

**KELINGTON GROUP BERHAD ("KGB")**  
**(Company No. 501386-P)**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For The 2nd Quarter Ended 30 June 2016**

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the 6 months period ended 30 June 2016 are as follow:-

	Note	Unaudited Current Qtr Ended 30/06/2016 RM'000	Unaudited Previous Qtr Ended 30/06/2015 RM'000	Unaudited 6-months Period up to 30/06/2016 RM'000	Unaudited 6-months Period up to 30/06/2015 RM'000
Revenue		94,489	40,585	172,970	79,109
Cost of sales		(83,556)	(35,015)	(153,355)	(69,715)
<b>Gross profit</b>		<b>10,933</b>	<b>5,570</b>	<b>19,615</b>	<b>9,394</b>
Other income		496	1,030	870	2,180
Administrative expenses		(4,161)	(4,448)	(7,124)	(6,803)
Selling and distribution expenses		(238)	(315)	(385)	(534)
Other expenses		(4,924)	(203)	(10,412)	(398)
<b>Results from operating activities</b>		<b>2,106</b>	<b>1,634</b>	<b>2,564</b>	<b>3,839</b>
Share of result in an Associate, net of tax		-	(14)	-	(30)
Finance costs		(189)	(84)	(314)	(168)
<b>Profit before taxation for the financial period</b>		<b>1,917</b>	<b>1,536</b>	<b>2,250</b>	<b>3,641</b>
Taxation	B5	(84)	(34)	(141)	(59)
<b>Profit after taxation for the financial period</b>		<b>1,833</b>	<b>1,502</b>	<b>2,109</b>	<b>3,582</b>
<b>Other comprehensive income/(expense), net of tax</b>					
Foreign currency translation		122	630	(977)	1,431
		122	630	(977)	1,431
<b>Total comprehensive income for the period</b>		<b>1,955</b>	<b>2,132</b>	<b>1,132</b>	<b>5,013</b>
<b>Profit attributable to:</b>					
Shareholders of the Company		1,839	1,502	2,096	3,582
Non-controlling interests		(6)	*	13	*
<b>Profit after taxation for the financial period</b>		<b>1,833</b>	<b>1,502</b>	<b>2,109</b>	<b>3,582</b>
<b>Total comprehensive income attributable to:</b>					
Shareholders of the Company		1,948	2,132	1,142	5,013
Non-controlling interests		7	*	(10)	*
<b>Total comprehensive income for the period</b>		<b>1,955</b>	<b>2,132</b>	<b>1,132</b>	<b>5,013</b>
<b>Basic earnings per ordinary share (sen):</b>					
Basic earnings per share (sen)	B10	0.83	0.69	0.95	1.64
Diluted earnings per share (sen)	B10	0.83	0.68	0.95	1.61

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 30 June 2016

	<b>Unaudited As At 30/06/2016 RM'000</b>	<b>Audited As At 31/12/2015 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	8,417	7,062
Goodwill on consolidation	6,253	6,356
Development costs	26	35
Other receivables	1,206	1,226
Non-current tax assets	250	254
Deferred tax assets	425	391
	<b>16,577</b>	<b>15,324</b>
<b>Current assets</b>		
Inventories	759	195
Amount owing by contract customers	61,116	66,793
Trade receivables	72,707	50,168
Other receivables, prepayments and deposits	12,559	14,611
Current tax assets	623	428
Cash and cash equivalents	25,112	27,015
	<b>172,876</b>	<b>159,210</b>
	<b>189,453</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	1,116	760
Retained earnings	23,677	21,581
Other reserve	14,302	15,256
Treasury share	(607)	(607)
<b>Total Equity attributable to Shareholders of the Company</b>	<b>60,726</b>	<b>58,998</b>
Non-controlling interests	391	401
<b>Total Equity</b>	<b>61,117</b>	<b>59,399</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	143	92
Long-term borrowings	508	459
	<b>651</b>	<b>551</b>
<b>Current liabilities</b>		
Amount owing to contract customers	32,485	29,676
Trade payables	36,324	48,483
Other payables and accruals	11,860	18,095
Current tax liabilities	861	177
Short term borrowings	46,155	18,153
	<b>127,685</b>	<b>114,584</b>
<b>Total liabilities</b>	<b>128,336</b>	<b>115,135</b>
	<b>189,453</b>	<b>174,534</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		
<b>Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)</b>	<b>0.2748</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. 501186-P)  
Condensed Consolidated Statements of Changes in Equity  
For The 2nd Quarter Ended 30 June 2016

	Attributable to Equity Holders of the Company						Distributable	Total	Non-Controlling Interest	Total Equity
	Non-Distributable			Distributable						
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Employee Share Option Reserve RM'000	Exchange Fluctuation Reserve RM'000	Treasury Share RM'000	Retained Earnings RM'000	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>50,998</b>	401	<b>59,399</b>
Profit after taxation for the financial period	-	-	-	-	-	-	2,096	<b>2,096</b>	13	<b>2,109</b>
Other comprehensive expense, net of tax:	-	-	-	-	(954)	-	-	<b>(954)</b>	(23)	<b>(977)</b>
- Foreign currency translation	-	-	-	-	(954)	-	-	<b>(954)</b>	(23)	<b>(977)</b>
Total comprehensive (expense)/ income for the financial period	-	-	-	-	(954)	-	2,096	<b>1,142</b>	(10)	<b>1,132</b>
Contributions by and distribution to owners of the company	-	-	-	-	-	-	-	-	-	-
- purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
- Employee's share options reserved	-	-	-	-	-	-	-	-	-	-
- Dividend paid for the period	-	-	-	-	-	-	-	-	-	-
- Incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	-
- Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-
- Employee's share option exercise	230	356	-	-	-	-	-	<b>586</b>	-	<b>586</b>
Total recognised income and expense for the period	230	356	-	-	-	-	-	<b>586</b>	-	<b>586</b>
<b>As at 30 June 2016</b>	<b>22,238</b>	<b>1,116</b>	<b>8,985</b>	<b>555</b>	<b>4,762</b>	<b>(607)</b>	<b>23,677</b>	<b>60,726</b>	<b>391</b>	<b>61,117</b>
<b>As at 1 January 2015</b>	21,597	-	8,994	731	2,285	(506)	26,316	<b>59,408</b>	(74)	<b>59,334</b>
Profit after taxation for the financial period	-	-	-	-	-	-	3,582	<b>3,582</b>	-	<b>3,582</b>
Other comprehensive income, net of tax:	-	-	-	-	1,431	-	-	<b>1,431</b>	-	<b>1,431</b>
- Foreign currency translation differences	-	-	-	-	1,431	-	-	<b>1,431</b>	-	<b>1,431</b>
Total comprehensive income for the financial period	-	-	-	-	1,431	-	3,582	<b>5,013</b>	-	<b>5,013</b>
Contributions by and distribution to owners of the company	-	-	-	-	-	-	-	-	-	-
- Incorporation of a subsidiary	-	-	-	-	-	-	-	-	170	<b>170</b>
- purchase of treasury shares	-	-	-	-	-	(1)	-	<b>(1)</b>	-	<b>(1)</b>
- Employee's share option reserve	-	-	-	-	-	-	-	-	-	-
- Reclassification to capital reserve	-	-	-	-	-	-	-	-	-	-
- Employee's share options exercised	311	483	-	-	-	-	-	<b>794</b>	-	<b>794</b>
Total transactions with owners	311	483	-	-	-	(1)	-	<b>793</b>	170	<b>963</b>
<b>As at 30 June 2015</b>	<b>22,008</b>	<b>483</b>	<b>8,984</b>	<b>731</b>	<b>3,717</b>	<b>(607)</b>	<b>29,898</b>	<b>65,214</b>	<b>96</b>	<b>65,310</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 6-Months Period Ended 30 June 2016**

	Unaudited 6-Months Ended 30/6/2016 RM'000	Audited 6-Months Ended 30/6/2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,250	3,641
Adjustments for:-		
Amortisation of development cost	9	9
Depreciation of property, plant and equipment	541	428
Equipment written off	4	-
Impairment loss on trade receivables	3,808	-
Impairment loss on due from customer on construction contract	3,371	-
Interest expense	173	146
Interest income	(32)	(82)
Loss on disposal of equipment	64	-
Share of net loss in associate	-	29
Unrealised loss/(gain) on foreign exchange	2,183	(1,251)
Operating profit before working capital changes	12,371	2,920
Increase in inventory	(564)	(395)
Decrease/ (Increase) in amounts owing by/to contract customers	5,134	(4,130)
(Increase)/ Decrease in trade and other receivables	(26,458)	23,766
Decrease/ (Increase) in trade and other payables	(18,394)	175
<b>CASH (FOR)/ FROM OPERATIONS</b>	(27,911)	22,336
Income tax paid	(148)	(187)
Interest paid	(173)	(146)
Interest received	32	82
<b>NET CASH (FOR)/ FROM OPERATING ACTIVITIES</b>	(28,200)	22,085
<b>CASH FLOWS (FOR)/ FROM INVESTING ACTIVITIES</b>		
Purchase of plant and equipments	(1,577)	(384)
Development costs paid	-	(3)
Placement of fixed deposit pledged with licensed bank	(419)	(607)
Withdrawal of cash pledged with licensed bank	531	4,359
Net cash inflow on acquisition of subsidiary	-	170
Investment in an associate	-	(20)
Proceeds from disposal of equipment	185	-
<b>NET CASH (FOR)/ FROM INVESTING ACTIVITIES</b>	(1,280)	3,515
<b>CASH FLOWS FROM/ (FOR) FINANCING ACTIVITIES</b>		
Drawdown/ (Repayment) of revolving credit	7,577	(844)
Drawdown/ (Repayment) of factoring loan	13,265	1,487
Repayment of hire purchase obligations	(130)	(59)
Repayment of term loan	(8,438)	(30,110)
Proceeds from exercise of employee's share options	586	794
Repayment of trust receipts	(893)	(287)
Drawdown of invoice financing	16,000	-
Purchase of treasury shares	-	(1)
<b>NET CASH FROM/ (FOR) FINANCING ACTIVITIES</b>	27,967	(29,020)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(1,513)	(3,420)
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	(278)	1,025
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	18,983	19,439
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	17,192	17,044

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

Cash and bank balances	17,531	20,707
Fixed deposits	7,581	6,665
Bank overdraft	-	-
	25,112	27,372
Less: fixed deposits pledged with licensed banks	(7,581)	(6,665)
Less: cash at bank pledged with a licensed bank	(339)	(3,663)
	17,192	17,044

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 30 JUNE 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:-

MFRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	01 January 2018
MFRS 15 Revenue from Contracts with Customers	01 January 2018
MFRS 16 Leases	01 January 2019
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.

	Revenue		Non-current Assets	
	30/06/2016 RM'000	30/06/2015 RM'000	30/06/2016 RM'000	30/06/2015 RM'000
Malaysia	36,685	28,034	6,165	5,260
China	18,013	10,832	1,191	348
Taiwan	15,639	7,055	669	218
Singapore	92,637	31,848	8,552	8,365
Indonesia	6,838	43	-	-
Philippines	3,157	1,297	-	-
Other	1	-	-	-
	<b>172,970</b>	<b>79,109</b>	<b>16,577</b>	<b>14,191</b>

**4. Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 30 June 2016.

**KELINGTON GROUP BERHAD ("KGB")**  
**(Company No. 501386-P)**  
**EXPLANATORY NOTES TO THE QUARTERLY REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 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 30 June 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:

(i) Shares Buy Back

On 26 May 2016, the Company repurchased 1,000 of its issued share capital from the open market at the cost of RM0.265 per share. The total consideration paid for the share buy-back of KGB shares, including transaction costs was RM308.49

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.

(ii) Employee's Shares Option Scheme ("ESOS")

	No. of Shares of RM0.10	Ordinary Shares	Share Premium
As at 1 April 2016	220,079,828	22,008	760
Issued at RM0.255 per share pursuant to ESOS on:			
- 2 June 2016	2,295,503	229,550	356
As at 30 June 2016	222,375,331	251,558	1,116

**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 30 June 2016 are as follows:

	Bank	Insurance
	RM'000	RM'000
Performance bond and warranty bond granted to contract customers:		
- Advance payment bond	-	-
- Warranty bond	1,430	642
- Performance bond	4,899	16,725
Total	6,329	17,367

**14. Material Subsequent Events**

Save as disclosed in the following, there has been no material subsequent events after the quarter ended 30 June 2016.

On 20 July 2016, the Company had subscribed 90 ordinary shares of RM1.00 each representing 90% of the total issued and paid-up capital of Ace Gases Sdn. Bhd. ("AGSB") (Company No. 1195301-A ). AGBS has an issued and paid-up share capital of RM100.00 comprising 100 ordinary shares of RM1.00 each. AGBS is set up mainly for the purpose of restructuring and streamlining the Group's current operations in construction of gas plants, engineering and installation of gas delivery systems and manufacturing of gases.

**KELINGTON GROUP BERHAD ("KGB")**  
 (Company No. 501386-P)  
**EXPLANATORY NOTES TO THE QUARTERLY REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

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

**1 Review Of Performance**

(a) Current Quarter vs. Previous Year Corresponding Quarter

For the quarter ended 30 June 2016, all of the Group's four key operations in Malaysia, Singapore, Taiwan and China recorded growth in revenue as a result of an increase in the progress billing of the projects being undertaken in those countries. The quarter also reported revenue contributions from projects in Indonesia and Philippines, which were carried over from projects secured last year. As a result, the Group's revenue for the quarter more than doubled to RM94.49 million, as compared to RM40.59 million in the previous year's corresponding quarter.

The Group's profit before taxation increased from RM1.54 million in the previous year's corresponding quarter to RM1.92 million. The profit before taxation margins were affected by impairment losses on certain projects and trade receivables that the Group recognized during the quarter ended 30 June 2016.

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

For the six months period ended 30 June 2016, the Group's revenue more than doubled to RM172.97 million as compared to RM79.11 million reported in the previous year's corresponding period. This was attributed to a general increase in the overall revenue from our four key countries of operations, namely, Malaysia, Singapore, Taiwan and China and carried forward projects in Indonesia and Philippines from last year.

Our Singapore operations contributed significantly to the Group's revenue at RM92.64 million, an increase of 190.87% 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 in the six months period ended 30 June 2016 remained consistent at 11.3% as compared to 11.9% in the previous year's corresponding period.

However, due to the impairment losses on certain projects and trade receivables during the period ended 30 June 2016, the Group's profit before taxation decreased from RM3.64 million in the previous year's corresponding quarter to RM2.25 million.

(c) Variation of Results Against Preceding Quarter

The Group's revenue increased by 44.61% to RM94.49 million for the quarter ended 30 June 2016 as compared to RM78.48 million reported in the preceding quarter ended 31 March 2016.

In tandem with the increase in revenue, profit before taxation increased to RM1.92 million as compared to RM0.33 million in the preceding quarter.

**2 Commentary Of Prospects**

The Group has enjoyed a strong orderbook replenishment rate. In the three months period ended 30 June 2016, the Group secured RM92.60 million worth of new orders, bringing the total amount of new orders secured in the year-to-date to RM250.70 million. Combined with the orders carried forward from the previous year, the Group has an orderbook on hand of RM425.15 million, of which RM252.18 million remains outstanding. The Group will focus on delivering the existing projects in hand in a timely and cost-effective manner.

The Group expects the business environment to remain competitive. However, based on the Group's orderbook level and barring unforeseen circumstances, the Group is cautiously optimistic that it will turnaround in the current financial year from a loss-making position in the previous 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.

**4 Profit for the Period**

	Quarter ended		Year-to-date ended	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	16	23	32	82
Interest expense	(48)	(75)	(173)	(146)
Impairment loss on trade receivables	(2,310)	-	(3,808)	-
Impairment loss on due from customer on construction contract	(1,903)	-	(3,371)	-
Depreciation and amortisation	(274)	(229)	(550)	(437)
Equipment written off	-	-	(4)	-
Foreign exchange (loss)/gain	-	542	(2,183)	1,251
Loss on disposal of equipment	-	-	(64)	-

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

**KELINGTON GROUP BERHAD ("KGB")**  
**(Company No. 501386-P)**  
**EXPLANATORY NOTES TO THE QUARTERLY REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

**5 Taxation**

	Current quarter ended 30/6/16 RM'000	Cumulative Year to date ended 30/6/16 RM'000
Current tax: - for the financial period	84	141

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 30 June 2016 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short-term borrowing	46,155	-	46,155
Long-term borrowing	508	-	508
Total Borrowings	46,663	-	46,663

(b) Foreign currency borrowings and debt securities in RM equivalent as at 30 June 2016 were as follows:

Foreign currency	RM'000
Singapore Dollar	28,460
New Taiwan Dollar	2,067
Chinese Yuan	8,564
Total	39,091

**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:-

**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 and claimed that:-

1. The court judgement on 29 June 2016 shall be set aside;
2. Kelington Taiwan shall pay Hui Neng an amount of NTD1,182,924 (equivalent to RM151,769) plus 5% annual interest rate since 15 October 2015 until full and final settlement of the claimed sum; and
3. All litigation cost shall be borne by Kelington Taiwan.

**9 Dividends Payable**

The Board of Directors of KGB recommended the payment of a final tax-exempt dividend of 0.5 sen per ordinary share (FYE 31 December 2014: 1 sen per ordinary share) amounting to RM1,105,783 in respect of the FYE 31 December 2015 had been approved by the shareholders of KGB during the Sixteenth Annual General Meeting of KGB which was held on 24 June 2016. The dividend was paid on 10 August 2016.



**KELINGTON GROUP BERHAD ("KGB")**  
 (Company No. 501386-P)  
**EXPLANATORY NOTES TO THE QUARTERLY REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 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	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
Profit After Taxation attributable to owners of the company (RM'000)	1,839	1,502	2,096	3,582
Weighted average number of ordinary shares in issue ('000)	220,811	218,063	220,262	218,809
Basic Earnings Per Share (Sen)	0.83	0.69	0.95	1.64
Diluted Earnings Per Share (Sen) #	0.83	0.68	0.95	1.61

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 30/6/16 RM'000	Cumulative Year to date ended 30/6/15 RM'000
Total retained profits of KGB:		
- Realised	24,600	29,395
- Unrealised	(923)	503
Total group retained profits as per consolidated accounts	23,677	29,898