

**KELINGTON GROUP BERHAD ("KGB")**  
**(Company No. 501386-P)**  
Statement of Profit or Loss and Other Comprehensive Income  
For The 3rd Quarter Ended 30 September 2016

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the 9 months period ended 30 September 2016 are as follow:-

Note	Unaudited Current Qtr Ended 30/09/2016 RM'000	Unaudited Previous Qtr Ended 30/09/2015 RM'000	Unaudited 9-months Period up to 30/09/2016 RM'000	Unaudited 9-months Period up to 30/09/2015 RM'000
Revenue	61,175	35,888	234,145	114,997
Cost of sales	(54,920)	(34,779)	(208,275)	(104,494)
<b>Gross profit</b>	<b>6,255</b>	<b>1,109</b>	<b>25,870</b>	<b>10,503</b>
Other income	415	4,047	1,285	6,227
Administrative expenses	(4,905)	(3,365)	(12,029)	(10,168)
Selling and distribution expenses	(375)	(211)	(760)	(745)
Other expenses	849	(228)	(9,563)	(626)
<b>Results from operating activities</b>	<b>2,239</b>	<b>1,352</b>	<b>4,803</b>	<b>5,191</b>
Share of result in an Associate, net of tax	-	(13)	-	(43)
Finance costs	(165)	(145)	(479)	(313)
<b>Profit before taxation for the financial period</b>	<b>2,074</b>	<b>1,194</b>	<b>4,324</b>	<b>4,835</b>
Taxation	B5 (57)	(213)	(198)	(272)
<b>Profit after taxation for the financial period</b>	<b>2,017</b>	<b>981</b>	<b>4,126</b>	<b>4,563</b>
<b>Other comprehensive (expense)/Income, net of tax</b>				
Foreign currency translation	(16)	1,816	(993)	3,247
	(16)	1,816	(993)	3,247
<b>Total comprehensive income for the period</b>	<b>2,001</b>	<b>2,797</b>	<b>3,133</b>	<b>7,810</b>
<b>Profit attributable to:</b>				
Shareholders of the Company	2,020	977	4,116	4,559
Non-controlling interests	(3)	4	10	4
<b>Profit after taxation for the financial period</b>	<b>2,017</b>	<b>981</b>	<b>4,126</b>	<b>4,563</b>
<b>Total comprehensive income attributable to:</b>				
Shareholders of the Company	1,959	2,762	3,101	7,775
Non-controlling interests	42	35	32	35
<b>Total comprehensive income for the period</b>	<b>2,001</b>	<b>2,797</b>	<b>3,133</b>	<b>7,810</b>
<b>Basic earnings per ordinary share (sen):</b>				
Basic earnings per share (sen)	B10 0.92	0.44	1.87	2.09
Diluted earnings per share (sen)	B10 0.92	0.44	1.87	2.06

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 September 2016

	<b>Unaudited As At 30/09/2016 RM'000</b>	<b>Audited As At 31/12/2015 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	8,371	7,062
Goodwill on consolidation	6,336	6,356
Development costs	21	35
Other receivables	1,222	1,226
Non-current tax assets	253	254
Deferred tax assets	449	391
	<b>16,652</b>	<b>15,324</b>
<b>Current assets</b>		
Inventories	223	195
Amount owing by contract customers	63,238	66,793
Trade receivables	78,099	50,168
Other receivables, prepayments and deposits	9,058	14,611
Current tax assets	678	428
Cash and cash equivalents	30,257	27,015
	<b>181,553</b>	<b>159,210</b>
	<b>198,205</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	24,591	21,581
Other reserve	14,241	15,256
Treasury share	(607)	(607)
	<b>61,579</b>	<b>58,998</b>
<b>Total Equity attributable to Shareholders of the Company</b>		
Non-controlling interests	433	401
	<b>62,012</b>	<b>59,399</b>
<b>Total Equity</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	146	92
Long-term borrowings	195	459
	<b>341</b>	<b>551</b>
<b>Current liabilities</b>		
Amount owing to contract customers	49,033	29,676
Trade payables	38,425	48,483
Other payables and accruals	12,311	18,095
Current tax liabilities	681	177
Bank overdraft	983	-
Short term borrowings	34,419	18,153
	<b>135,852</b>	<b>114,584</b>
<b>Total liabilities</b>	<b>136,193</b>	<b>115,135</b>
	<b>198,205</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>0.2789</b>	<b>0.2681</b>

The Statement of Financial Position should be read in conjunction with the audited consolidated financial statements of KGB for the financial year ended 31 December 2015 and the accompanying explanatory notes enclosed to the interim financial statements.

**KELINGTON GROUP BERHAD ("KGB")**  
**(Company No. 501386-P)**  
Condensed Consolidated Statements of Changes in Equity  
For The 3rd Quarter Ended 30 September 2016

	<----- 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	Employee Share Option Reserve RM'000	Exchange Fluctuation Reserve RM'000	Treasury Share RM'000				
<b>As at 1 January 2016</b>	22,008	760	8,985	555	5,716	(607)	21,581	<b>58,998</b>	401	<b>59,399</b>
Profit after taxation for the financial period	-	-	-	-	-	-	4,116	<b>4,116</b>	10	<b>4,126</b>
Other comprehensive expense, net of tax:										
- Foreign currency translation	-	-	-	-	(1,015)	-	-	<b>(1,015)</b>	22	<b>(993)</b>
Total comprehensive (expense)/ income for the financial period	-	-	-	-	(1,015)	-	4,116	<b>3,101</b>	32	<b>3,133</b>
Contributions by and distribution to owners of the company:										
- purchase of treasury shares	-	-	-	-	-	*	-	-	-	-
- dividend paid for the period	-	-	-	-	-	-	(1,106)	<b>(1,106)</b>	-	<b>(1,106)</b>
- Employees' share option exercise	230	356	-	-	-	-	-	<b>586</b>	-	<b>586</b>
Total recognised income and expense for the period	230	356	-	-	-	-	(1,106)	<b>(520)</b>	-	<b>(520)</b>
<b>As at 30 September 2016</b>	<b>22,238</b>	<b>1,116</b>	<b>8,985</b>	<b>555</b>	<b>4,701</b>	<b>(607)</b>	<b>24,591</b>	<b>61,579</b>	<b>433</b>	<b>62,012</b>
<b>As at 1 January 2015</b>	21,697	-	8,984	731	2,286	(606)	26,316	<b>59,408</b>	(74)	<b>59,334</b>
Profit after taxation for the financial period	-	-	-	-	-	-	4,559	<b>4,559</b>	4	<b>4,563</b>
Other comprehensive income, net of tax:										
- Foreign currency translation differences	-	-	-	-	3,216	-	-	<b>3,216</b>	31	<b>3,247</b>
Total comprehensive income for the financial period	-	-	-	-	3,216	-	4,559	<b>7,775</b>	35	<b>7,810</b>
Contributions by and distribution to owners of the company:										
- Incorporation of a subsidiary	-	-	-	-	-	-	-	-	170	<b>170</b>
- dividend paid for the period	-	-	-	-	-	-	(2,189)	<b>(2,189)</b>	-	<b>(2,189)</b>
- purchase of treasury shares	-	-	-	-	-	(1)	-	<b>(1)</b>	-	<b>(1)</b>
- Acquisition of a subsidiary	-	-	-	-	-	-	-	-	53	<b>53</b>
- Employee's share options exercised	311	483	-	-	-	-	-	<b>794</b>	-	<b>794</b>
Total transactions with owners	311	483	-	-	-	(1)	(2,189)	<b>(1,396)</b>	223	<b>(1,173)</b>
<b>As at 30 September 2015</b>	<b>22,008</b>	<b>483</b>	<b>8,984</b>	<b>731</b>	<b>5,502</b>	<b>(607)</b>	<b>28,686</b>	<b>65,787</b>	<b>184</b>	<b>65,971</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 9-Months Period Ended 30 September 2016

	<b>Unaudited 9-Months Ended 30/9/2016 RM'000</b>	<b>Unaudited 9-Months Ended 30/9/2015 RM'000</b>
<b>CASH FLOWS (FOR)/ FROM OPERATING ACTIVITIES</b>		
Profit before taxation	4,324	4,835
Adjustments for:-		
Amortisation of development cost	14	14
Depreciation of property, plant and equipment	846	669
Equipment written off	4	-
Impairment loss on trade receivables	3,808	-
Impairment loss on due from customer on construction contract	3,393	-
Interest expense	314	235
Interest income	(52)	(101)
Loss on disposal of equipment	64	-
Share of net loss in associate	-	43
Unrealised loss/(gain) on foreign exchange	72	(1,477)
	<hr/>	<hr/>
Operating profit before working capital changes	12,787	4,218
Increase in inventory	(28)	(724)
Decrease in amounts owing by/to contract customers	19,519	11,940
(Increase)/ Decrease in trade and other receivables	(26,254)	3,977
(Decrease)/ Increase in trade and other payables	(15,842)	373
	<hr/>	<hr/>
<b>CASH (FOR)/ FROM OPERATIONS</b>	(9,818)	19,784
Income tax paid	(243)	(358)
Interest paid	(314)	(235)
Interest received	52	101
	<hr/>	<hr/>
<b>NET CASH (FOR)/ FROM OPERATING ACTIVITIES</b>	(10,323)	19,292
<b>CASH FLOWS (FOR)/ FROM INVESTING ACTIVITIES</b>		
Purchase of plant and equipments	(1,636)	(923)
Placement of fixed deposit pledged with licensed bank	(653)	(891)
Withdrawal of cash pledged with licensed bank	531	8,022
Net cash inflow on acquisition of subsidiary	-	(87)
Net cash inflow on Investment in associate	-	170
Proceeds from disposal of equipment	238	-
	<hr/>	<hr/>
<b>NET CASH (FOR)/ FROM INVESTING ACTIVITIES</b>	(1,520)	6,291
<b>CASH FLOWS FROM/ (FOR) FINANCING ACTIVITIES</b>		
Dividend paid	(1,106)	(2,189)
Drawdown/ (Repayment) of revolving credit	8,114	(3,559)
Drawdown of factoring loan	4,862	7,897
Repayment of hire purchase obligations	(232)	(88)
Repayment of term loan	(8,944)	(33,219)
Proceeds from exercise of employee's share options	586	794
Repayment of trust receipts	(2,362)	(287)
Drawdown/ (Repayment) of invoice financing	13,230	(1)
Drawdown of foreign currency loan	447	-
	<hr/>	<hr/>
<b>NET CASH FROM/ (FOR) FINANCING ACTIVITIES</b>	14,595	(30,652)
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,752	(5,069)
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	(615)	2,145
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	18,983	19,439
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<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	21,120	16,515

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

Cash and bank balances	22,442	16,515
Fixed deposits	7,815	6,949
Bank overdraft	(983)	-
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	29,274	23,464
Less: fixed deposits pledged with licensed banks	(7,815)	(6,949)
Less: cash at bank pledged with a licensed bank	(339)	-
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	21,120	16,515

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 SEPTEMBER 2016**

**Part A - Explanatory Notes Pursuant to MFRS 134**

**1. Basis of Preparation**

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 : Interim Financial Reporting and in accordance to the requirements of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Malaysia**").

The interim financial statements should be read in conjunction with KGB's audited consolidated financial statements for the financial year ended ("**FYE**") 31 December 2015. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2015.

The accounting policies and methods of presentation and computation adopted in this interim financial report are consistent with those adopted in the most recent annual financial statements for the FYE 31 December 2015.

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

<b>MFRSs and/or IC Interpretations (Including the Consequential Amendments)</b>	<b>Effective date</b>
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	01 January 2018
MFRS 15 Revenue from Contracts with Customers	01 January 2018
MFRS 16 Leases	01 January 2019
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 15: Effective Date of MFRS 15	01 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	01 January 2018
Amendments to MFRS 107: Disclosure Initiative	01 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	01 January 2017

The adoption of the above accounting standards and interpretations (including the consequential amendments) is expected to have no material impact on the financial statements of the Group upon their initial application.

Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss. The stage of completion is determined based on the proportion that the contract costs incurred for work performed to date bear to the estimated total contract costs.

**2. Status of Audit Qualification**

There were no audit qualification to the annual audited financial statements of the Group for the FYE 31 December 2015.

**3. Segmental Information**

The operating segments reporting is not presented as the Group principally involved in the business of providing engineering services and general trading specifically in the provision of ultra-high purity gas and chemical delivery systems solutions.

Geographical information

In presenting information on the basis of geographical segments, segment revenue and results are based on the geographical location of customers. The carrying value of segment assets are based on the geographical location of the assets.

	<b>Revenue</b>		<b>Non-current Assets</b>	
	<b>30/09/2016</b>	<b>30/09/2015</b>	<b>30/09/2016</b>	<b>30/09/2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysia	56,005	39,102	6,172	5,631
China	29,469	18,868	1,159	453
Taiwan	22,146	9,427	700	229
Singapore	112,263	41,967	8,621	9,196
Indonesia	8,381	1,335	-	-
Philippines	5,880	1,496	-	-
Other	1	2,802	-	-
	<b>234,145</b>	<b>114,997</b>	<b>16,652</b>	<b>15,509</b>

**4. Unusual Items**

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

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

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.

**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 September 2016, all the property, plant and equipment were stated at cost less accumulated depreciation.

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

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

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

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

**(1) Incorporation of Ace Gases Sdn. Bhd. ("AGSB")**

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 AGBS (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. On 23 Sep 2016, the issued and paid-up capital of AGBS had increased to RM400,000 comprising 400,000 ordinary shares of RM1.00 each.

**(2) Incorporation of Ace Gases Marketing Sdn. Bhd. ("AGMSB")**

On 7 September 2016, AGBS had incorporated a subsidiary known as AGMSB (Company No. 1201176-A) with an issued and paid-up capital of RM100 comprising 100 ordinary shares of RM1.00 each. AGBS had subscribed 99 ordinary shares of RM1.00 each representing 99% of the total issued and paid-up capital of AGMSB. AGMSB 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.

**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 September 2016 are as follows:

	<b>Bank</b>	<b>Insurance</b>
	<b>RM'000</b>	<b>RM'000</b>
Performance bond and warranty bond granted to contract customers:		
- Warranty bond	2,698	651
- Performance bond	4,100	13,249
Total	6,798	13,900

**14. Material Subsequent Events**

There has been no material subsequent events after the quarter ended 30 September 2016.

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

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

**1 Review Of Performance**

(a) Current Quarter vs. Previous Year Corresponding Quarter

The Group's revenue for the quarter increased by 70.46% to RM61.18 million, as compared to RM35.89 million in the previous year's corresponding quarter. This was driven by an increase in the progress billings of the projects being undertaken across the Group's four key operations in Malaysia, Singapore, Taiwan and China.

In tandem with the increase in revenue, the Group's profit before taxation increased by 73.95% to RM2.07 million, as compared to RM1.19 million in the previous year's corresponding quarter. Profit before taxation margin remained consistent at 3.4%, similar to the profit before taxation margin of 3.3% in the previous year.

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

For the nine months period ended 30 September 2016, the Group's revenue more than doubled to RM234.15 million as compared to RM115.00 million reported in the previous year's corresponding period. This was attributed to a general increase in the overall revenue of the Group's four key countries of operations, namely Malaysia, Singapore, Taiwan and China. Furthermore, the Group's revenue was also contributed by carried forward projects in Indonesia and Philippines, which were secured in the previous year.

The Group's Singapore operations contributed significantly to the Group's increase in revenue. Revenue from the Singapore operations stood at RM112.26 million, an increase of 167.50% 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 nine months period ended 30 September 2016 increased slightly to 11.0% as compared to 9.1% in the previous year's corresponding period.

Notwithstanding the significant increase in revenue, the Group's profit before taxation decreased from RM4.84 million in the previous year's corresponding period to RM4.32 million in the nine months period ended 30 September 2016. This is mainly due to the provision of impairment losses on certain projects and trade receivables during the first two quarters of the nine months period.

(c) Variation of Results Against Preceding Quarter

The Group's revenue decreased by 35.25% to RM61.18 million for the quarter ended 30 September 2016 as compared to RM94.49 million reported in the preceding quarter ended 30 June 2016.

However, profit before taxation increased to RM2.07 million as compared to RM1.92 million in the preceding quarter. The preceding quarter's profit before taxation was affected by impairment losses on certain projects and trade receivables.

**2 Commentary Of Prospects**

Year-to-date, the Group has secured new orders amounting to RM286.05 million. This is the highest amount of new orders ever to be secured by the Group within the first nine months period of the year.

Combined with the orders carried forward from the previous year, the Group has an orderbook on hand of RM460.50 million, of which RM226.35 million remains outstanding.

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

Based on the Group's orderbook level and barring unforeseen circumstances, the Group is 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.

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

**4 Profit for the Period**

	Quarter ended		Year-to-date ended	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	20	19	52	101
Interest expense	(141)	(89)	(314)	(235)
Impairment loss on trade receivables	-	-	(3,808)	-
Impairment loss on due from customer on construction contract	(22)	-	(3,393)	-
Depreciation and amortisation	(310)	(246)	(860)	(683)
Equipment written off	-	-	(4)	-
Foreign exchange gain	1,277	226	72	1,477
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.

**5 Taxation**

	Current quarter ended 30/9/16	Cumulative Year to date ended 30/9/16
	RM'000	RM'000
Current tax:		
- for the financial period	57	198

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 September 2016 were as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Short-term borrowing	35,402	-	35,402
Long-term borrowing	195	-	195
Total Borrowings	35,597	-	35,597

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

Foreign currency	RM'000
Singapore Dollar	11,243
US Dollar	447
New Taiwan Dollar	1,790
Chinese Yuan	9,989
Total	23,469

**8 Material Litigation**

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

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

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

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

On 14 October 2016, Hui Neng has submitted a written plea to the High Court, Taiwan. The Judge has requested Kelington Taiwan to submit its answer to the plea and fixed the next hearing on 9 December 2016.



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

**(2) Commencement of legal proceeding between Kelington Technologies Sdn Bhd ("KTSB"), a wholly owned subsidiary of Kelington, against Australian Marine Technology (License No.:631371, DCCI No.:184436) and Eric Robert Bowra (Passport No.:E4011930), one of the guarantors for the works performed for Australian Marine Technology (Collectively referred as the "Defendants")**

On 5 October 2016, KTSB filed a Writ and Statement of Claim at the High Court of Kuala Lumpur against Australian Marine Technology ["AMT"], a company incorporated in Dubai, United Arab Emirates; and Eric Robert Bowra one of the guarantors in the project undertaken by KTSB for AMT, to claim for the sum of USD702,206.13 or equivalent to RM 2,893,089.26 (based on exchange rate of RM4.12 to USD1) together with interest and foreign exchange loss thereon ["Claimed Sum"].

KTSB was appointed by AMT to perform projects works in Dubai, United Arab Emirates and an invoice was issued to AMT on 19 August 2015 for the works done. KTSB had issued a letter of demand dated 23 May 2016 to AMT and two (2) guarantors in the project, namely, Mr Koh Chen Tien (NRIC No.:551002-04-5095) and Eric Robert Bowra (Passport No.:E4011930) to demand for the payment from AMT but to no avail from the defendants.

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

On 24 October 2016, the Court has granted KTSB leave to serve a Notice of Writ Out of Jurisdiction on the Defendants. The Court has requested the Company to file the Notice of Writ upon extraction of the Court Order for leave and fixed the matter for case management on 25 November 2016.

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

**9 Dividends Payable**

There were no dividends proposed during the current quarter ended 30 September 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	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Profit After Taxation attributable to owners of the company (RM'000)	2,020	977	4,116	4,559
Weighted average number of ordinary shares in issue ('000)	220,262	221,210	220,262	218,809
Basic Earnings Per Share (Sen)	0.92	0.44	1.87	2.09
Diluted Earnings Per Share (Sen) #	0.92	0.44	1.87	2.06

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 30/9/16 RM'000	Cumulative Year to date ended 30/9/15 RM'000
Total retained profits of KGB:		
- Realised	24,216	24,533
- Unrealised	375	4,153
Total group retained profits as per consolidated accounts	24,591	28,686