

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Statement of Profit or Loss and Other Comprehensive Income
For The 3rd Quarter Ended 30 September 2017

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the year ended 30 September 2017 are as follow:-

	Unaudited	Unaudited		Unaudited	Unaudited	
Note	Current Qtr Ended 30/9/2017 RM'000	Previous Qtr Ended 30/9/2016 RM'000	+ - %	9-months Period up to 30/9/2017 RM'000	9-months Period up to 30/9/2016 RM'000	+ - %
Revenue	87,226	61,175	+43	213,351	234,145	-9
Cost of sales	(74,736)	(54,920)		(186,279)	(208,275)	
Gross profit	12,490	6,255		27,072	25,870	
Other income	163	415		479	1,285	
Administrative expenses	(5,922)	(4,905)		(13,956)	(12,029)	
Selling and distribution expenses	(245)	(375)		(845)	(760)	
Other expenses	(1,772)	849		(2,645)	(9,563)	
Results from operating activities	4,714	2,239	+111	10,105	4,803	+110
Finance costs	(245)	(165)		(579)	(479)	
Profit before taxation for the financial period	4,469	2,074	+115	9,526	4,324	+120
Taxation	(1,232)	(57)		(1,938)	(198)	
Profit after taxation for the financial period	3,237	2,017	+60	7,588	4,126	+84
Other comprehensive income/(expenses), net of tax						
Foreign currency translation	158	(16)		1,013	(993)	
	158	(16)		1,013	(993)	
Total comprehensive income for the period	3,395	2,001		8,601	3,133	
Profit attributable to:						
Shareholders of the Company	3,248	2,020	+61	7,652	4,116	+86
Non-controlling interests	(11)	(3)		(64)	10	
Profit after taxation for the financial period	3,237	2,017	+60	7,588	4,126	+84
Total comprehensive income attributable to:						
Shareholders of the Company	3,407	1,959		8,674	3,101	
Non-controlling interests	(12)	42		(73)	32	
Total comprehensive income for the period	3,395	2,001		8,601	3,133	
Basic earnings per ordinary share (sen):						
Basic earnings per share (sen)	1.41	0.92		3.36	1.87	
Diluted earnings per share (sen)	1.38	0.92		3.29	1.87	

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 2016 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 2017

	Unaudited As At 30/9/2017 RM'000	Audited As At 31/12/2016 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	7,854	8,329
Goodwill on consolidation	6,495	6,479
Development costs	3	17
Other receivables	-	184
Non-current tax assets	-	349
	14,352	15,358
Current assets		
Inventories	608	167
Amount owing by contract customers	60,656	68,906
Trade receivables	73,297	59,301
Other receivables, prepayments and deposits	11,179	12,765
Current tax assets	332	851
Cash and cash equivalents	35,943	42,597
	182,015	184,587
TOTAL ASSETS	196,367	199,945
EQUITY AND LIABILITIES		
Equity		
Share capital	24,140	22,238
Share premium	1,686	1,315
Retained earnings	34,706	29,341
Other reserve	15,306	14,289
Treasury share	(534)	(608)
Total Equity attributable to Shareholders of the Company	75,304	66,575
Non-controlling interests	504	418
Total Equity	75,808	66,993
Non-current liabilities		
Deferred tax liabilities	158	158
Long-term borrowings	464	897
	622	1,055
Current liabilities		
Amount owing to contract customers	36,325	40,550
Trade payables	35,921	45,921
Other payables and accruals	20,149	21,219
Current tax liabilities	1,048	543
Bank overdraft	451	-
Short term borrowings	26,043	23,664
	119,937	131,897
Total liabilities	120,559	132,952
TOTAL EQUITY AND LIABILITIES	196,367	199,945
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.3298	0.2994

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 2016 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 2017

	----- Attributable to Equity Holders of the Company -----							Distributable	Non-Controlling	Total
	----- Non Distributable -----						Total			
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	ESOS and ESS Reserve RM'000	Exchange Fluctuation Reserve RM'000	Treasury Share RM'000		Retained Earnings RM'000	RM'000	RM'000
As at 1 January 2017	22,238	1,315	8,985	371	4,933	(608)	29,341	66,575	418	66,993
Profit after taxation for the financial period	-	-	-	-	-	-	7,652	7,652	(64)	7,588
Other comprehensive expense, net of tax: - Foreign currency translation	-	-	-	-	1,022	-	-	1,022	(9)	1,013
Total comprehensive (expense)/ income for the financial period	-	-	-	-	1,022	-	7,652	8,674	(73)	8,601
Contributions by and distribution to owners of the company:										
- purchase of treasury shares	-	-	-	-	-	74	-	74	-	74
- Investment/ Acquisition in a subsidiary:										
- Ace Gases Sdn Bhd	-	-	-	-	-	-	-	-	110	110
- Hiti Engineering (M) Sdn Bhd	-	-	-	-	-	-	-	-	49	49
- dividend paid for the period	-	-	-	-	-	-	(2,287)	(2,287)	-	(2,287)
- Employees' share scheme reserve	-	-	-	366	-	-	-	366	-	366
- Employees' share option exercise	1,902	371	-	(371)	-	-	-	1,902	-	1,902
Total recognised income and expense for the period	1,902	371	-	(5)	-	74	(2,287)	55	159	214
As at 30 September 2017	24,140	1,686	8,985	366	5,955	(534)	34,706	75,304	504	75,808
As at 1 January 2016	22,008	760	8,985	555	5,716	(607)	21,581	58,998	401	59,399
Profit after taxation for the financial period	-	-	-	-	-	-	4,116	4,116	10	4,126
Other comprehensive income, net of tax: - Foreign currency translation differences	-	-	-	-	(1,015)	-	-	(1,015)	22	(993)
Total comprehensive income for the financial period	-	-	-	-	(1,015)	-	4,116	3,101	32	3,133
Contributions by and distribution to owners of the company:										
- dividend paid for the period	-	-	-	-	-	-	(1,106)	(1,106)	-	(1,106)
- purchase of treasury shares	-	-	-	-	-	*	-	-	-	*
- Employee's share options exercised	230	356	-	-	-	-	-	586	-	586
Total transactions with owners	230	356	-	-	-	-	(1,106)	(520)	-	(520)
As at 30 September 2016	22,238	1,116	8,985	555	4,701	(607)	24,591	61,579	433	62,012

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 2016 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 9-Months Period Ended 30 September 2017

	Unaudited 9-Months Ended 30/9/2017 RM'000	Unaudited 9-Months Ended 30/9/2016 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	9,526	4,324
Adjustments for:-		
Amortisation of development cost	15	14
Depreciation of property, plant and equipment	955	846
Equipment written off	10	4
Impairment loss on trade receivables	589	3,808
Impairment loss on due from customer on construction contract	640	3,393
Interest expense	503	314
Interest income	(147)	(52)
Loss on disposal of equipment	60	64
Share-based payments	366	-
Writeback of impairment loss on trade receivables	(44)	-
Unrealised loss on foreign exchange	530	72
Operating profit before working capital changes	13,003	12,787
Increase in inventory	(441)	(28)
Decrease in amounts owing by/to contract customers	3,386	19,519
Increase in trade and other receivables	(13,040)	(26,254)
Decrease in trade and other payables	(11,078)	(15,842)
CASH FOR OPERATIONS	(8,170)	(9,818)
Income tax paid	(584)	(243)
Interest paid	(503)	(314)
Interest received	147	52
NET CASH FOR OPERATING ACTIVITIES	(9,110)	(10,323)
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(640)	(1,636)
Proceeds from resale of treasury shares	74	-
Proceeds from disposal of equipment	81	238
Placement of fixed deposit pledged with licensed bank	(1,446)	(653)
Withdrawal of cash pledged with licensed bank	-	531
Net cash outflow on acquisition of a subsidiary (Note 1)	(248)	-
Capital contribution from non-controlling interests	100	-
NET CASH FOR INVESTING ACTIVITIES	(2,079)	(1,520)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,287)	(1,106)
Drawdown of revolving credit	4,822	8,114
Repayment of trust receipts	(6,900)	(2,362)
Repayment of hire purchase obligations	(176)	(232)
Repayment of term loan	(6,819)	(8,944)
Proceeds from exercise of employee's share options	1,902	586
Repayment of bankers' acceptance	(176)	-
Drawdown of invoice financing	11,195	13,230
Drawdown of factoring loan	-	4,862
Drawdown of foreign currency loan	-	447
NET CASH FROM FINANCING ACTIVITIES	1,561	14,595
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(9,628)	2,752
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,077	(615)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	34,361	18,983
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	25,810	21,120

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

Cash and bank balances	17,479	22,442
Fixed deposits	18,464	7,815
Bank overdraft	(451)	(983)
	35,492	29,274
Less: fixed deposits pledged with licensed banks	(9,682)	(7,815)
Less: cash at bank pledged with a licensed bank	-	(339)
	25,810	21,120

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 2016 and the accompanying explanatory notes enclosed to the interim financial statements.

Note 1

On 6 February 2017, the Company had acquired 3,528,000 ordinary shares, representing 49% of the total issued and paid-up capital of HITI Engineering (M) Sdn. Bhd. (Company No. 151260-M) ("HITI") for a total consideration of RM303,121.65.

The fair value of the net assets acquired and cash flow arising from the acquisition as at acquisition date is as follows: -

	RM'000
Other receivables	261
Cash and cash equivalents	55
Prepaid tax	44
Other payables	(8)
Net Assets	352
Less: NCI	(49)
Purchase consideration	303
Cash and cash equivalents of a subsidiary acquired	(55)
Exchange difference	-
Net cash outflow on acquisition in a subsidiary company	248

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

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 2016. 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 2016.

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 2016.

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
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	01 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	01 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment	01 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance	01 January 2018
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 15: Effective Date of MFRS 15	01 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	01 January 2018
Amendments to MFRS 107: Disclosure Initiative	01 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	01 January 2017

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

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

2. Status of Audit Qualification

There were no audit qualification to the annual audited financial statements of the Group for the FYE 31 December 2016.

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	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RM'000	RM'000	RM'000	RM'000
Malaysia	94,537	56,005	5,630	6,172
China	38,364	29,469	1,151	1,159
Taiwan	27,001	22,146	296	700
Singapore	47,668	112,263	7,275	8,621
Indonesia	3,720	8,381	-	-
Philippines	2,061	5,880	-	-
Other	-	1	-	-
	213,351	234,145	14,352	16,652

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 30 September 2017.

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

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 1 sen per ordinary share (FYE 31 December 2015: 0.5 sen per ordinary share) amounting to RM2,287,143 in respect of the FYE 31 December 2016 had been approved by the shareholders of KGB during the Seventeenth Annual General Meeting of KGB which was held on 13 June 2017. The dividend was paid on 2 August 2017.

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 2017, 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

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

11. Discontinued Operation

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

12. Capital Commitments

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

13. Changes in Contingent Liabilities and Contingent Assets

	Company	
	As at 30/9/2017 Unaudited RM'000	As at 30/9/2016 Unaudited RM'000
Contingent liabilities		
Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries	13,658	22,105

14. Material Subsequent Events

There has been no material subsequent events after the quarter ended 30 September 2017.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

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

1 Review Of Performance

	Current Year Quarter 30/09/2017 RM'000	Preceding Year Corresponding Quarter 30/09/2016 RM'000	Changes		Current Year-to-date 30/09/2017 RM'000	Preceding Year Corresponding Period 30/09/2016 RM'000	Changes	
			Amount RM'000	%			Amount RM'000	%
Revenue	87,226	61,175	26,051	43%	213,351	234,145	(20,794)	-9%
Operating profit	4,714	2,239	2,475	111%	10,105	4,803	5,302	110%
Profit before tax	4,469	2,074	2,395	115%	9,526	4,324	5,202	120%
Profit after tax	3,237	2,017	1,220	60%	7,588	4,126	3,462	84%
Profit attributable to shareholders of the company	3,248	2,020	1,228	61%	7,652	4,116	3,536	86%

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Revenue Currency Year Quarter 30/09/2017 RM'000	Revenue Preceding Year Corresponding Quarter 30/09/2016 RM'000
Ultra High Purity	30,368	5,865
Process Engineering	25,459	6,841
General Contracting	31,283	48,469
Industrial Gases	116	-
Total	87,226	61,175

The Group's revenue for the quarter ended 30 September 2017 ("3Q2017") recorded an increase of 43% to RM87.23 million, as compared to RM61.18 million from the same period last year ("3Q2016"), mainly contributed by an increase in revenue contributions from the Ultra High Purity division, which grew by 418% year-on-year ("y-o-y") and Process Engineering division (+272% year-on-year). In 3Q2017, the newly established Industrial Gases division has seen steady growth every quarter and contributed RM0.12 million to the Group's revenue.

During the quarter under review, revenue across all of the Group's key operating markets grew. Malaysia recorded the highest growth of 62% y-o-y, followed by Singapore (+50% y-o-y), Taiwan (+48% y-o-y), as well as China (+43% y-o-y).

3Q2017 gross profit margins increased to 14.3% as compared to 10.2% in 3Q2016. The increase is attributable to the Group's stronger operational efficiencies and more favourable project mix. Revenue contributions from the Ultra High Purity and Process Engineering division, which carry higher profit margins, increased to 64% of the Group's total revenue in 3Q2017 as compared to 22% in 3Q2016. As a result, 3Q2017 gross profit doubled to RM12.5 million from RM6.3 million in 3Q2016.

Subsequently, 3Q2017 Profit before tax ("PBT") more than doubled to RM4.47 million as compared to RM2.07 million in 3Q2016. PBT margins increased to 5.1% from 3.4% in the previous year.

The effective tax rate in 3Q2017 stood at 28%, higher than the statutory tax rate. This is due to the expiry of the Pioneer Status of one of the Group's wholly-owned subsidiary, Kelington Technologies Sdn Bhd in May 2017 as well as certain non-deductible expenses incurred by the Group in 3Q2017.

Hence, the Group's 3Q2017 profit after tax ("PAT") recorded a growth of 60% to RM3.24 million as compared to RM2.02 million in 3Q2016.

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

For the nine months period ended 30 September 2017 ("9M2017"), the Group recorded a revenue of RM213.35 million, 9% lower as compared to the previous year's corresponding period. The decrease is a result of the management's efforts to focus more on bottom-line profit growth as compared to top-line revenue growth by optimizing the Group's project mix and improving cost control.

In 9M2017, revenue from the Process Engineering division grew by 191% y-o-y. Revenue from the Ultra High Purity division decreased by 37% due to the absence of revenue recognition from a major project in Singapore secured in 2015 which has been completed. The newly established Industrial Gases division contributed revenue of RM0.45 million.

	Revenue 30/09/2017 RM'000	% of total	Revenue 30/09/2016 RM'000	% of total
Ultra High Purity	85,946	40%	136,695	58%
Process Engineering	45,820	21%	15,736	7%
General Contracting	81,136	38%	81,714	35%
Industrial Gases	449	0%	-	-
Total	213,351		234,145	

In 9M2017, the largest revenue growth was from Malaysia (+69% y-o-y). This was followed by China (+30% y-o-y) and Taiwan (+22% y-o-y). Revenue from Singapore declined by 58% y-o-y due to the absence of revenue recognition of a major project which has been completed as stated above.

Cost optimization efforts led to an improvement in gross profit margins to 12.7% in 9M2017 from 11.0% in 9M2016.

PBT improved 120% y-o-y to RM9.53 million with PBT margin increasing to 4.5% from 1.9% in the previous year. This was due to the lower provision of impairment losses on projects and receivables (RM1.23 million in 9M2017 versus RM7.20 million in 9M2016).

As for PAT, the Group recorded 84% growth y-o-y to RM7.59 million against RM4.13 million in the same period last year.

KELINGTON GROUP BERHAD ("KGB")
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1 Review Of Performance (Cont'd)

(c) Variation of Results Against Preceding Quarter

	Current Quarter 30/09/2017 RM'000	Immediate Preceding Quarter 30/06/2017 RM'000	Changes	
			Amount RM'000	%
Revenue	87,226	69,622	17,604	25%
Operating profit	4,714	2,825	1,889	67%
Profit before tax	4,469	2,656	1,813	68%
Profit after tax	3,237	2,315	922	40%
Profit attributable to shareholders of the company	3,248	2,336	912	39%

The Group's revenue increased by 25% quarter on quarter ("q-o-q") or RM17.60 million to RM87.23 million as compared to RM69.62 million, on the back of improved revenue from the Singapore, China and Taiwan markets for projects across the General Contracting, Project Engineering, and Industrial Gases divisions.

On a q-o-q comparison, gross profit margins strengthened to 14.3% from 12.8% and PBT margins increased to 5.1% from 3.8%. Hence, gross profit and PBT rose by 40% and 68% respectively.

Income tax expense rose to RM1.23 million from RM0.34 million in the previous quarter due to the reasons stated above. Net profit grew q-o-q by 40%.

(d) Statement of Financial Position

Financial Indicators	As at 30/9/2017 RM'000	As at 31/12/2016 RM'000	As at 30/9/2016 RM'000
Total assets	196,367	199,945	198,205
Total equity	75,808	66,993	62,012
Debt	26,958	24,561	35,597
Deposits, cash & bank balance	35,943	42,597	30,257
Net debt	(8,985)	(18,036)	5,340
Net debt-to-Equity	(0.12)	(0.27)	0.09

The proceeds of RM1.90 million injected from the employees shares option exercise and continuous quarterly profit contributed to the growth in total equity to RM75.81 million.

The Group's financial position has strengthened from a net gearing level of 0.09x a year ago to a net cash position as at 30 September 2017 with total cash of RM35.9 million exceeding total debt of RM27.0 million.

The majority of the Group's debt are short term in nature and are used for project financing purposes. In one year, total debt was pared down by RM8.7 million as the Group settled the loan in tandem with completion of projects. Net cash per share stood at 3.7sen.

2 Commentary Of Prospects

The Group remains committed to strengthen and grow its market position especially in China, which is amongst the top three largest spending countries on fab equipment. China is expected to be the key growth driver for the global semiconductor industry in 2017 and 2018. In light of this, the Group has recently increased its project biddings and has clinched multiple projects from major global semiconductor foundries in China.

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

Year-to-date, the Group had secured new projects amounting to approximately RM292 million. The Group continues to record a healthy orderbook growth and combined with the carried forward orderbooks, the Group has an orderbook on hand of RM454 million, of which RM241 million remains outstanding. The progress billing of the outstanding orderbook will contribute positively to the Group's financial performance.

In an effort to expand the revenue stream, the Group ventured into the Industrial Gases business, as announced on 28 March 2017. The Group secured its first 10-year contract in this business division from a major photovoltaic manufacturer which is expected to contribute positively commencing the next financial year ending 31 December 2018. The Group aims to expand further into this business as it will add a stable and recurring income stream to the Group.

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.

KELINGTON GROUP BERHAD ("KGB")
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EXPLANATORY NOTES TO THE QUARTERLY REPORT
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3 Profit Forecast and Profit Guarantee

The Company did not announce any profit forecast or profit estimate for the FYE 31 December 2017 in any public document and hence this information is not applicable.

4 Profit for the Period

	Quarter ended		Year-to-date ended	
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	65	20	147	52
Interest expense	(53)	(141)	(503)	(314)
Impairment loss on trade receivables	(267)	-	(589)	(3,808)
Impairment loss on due from customer on construction contracts	(640)	(22)	(640)	(3,393)
Depreciation and amortisation	(315)	(310)	(955)	(860)
Equipment written off	(9)	-	(10)	(4)
Unrealised Foreign exchange (loss)/gain	(572)	1,277	(530)	72
Realised Foreign exchange (loss)/gain	146	48	(30)	785
Loss on disposal of equipment	-	-	(60)	(64)
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 30/9/17 RM'000	Cumulative Year to date ended 30/9/17 RM'000
Current tax:		
- for the financial period	1,232	1,938

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, 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

The borrowings as at 30 September 2017 versus 30 September 2016 are as follows:

	As At 30 September 2017					
	Curren Liabilities		Non-current Liabilities		Total Borrowings	
	Foreign Currency ('000)	RM'000	Foreign Currency ('000)	RM'000	Foreign Currency ('000)	RM'000
Secured						
Hire purchase	-	169	-	360	-	529
Term Loan	NTD 16,475	2,394	-	104	NTD 16,475	2,498
Revolving loan	SGD 200	11,322	-	-	SGD 200	11,322
Factoring	-	-	-	-	-	-
Foreign currency loan	-	-	-	-	-	-
Import Loan/Invoice financing	SGD 11,945	12,158	-	-	SGD 11,945	12,158
Bank draft	-	451	-	-	-	451
Letter of credit	-	-	-	-	-	-
Unsecured						
Nil	-	-	-	-	-	-
		26,494		464		26,958
Weighted average interest rate of borrowings						5.43%
Proportion of borrowings between fixed interest rate and floating interest rate						92% : 8%

There is no material changes during the nine months ended 30 September 2017. The increase in borrowings mainly used for working capital.

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7 Group Borrowings (Cont'd)

	As At 30 September 2016					
	Curren Liabilities		Non-current Liabilities		Total Borrowings	
	Foreign Currency ('000)	RM'000	Foreign Currency ('000)	RM'000	Foreign Currency ('000)	RM'000
Secured						
Hire purchase	-	721	-	30	-	751
	<i>NTD 13,555, SGD37</i>				<i>NTD 13,555, SGD37</i>	
Term Loan		2,045	-	165		2,210
Revolving loan	<i>SGD 1,000</i>	13,114	-	-	<i>SGD 1,000</i>	13,114
Factoring	<i>SGD 1,605</i>	4,862	-	-	<i>SGD 1,605</i>	4,862
Foreign currency loan	<i>USD 110</i>	447	-	-	<i>USD 110</i>	447
Import Loan/Invoice financing	<i>SGD 1,070, RMB16,112</i>	13,230	-	-	<i>SGD 1,070, RMB16,112</i>	13,230
Bank draft	-	983	-	-	-	983
Letter of credit	-	-	-	-	-	-
Unsecured						
Nil	-	-	-	-	-	-
		35,402		195		35,597
Weighted average interest rate of borrowings						4.99%
Proportion of borrowings between fixed interest rate and floating interest rate						94% : 6%

The material changes to borrowings of the Group during the nine months ended 30 September 2016 mainly used for project undertaken in Taiwan, Singapore and China. It would be fully repaid upon the completion of the jobs.

8 Material Litigation

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

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

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

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

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

On 19 January 2017, High court decided to call the witnesses to Court to give evidence on the next hearing. On 24 February 2017, 7 April 2017, 18 May 2017, 6 July 2017, 25 August 2017, 28 September 2017 and 16 November 17, High court had heard the evidences given by the witnesses and fixed the next hearing on 21 December 2017.

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

(2) Updates on 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.

8 Material Litigation (Cont'd)

(2) Updates on 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") (Cont'd)

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.

(3) Updates on adjudication proceeding between KTSB, a wholly owned subsidiary of Kelington, against Biocon Sdn. Bhd.

On 28 February 2017, KTSB (Company No.: 562280-U), a wholly owned subsidiary of Kelington served a Notice of Adjudication to Biocon Sdn. Bhd. (Company No. 930330-U) ("Biocon") in accordance with Section 7 and 8 of Construction Industry Payment & Adjudication Act 2012 ("CIPAA") to seek following reliefs or remedies from Biocon:-

Payment amounting to RM5,027,062.04 (inclusive of interest and Goods and Service Tax ("GST")) being the outstanding payment due to KTSB; Interest on the unpaid amounts from the date of payment was due to the date full payment is received (The interest rate on the unpaid amounts is 7.65% p.a.); and all cost incurred by KTSB in referring the dispute to adjudication, including but not limited to KTSB's claim consultant's cost, the registration and administrative fee of Kuala Lumpur Regional Centre of Arbitration, and the adjudicator's fee.

On 16 July 2013, KTSB was appointed by Biocon as the Contractor pursuant to three (3) Purchase Orders under reference numbers BSDN/PROJ/SV/1300063, BSDN/PROJ/SV/1300064, BSDN/PROJ/SV/1300065 dated 16th July 2013 ("Contract") for the supply and installation of specialty gas system, clean piping and stainless steel piping work for the Biocon's factory in Nusajaya, Johor ("Works"). The Works were completed on 4th December 2015.

On 22 December 2016, KTSB ("Claimant") served a Payment Claim to Biocon ("Respondent") in accordance with Section 5 of CIPAA for the sum of RM6,183,648.07 (inclusive of interest) as Biocon had failed to make payment to KTSB.

On 12 January 2017, Biocon made a partial payment of RM1,342,022.00 (exclusive of interest and GST) to KTSB.

On 29 May 2017, the following procedures under the CIPAA had been completed:

- (i) KTSB submitted an Adjudication Claim (Form 7) dated 17 April 2017;
- (ii) Adjudication Response (Form 8) dated 12 May 2017 received from Biocon;
- (iii) KTSB submitted an Adjudication Reply (Form 9) dated 25 May 2017.

On 10 July 2017, The Adjudicator's Decision was as follows:-

- (i) The Respondent should pay the Claimant the sum of RM4,593,743.36;
- (ii) The Respondent should pay the Claimant simple interest at the rate of 5% per annum on the said sum of RM4,593,743.36 from the date of the Adjudication Decision until full and final settlement.
- (iii) The Respondent should pay the Claimant:-

- a. The Claimant's adjudication costs including the cost of the Claimant's Expert, which shall be taxed by the court;
- b. Advanced Payments to Kuala Lumpur Regional Centre for Arbitration (KLRC) as security deposit; and
- c. Interest of 5% p.a. calculated from the date of the adjudication decision until full and final settlement.

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 2017.

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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	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
Profit After Taxation attributable to owners of the company (RM'000)	3,248	2,020	7,652	4,116
Weighted average number of ordinary shares in issue ('000)	229,834	220,262	227,859	220,262
Basic Earnings Per Share (Sen)	1.41	0.92	3.36	1.87
Diluted Earnings Per Share (Sen) #	1.38	0.92	3.29	1.87

Note :

- Assuming the full exercise of 53,937,631 convertible warrants.

11 TRADE RECEIVABLES

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

30/09/2017	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
Not past due	45,366	(244)	45,122
Past due:			
- less than 3 months	15,359	-	15,359
- 3 to 6 months	1,603	-	1,603
- over 6 months	2,433	(102)	2,331
- over 1 year	15,102	(6,220)	8,882
	<u>79,863</u>	<u>(6,566)</u>	<u>73,297</u>

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

31/12/2016	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
Not past due	37,582	-	37,582
Past due:			
- less than 3 months	9,009	-	9,009
- 3 to 6 months	1,697	(86)	1,611
- over 6 months	6,675	(15)	6,660
- over 1 year	10,440	(6,001)	4,439
	<u>65,403</u>	<u>(6,102)</u>	<u>59,301</u>

12 DISCLOSURE OF REALISED AND UNREALISED PROFITS/ (LOSSES)

	Cumulative Year to date ended 30/9/17 RM'000	Cumulative Year to date ended 30/9/16 RM'000
Total retained profits of KGB:		
- Realised	35,394	24,216
- Unrealised	(688)	375
Total group retained profits as per consolidated accounts	<u>34,706</u>	<u>24,591</u>