of bankers' acceptance	-	(176)
(Repayment)/ Drawdown of invoice financing	(2,123)	4,001
Proceeds from private placement	17,840	-
Proceeds from exercise of warrants	6,732	-
Proceeds from resale of treasury shares	-	74
<b>NET CASH (FOR)/ FROM FINANCING ACTIVITIES</b>	<b>7,141</b>	<b>5,439</b>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,241</b>	<b>15,190</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>1,396</b>	<b>(518)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	<b>49,533</b>	<b>34,361</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<b>52,170</b>	<b>49,033</b>
<b>Cash and cash equivalents at the end of financial period comprise the following:</b>		
Cash and bank balances	41,675	14,622
Fixed deposits	25,369	47,540
	67,044	62,162
Less: fixed deposits pledged with licensed banks	(14,874)	(12,629)
Less: fixed deposit with original maturity with more than 3 months	-	(500)
	52,170	49,033

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 DECEMBER 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.

<b>Description</b>	<b>Effective for annual period beginning on or after</b>
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:-

<b>MFRSs and/or IC Interpretations (Including the Consequential Amendments)</b>	<b>Effective date</b>
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 3: Definition of a Business	1 January 2020
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 101 and MFRS 108: Definition of Material	1 January 2020
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
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
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")**  
**(Company No. 501386-P)**  
**EXPLANATORY NOTES TO THE QUARTERLY REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

**3. Segmental Information (Cont'd)**

	Revenue		Non-current Assets	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Malaysia	114,334	142,162	20,795	13,410
China	107,264	55,558	1,820	1,058
Taiwan	12,634	28,131	239	282
Singapore	111,625	79,005	8,969	7,111
Indonesia	3,372	5,347	-	-
Philippines	(31)	3,130	-	-
Other	-	-	-	-
	<b>349,198</b>	<b>313,333</b>	<b>31,823</b>	<b>21,861</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 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 December 2018, 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:

Exercise of Warrants

During the quarter under review, KGB increased its number of issued and paid up shares by the exercise of 13,299,300 convertible warrants at an issue price of RM0.50.

**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:

Incorporation of KE Intergrated Facility Services (Suzhou) Co., Ltd. ("KEIFSS")

On 26 November 2018, KGB wholly-owned subsidiary, Kelington Engineering (Shanghai) Co., Ltd., has incorporated a wholly-owned subsidiary, namely KEIFSS (Company No. 91320509MA1XHF1M97) with a registered capital of RMB50,000,000. To-date, no capital has been paid up. KEIFSS's principal activity is to carry out the business of fabrication of air and liquid separation equipments, mechanical and semiconductor parts.

**11. Discontinued Operation**

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

**12. Capital Commitments**

Saved as disclosed in the following, 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.

	<b>As at</b>
	<b>31/12/2018</b>
	<b>RM'000</b>
Purchase of plant & equipment	<u>22,013</u>

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

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

	<b>Company</b>	
	<b>As at 31/12/2018 Unaudited RM'000</b>	<b>As at 31/12/2017 Unaudited RM'000</b>
<b>Contingent liabilities</b>		
Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries	10,080	12,204

**14. Material Subsequent Events**

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

(i) Exercise of warrants

As at 20 February 2019, KGB increased its number of issued and paid up shares by the exercise of 14,547,700 convertible warrants at an issue price of RM0.50.

(ii) Dividend payable

On 8 Jan 2019, KGB had paid its first interim tax-exempt dividend of 1 sen per ordinary share amounting to RM2,655,732 in respect of the FYE 31 December 2018.

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

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

**1 Review Of Performance**

	Current Year Quarter 31/12/2018 RM'000	Preceding Year Corresponding Quarter 31/12/2017 RM'000	Changes		Current Year-to-date 31/12/2018 RM'000	Preceding Year Corresponding Period 31/12/2017 RM'000	Changes	
			Amount RM'000	%			Amount RM'000	%
Revenue	109,765	99,982	9,783	10%	349,198	313,333	35,865	11%
Operating profit	7,183	7,818	(635)	-8%	25,464	17,923	7,541	42%
Profit before tax	6,924	7,636	(712)	-9%	24,459	17,162	7,297	43%
Profit after tax	5,021	3,953	1,068	27%	18,164	11,541	6,623	57%
Profit attributable to shareholders of the company	5,203	4,133	1,070	26%	18,458	11,785	6,673	57%

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Revenue	% of total	Revenue	% of total
	Current Year Quarter 31/12/2018 RM'000		Preceding Year Corresponding Quarter 31/12/2017 RM'000	
Ultra High Purity	50,186	46%	44,115	44%
Process Engineering	35,157	32%	24,573	25%
General Contracting	23,036	21%	29,646	30%
Industrial Gases	1,386	1%	1,648	2%
Total	109,765		99,982	

The Group's revenue for the quarter ended 31 December 2018 ("4Q2018") increased 10% to RM109.8 million against RM100.0 million from same period last year ("4Q2017"). The double-digit growth was mainly attributed to higher revenue contribution from Singapore and Malaysia.

During the quarter under review, revenue from Malaysia and Singapore were the two largest contributors, representing 47% and 42% respectively. Year-on-year ("YoY"), revenue from Malaysia rose 8% to RM51.5 million from RM47.6 million, while revenue from Singapore jumped 47% to RM46.2 million from RM31.3 million, on the back of larger projects undertaken in the Ultra High Purity ("UHP") and process engineering division.

The UHP division remained the primary contributor to the Group's revenue, making up 46% of total revenue in 4Q2018. The UHP division grew 14% YoY to RM50.2 million from RM44.1 million in 4Q2017. Revenue from the process engineering division also grew strongly, up 43% in 4Q2018 to RM35.2 million as compared to RM24.6 million.

In comparison with 4Q2017, gross profit margins reduced to 17.1% from 23.0%, mainly due to the absence of variation order claims from selected projects recognized in the previous year's corresponding period.

Resulting from that, profit before tax ("PBT") was lower at RM6.9 million in 4Q2018 as compared to RM7.6 million in 4Q2017. PBT margins stood at 6.3% from 7.6% in the previous year.

In 4Q2018, the Group's profit after tax ("PAT") rose 27% to RM5.0 million as compared to RM4.0 million in 4Q2017, mainly due to a lower effective tax rate of 27.5% as compared to 48.2% in 4Q2017.

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

	Revenue 2018 RM'000	% of total	Revenue 2017 RM'000	% of total
	Ultra High Purity		226,438	
Process Engineering	74,752	21%	70,393	23%
General Contracting	44,444	13%	110,782	35%
Industrial Gases	3,564	1%	2,097	1%
Total	349,198		313,333	

For the full year ended 31 December 2018 ("FY2018"), the Group registered an increase of 11% in revenue to RM349.2 million as compared to RM313.3 million in the previous year's corresponding period ("FY2017"), mainly driven by higher contribution from UHP and process engineering division.

Revenue from the UHP division rose 74% to RM226.4 million in FY2018 from RM130.1 million in FY2017, making it the largest revenue contributor at 65% in FY2018. This was followed by process Engineering (21%), General Contracting (13%) and Industrial Gases (1%).



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

**1 Review Of Performance (Cont'd)**

The increment in revenue contribution from the Industrial Gases division was mainly contributed by the Group's first industrial gas supply contract involving the on-site supply of nitrogen gas to a photovoltaic cell manufacturer in Malaysia for a period of ten years.

In FY2018, revenue contribution by geographical segments were led by Malaysia (33%), Singapore (32%) and China (31%). Meanwhile, revenue from China and Singapore recorded the strongest growth, rising 93% and 41% respectively.

Gross profit increased marginally to RM57.4 million in FY2018 against RM50.0 million a year ago.

PBT in FY2018 grew 43% YoY to RM24.5 million as compared to RM17.2 million in FY2017, resulting in PBT margin rising to 7.0% from 5.5% in FY2017. PAT jumped 57% to RM18.2 million in FY2018 from RM11.5 million in FY2017, as a result of lower effective tax rate of 25.7% from 32.8% in the previous year.

**(c) Variation of Results Against Preceding Quarter**

	Current Quarter 31/12/2018 RM'000	Immediate Preceding Quarter 30/9/2018 RM'000	Changes	
			Amount RM'000	%
Revenue	109,765	63,656	46,109	72%
Operating profit	7,183	6,029	1,154	19%
Profit before tax	6,924	5,874	1,050	18%
Profit after tax	5,021	4,612	409	9%
Profit attributable to shareholders of the company	5,203	4,646	557	12%

The Group's revenue increased 72% to RM109.8 million in 4Q2018 as compared to RM63.7 million reported in the preceding quarter ended 30 September 2018 ("3Q2018") mainly due to higher revenue contribution from Singapore and Malaysia.

The Group's PBT rose 18% quarter-on-quarter ("q-o-q") to RM6.9 million in 4Q2018 from RM5.9 million in 3Q2018, mainly due to better project mix. Meanwhile, PAT increased 9% to RM5.0 million in 4Q2018 from RM4.6 million in 3Q2018.

**(d) Statement of Financial Position**

Financial Indicators	As at 31/12/2018 RM'000	As at 31/12/2017 RM'000
Total assets	244,483	229,874
Total equity	118,864	78,475
Debt	17,041	30,265
Deposits, cash & bank balance	67,044	62,162
Net cash	50,003	31,897
Debt-to-Equity	0.14	0.39

As at 31 December 2018, the Group's shareholder equity (excluding non-controlling interests) rose 52% to RM118.6 million from RM78.2 million. The increase was mainly attributable to the proceeds injection from the private placement completed in early August 2018, exercise of convertible warrants, continuous quarterly profit, as well as from the employees shares option exercise.

The Group's total borrowings pared down by 44% to RM17.0 million as at 31 December 2018 from RM30.3 million as at 31 December 2017.

Correspondingly, the Group's financial position strengthened to a net cash position of RM50.0 million as at 31 December 2018, as compared to RM31.9 million as at 31 December 2017. Total gross cash in hand stood at RM67.0 million exceeding total debt of RM17.0 million. Net cash per share stood at 19 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.

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

**2 Commentary Of Prospects**

In FY2018, the Group achieved a new record-high of RM424 million in new orders secured, as compared to RM374 million in FY2017. The new orders were mainly from the UHP and Process engineering divisions. As a result, Kelington's total orderbook, inclusive of carried forward projects, grew to RM614 million of which RM265 million remains outstanding.

Moving forward, the management remains upbeat and positive on its long-term growth prospects as Kelington continues to achieve strong orderbook replenishment across the key operating markets. The Group has recently clinched a new contract worth RM93 million from one of the world's largest gas companies to provide turnkey construction works in Singapore. This further demonstrates the Group's capability in securing projects from global multinational companies.

In addition to that, the Group expects earnings from the Industrial Gases division to improve in FY2019, underpinned by higher contribution from the new businesses, on-site gas supply and manufacturing of liquid carbon dioxide ("LCO2").

Furthermore, 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	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	377	242	673	389
Interest expense	(190)	(258)	(828)	(761)
Impairment loss on trade receivables:				
- specified	(41)	(521)	(41)	(1,110)
- in accordance to MFRS 9	(293)	-	(1,118)	-
Impairment loss on due from customer on construction contracts	-	5	(797)	(635)
Bad debts written off	(2)	(2,082)	(2)	(2,082)
Depreciation and amortisation	(607)	(341)	(2,081)	(1,296)
Equipment written off	(315)	(7)	(343)	(17)
Unrealised Foreign exchange (loss)/gain	(580)	(1,999)	(1,683)	(2,529)
Realised Foreign exchange (loss)/gain	(49)	858	(6)	828
Gain/ (Loss) on disposal of equipment	-	16	23	(44)
Writeback on impairment loss on trade receivables	-	-	-	44

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

**5 Taxation**

	Current quarter ended 31/12/18	Cumulative Year to date ended 31/12/18
	RM'000	RM'000
Current tax:		
- for the financial period	1,903	6,295

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.

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

**6 Corporate Proposal**

There were no outstanding corporate proposals announced but not completed as at the date of this quarterly report.

The 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	2,854	(2,854)	-
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	3,805	(2,086)	1,719
To part finance the acquisition of assets for the operations of the industrial gas business division	Within 1 year from the date of listing	6,522	(2,996)	3,526
General working capital	Within 1 year from the date of listing	4,279	(1,488)	2,791
Expenses relating to the Proposed Private Placement	Upon completion	380	(362)	18
		17,840	(9,786)	8,054

**7 Derivative Financial Instruments**

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

**8 Group Borrowings**

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

	As At 31 December 2018					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Foreign Currency ('000)	RM'000	Foreign Currency ('000)	RM'000	Foreign Currency ('000)	RM'000
<b>Secured</b>						
Hire purchase	SGD 42	312	SGD 267	1,262	SGD 309	1,574
Term Loan	NTD 14,872	2,086	NTD 1,944	264	NTD 16,816	2,350
Revolving loan	SGD 1,000	3,036	-	-	SGD 1,000	3,036
Import Loan/Invoice financing	RMB 16,763	10,081	-	-	RMB 16,763	10,081
Bank draft	-	-	-	-	-	-
Letter of credit	-	-	-	-	-	-
<b>Unsecured</b>						
Nil	-	-	-	-	-	-
		15,515		1,526		17,041
Weighted average interest rate of borrowings						4.89%
Proportion of borrowings between fixed interest rate and floating interest rate						19%:81%

The decrease in borrowing during the year ended 31 December 2018 is mainly due to repayment of revolving credit and completion of few major projects in Malaysia.

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

**8 Group Borrowings (Cont'd)**

	As At 31 December 2017					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Foreign Currency ('000)	RM'000	Foreign Currency ('000)	RM'000	Foreign Currency ('000)	RM'000
<b>Secured</b>						
Hire purchase	-	187	-	649	-	836
Term Loan	<i>NTD 14,266</i>	2,057	<i>NTD11,723</i>	1,668	<i>NTD 25,989</i>	3,725
Revolving loan	-	13,500	-	-	-	13,500
Bankers' acceptances	-	-	-	-	-	-
Trust receipts	-	-	-	-	-	-
Import Loan/Invoice financing	<i>RMB12,937</i>	12,204	-	-	<i>RMB12,937</i>	12,204
Bank draft	-	-	-	-	-	-
Letter of credit	-	-	-	-	-	-
<b>Unsecured</b>						
Nil	-	-	-	-	-	-
		27,948		2,317		30,265
Weighted average interest rate of borrowings						5.69%
Proportion of borrowings between fixed interest rate and floating interest rate						14%:86%

There is no material changes during the year ended 31 December 2017. The increase in borrowings mainly used for working capital.

**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:-

**(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, 15 March 2018, 22 June 2018, 5 July 2018, 1 August and 29 August, High court had heard the evidences given by the witnesses and fixed the final hearing on 12 September 2018.

On 12 September 2018, High Court Taiwan has delivered its court decision and ordered that Hui Neng shall pay Kelington Taiwan the sum of NTD 29,328,814 (equivalent to RM3,946,129) plus interest of 5% per annum thereon since 10 October 2015.

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

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

**9 Material Litigation (Cont'd)**

**(2) Updates 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.

**10 Dividends Payable**

On 22 November 2018, the Board of Directors of KGB recommended the payment of an interim tax-exempt dividend of 1 sen per ordinary share in respect of the FYE 31 December 2018. The dividend had been paid on 8 Jan 2019.

**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	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Profit After Taxation attributable to owners of the company (RM'000)	5,203	4,133	18,458	11,785
Weighted average number of ordinary shares in issue ('000)	262,135	229,834	247,612	227,910
Basic Earnings Per Share (Sen)	1.99	1.80	7.45	5.20
Diluted Earnings Per Share (Sen) #	1.77	1.62	6.60	4.80

Note :

# - Assuming the full exercise of 40,472,331 convertible warrants and 14,806,222 shares of Employee Shares Scheme

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

**12 TRADE RECEIVABLES**

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

	<b>Gross Amount RM'000</b>	<b>Collective Impairment RM'000</b>	<b>Carrying Value RM'000</b>
<b><u>31/12/2018</u></b>			
Not past due	68,279	(1,118)	67,161
Past due:			
- less than 3 months	8,336		8,336
- 3 to 6 months	1,088		1,088
- over 6 months	8		8
- over 1 year	11,098	(6,981)	4,117
	<u>88,809</u>	<u>(8,099)</u>	<u>80,710</u>

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

	<b>Gross Amount RM'000</b>	<b>Collective Impairment RM'000</b>	<b>Carrying Value RM'000</b>
<b><u>31/12/2017</u></b>			
Not past due	65,311	(42)	65,269
Past due:			-
- less than 3 months	5,018	-	5,018
- 3 to 6 months	1,916	-	1,916
- over 6 months	588	-	588
- over 1 year	15,379	(6,976)	8,403
	<u>88,212</u>	<u>(7,018)</u>	<u>81,194</u>

**13 DISCLOSURE OF REALISED AND UNREALISED PROFITS/ (LOSSES)**

	<b>Cumulative Year to date ended 31/12/18 RM'000</b>	<b>Cumulative Year to date ended 31/12/17 RM'000</b>
Total retained profits of KGB:		
- Realised	55,407	41,525
- Unrealised	(1,775)	(2,686)
Total group retained profits as per consolidated accounts	<u>53,632</u>	<u>38,839</u>