

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Statement of Profit or Loss and Other Comprehensive Income
For The 2nd Quarter Ended 30 June 2017

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

Note	Unaudited Current Qtr Ended 30/6/2017 RM'000	Unaudited Previous Qtr Ended 30/6/2016 RM'000	Unaudited 6-months Period up to 30/6/2017 RM'000	Unaudited 6-months Period up to 30/6/2016 RM'000
Revenue	69,622	94,489	126,125	172,970
Cost of sales	(60,680)	(83,556)	(111,543)	(153,355)
Gross profit	8,942	10,933	14,582	19,615
Other income	(648)	496	316	870
Administrative expenses	(4,864)	(4,161)	(8,034)	(7,124)
Selling and distribution expenses	(333)	(238)	(600)	(385)
Other expenses	(272)	(4,924)	(873)	(10,412)
Results from operating activities	2,825	2,106	5,391	2,564
Finance costs	(169)	(189)	(334)	(314)
Profit before taxation for the financial period	2,656	1,917	5,057	2,250
Taxation	B5 (341)	(84)	(706)	(141)
Profit after taxation for the financial period	2,315	1,833	4,351	2,109
Other comprehensive (expense)/income, net of tax				
Foreign currency translation	(206)	122	855	(977)
	(206)	122	855	(977)
Total comprehensive income for the period	2,109	1,955	5,206	1,132
Profit attributable to:				
Shareholders of the Company	2,336	1,839	4,404	2,096
Non-controlling interests	(21)	(6)	(53)	13
Profit after taxation for the financial period	2,315	1,833	4,351	2,109
Total comprehensive income attributable to:				
Shareholders of the Company	2,185	1,948	5,267	1,142
Non-controlling interests	(76)	7	(61)	(10)
Total comprehensive income for the period	2,109	1,955	5,206	1,132
Basic earnings per ordinary share (sen):				
Basic earnings per share (sen)	B10 1.02	0.83	1.93	0.95
Diluted earnings per share (sen)	B10 1.02	0.83	1.93	0.95

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 June 2017

	Unaudited As At 30/6/2017 RM'000	Audited As At 31/12/2016 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	8,048	8,329
Goodwill on consolidation	6,516	6,479
Development costs	7	17
Other receivables	-	184
Non-current tax assets	-	349
	14,571	15,358
Current assets		
Inventories	390	167
Amount owing by contract customers	56,897	68,906
Trade receivables	59,964	59,301
Other receivables, prepayments and deposits	9,629	12,765
Current tax assets	760	851
Cash and cash equivalents	35,620	42,597
	163,260	184,587
	177,831	199,945
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity		
Share capital	24,140	22,238
Share premium	1,686	1,315
Retained earnings	33,745	29,341
Other reserve	14,815	14,289
Treasury share	(534)	(608)
	73,852	66,575
Total Equity attributable to Shareholders of the Company		
Non-controlling interests	516	418
	74,368	66,993
Total Equity		
Non-current liabilities		
Deferred tax liabilities	160	158
Long-term borrowings	527	897
	687	1,055
Current liabilities		
Amount owing to contract customers	37,569	40,550
Trade payables	36,747	45,921
Other payables and accruals	14,437	21,219
Current tax liabilities	671	543
Short term borrowings	13,352	23,664
	102,776	131,897
Total liabilities	103,463	132,952
	177,831	199,945
TOTAL EQUITY AND LIABILITIES		
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.3236	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 2nd Quarter Ended 30 June 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	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	-	-	-	-	-	-	4,404	4,404	(53)	4,351
Other comprehensive expense, net of tax:										
- Foreign currency translation	-	-	-	-	863	-	-	863	(8)	855
Total comprehensive (expense)/ income for the financial period	-	-	-	-	863	-	4,404	5,267	(61)	5,206
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
- Employees' share scheme reserve	-	-	-	34	-	-	-	34	-	34
- Employees' share option exercise	1,902	371	-	(371)	-	-	-	1,902	-	1,902
Total recognised income and expense for the period	1,902	371	-	(337)	-	74	-	2,010	159	2,169
As at 30 June 2017	24,140	1,686	8,985	34	5,796	(534)	33,745	73,852	516	74,368
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	-	-	-	-	-	-	2,096	2,096	13	2,109
Other comprehensive income, net of tax:										
- Foreign currency translation differences	-	-	-	-	(954)	-	-	(954)	(23)	(977)
Total comprehensive income for the financial period	-	-	-	-	(954)	-	2,096	1,142	(10)	1,132
Contributions by and distribution to owners of the company:										
- purchase of treasury shares	-	-	-	-	-	*	-	-	-	*
- Employee's share options exercised	230	356	-	-	-	-	-	586	-	586
Total transactions with owners	230	356	-	-	-	-	-	586	-	586
As at 30 June 2016	22,238	1,116	8,985	555	4,762	(607)	23,677	60,726	391	61,117

* : - Less than RM1,000

ESOS: Employee Shares Option Scheme

ESS: Employee Share Scheme

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.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Condensed Consolidated Statement of Cash Flow
For The 6-Months Period Ended 30 June 2017

	Unaudited 6-Months Ended 30/6/2017 RM'000	Unaudited 6-Months Ended 30/6/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,057	2,250
Adjustments for:-		
Amortisation of development cost	10	9
Depreciation of property, plant and equipment	640	541
Equipment written off	1	4
Impairment loss on trade receivables	318	3,808
Impairment loss on due from customer on construction contract	-	3,371
Interest expense	450	173
Interest income	(82)	(32)
Loss on disposal of equipment	60	64
Share-based payments	34	-
Unrealised loss on foreign exchange	42	2,183
Operating profit before working capital changes	6,530	12,371
Increase in inventory	(223)	(564)
Decrease in amounts owing by/to contract customers	9,028	5,134
Decrease/(Increase) in trade and other receivables	2,558	(26,458)
Decrease in trade and other payables	(15,964)	(18,394)
CASH FROM/(FOR) OPERATIONS	1,929	(27,911)
Income tax paid	(94)	(148)
Interest paid	(450)	(173)
Interest received	82	32
NET CASH FROM/(FOR) OPERATING ACTIVITIES	1,467	(28,200)
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(510)	(1,577)
Proceeds from resale of treasury shares	74	-
Proceeds from disposal of equipment	81	185
Placement of fixed deposit pledged with licensed bank	(1,229)	(419)
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	(1,732)	(1,280)
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES		
(Repayment)/Drawdown of revolving credit	(2,500)	7,577
Repayment of trust receipts	(6,900)	(893)
Repayment of hire purchase obligations	(139)	(130)
Repayment of term loan	(6,400)	(8,438)
Proceeds from exercise of employee's share options	1,902	586
Repayment of bankers' acceptance	(176)	-
Drawdown of invoice financing	5,433	16,000
Drawdown of factoring loan	-	13,265
NET CASH (FOR)/FROM FINANCING ACTIVITIES	(8,780)	27,967
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,045)	(1,513)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	839	(278)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	34,361	18,983
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	26,155	17,192

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

Cash and bank balances	18,849	17,531
Fixed deposits	16,771	7,581
	35,620	25,112
Less: fixed deposits pledged with licensed banks	(9,465)	(7,581)
Less: cash at bank pledged with a licensed bank	-	(339)
	26,155	17,192

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 JUNE 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
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	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RM'000	RM'000	RM'000	RM'000
Malaysia	63,203	36,685	5,777	6,165
China	21,928	18,013	1,217	1,191
Taiwan	17,385	15,639	272	669
Singapore	18,164	92,637	7,305	8,552
Indonesia	3,393	6,838	-	-
Philippines	2,052	3,157	-	-
Other	-	1	-	-
	126,125	172,970	14,571	16,577

4. Unusual Items

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

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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 2017, 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) Employee's Shares Option Scheme ("ESOS")

	No. of Shares	Ordinary Shares (RM'000)
As at 1 April 2017	225,510,049	23,037
Issued at RM0.255 per share pursuant to ESOS on:		
- 7 April 2017	1,631,801	417
- 12 May 2017	2,383,116	608
- 8 June 2017	309,200	79
As at 30 June 2017	229,834,166	24,140

(II) Resale of Treasury Shares

On 16 May 2017, the Company resold its treasury shares of 100,000 shares at RM0.735 per share.

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 30/6/2017 Unaudited RM'000	As at 30/6/2016 Unaudited RM'000
Contingent liabilities		
Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries	6,176	36,712

14. Material Subsequent Events

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

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

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

1 Review Of Performance

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Current Year Quarter 2Q2017 30/06/2017 RM'000	Preceding Year Corresponding quarter 2Q2016 30/06/2016 RM'000	Variance RM'000	%
Revenue	69,622	94,489	(24,867)	-26.32%
Profit before taxation	2,656	1,917	739	38.55%
Profit before taxation margin	3.82%	2.03%		

For the current quarter ended 30 June 2017 (2Q 2017), the Group's revenue decreased by 26.32% as compared to 2Q 2016. Revenue in 2Q 2016 included the progress billing of a major project secured in 2015 that has since been completed involving the supply of a bulk gas system, clean dry air distribution system and exhaust distribution system in Singapore.

Profit before tax (PBT) increased by 38.55% to RM2.66 million compared to RM1.92 million in the previous year. This was mainly due to the absence of an impairment loss which had impacted the previous year.

The Group's efforts to improve its operational efficiencies and cost structure has led to an increase in the Group's PBT margins to 3.82% from 2.03% in the previous year.

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

	Current Year to-Date 1H2017 30/06/2017 RM'000	Preceding Year Corresponding period 1H2016 30/06/2016 RM'000	Variance RM'000	%
Revenue	126,125	172,970	(46,845)	-27.08%
Profit before taxation	5,057	2,250	2,807	124.76%
Profit before taxation margin	4.01%	1.30%		

For the six months period ended 30 June 2017 (1H2017), revenue decreased year-on-year by 27.08% to RM126.13 million whilst profit before tax more than doubled to RM5.06 million due to the reasons as explained above.

1H2017 PBT margins improved to 4.01% from 1.30% in the previous year. The improvement in profit margins was attributed to a higher revenue contribution from the Process Engineering segment, which bear higher profit margins, which grew to 16.14% from 5.14% of the Group's total 1H2017 revenue.

	Revenue Current Year to-Date 1H2017 30/06/2017 RM'000	% of total	Revenue Preceding Year Corresponding period 1H2016 30/06/2016 RM'000	% of total
Ultra High Purity	55,578	44.07%	130,830	75.64%
Process Engineering	20,361	16.14%	8,895	5.14%
General Contracting	49,853	39.53%	33,245	19.22%
Industrial Gases	333	0.26%	-	-
Total	126,125		172,970	

In 1H2017, revenue from Malaysia contributed 50% to the Group's total revenue, followed by China (17%), Taiwan (14%) and Singapore (14%). Projects in Indonesia and Philippines contributed the remaining 5%.

(c) Variation of Results Against Preceding Quarter

	Current Year Quarter 2Q2017 30/06/2017 RM'000	Previous Quarter 1Q2017 31/03/2017 RM'000	Variance RM'000	%
Revenue	69,622	56,503	13,119	23.22%
Profit before taxation	2,656	2,401	255	10.62%
Profit before taxation margin	3.82%	4.25%		

Revenue increased by 23.22% to RM69.62 million from RM56.50 million in the previous quarter as the Group undertook more jobs in Malaysia and Indonesia in the current quarter as compared to the previous quarter.

PBT increased by 10.62% to RM2.66 million from RM2.40 million in the previous quarter. The lower growth is due to a foreign exchange loss of RM0.88 million incurred in 2Q 2017 as compared to a foreign exchange gain of RM0.75 million in 1Q 2017.

2 Commentary Of Prospects

The Group aims to capture a share of the growing semiconductor capex spending, especially in Taiwan and China, who are amongst the top three largest spending countries on fab equipment.

According to industry reports by SEMI, global capex spending in the semiconductor industry for fab construction and fab equipment is expected to hit a record high of USD 57 billion in 2017 and USD 64 billion in 2018. A large part of that growth is expected to come from China's anticipated increase in its overall fab spending (construction and equipment together) by 54% in 2017 and 60% in 2018.

The Group continues to enjoy a healthy orderbook replenishment rate. Year-to-date, the Group has clinched new projects worth approximately RM180 million. Including the orderbook carried forward from the previous year, the Group has an orderbook on hand of RM342 million, of which RM205 million remains outstanding. The progress billing of the outstanding orderbook will contribute positively to the Group's financial performance.

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2 Commentary Of Prospects (Cont'd)

Over the longer term, the newly established Industrial Gases division will be positively impacted by the recently secured long-term 10-year contract with a major photovoltaic manufacturer. Contribution from this contract is expected to commence in the next financial year ending 31 December 2018. The Group aims to grow this business further, which will add a stable and recurring income stream to the Group.

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	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	33	16	82	32
Interest expense	(218)	(48)	(450)	(173)
Impairment loss on trade receivables	-	(2,310)	(322)	(3,808)
Impairment loss on due from customer on construction contracts	-	(1,903)	-	(3,371)
Depreciation and amortisation	(321)	(274)	(640)	(550)
Equipment written off	-	-	(1)	(4)
Unrealised Foreign exchange (loss)/gain	(766)	979	42	(2,183)
Realised Foreign exchange (loss)/gain	(117)	433	(176)	736
Loss on disposal of equipment	-	-	(60)	(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 30/6/17	Cumulative Year to date ended 30/6/17
	RM'000	RM'000
Current tax:		
- for the financial period	341	706

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

The Circular to Shareholders in relation to the following Proposed Resolutions was circulated to the shareholders on 19 May 2017:-

- Proposed termination of the Company's existing Employees' Share Option Scheme ; and
- Proposed establishment of an Employee Share Scheme which entails a Share Grant Scheme of up to 7% of the issued shares of Kelington for eligible employees and directors of Kelington and its subsidiaries.

The Proposed Resolutions were duly passed by way of a poll at the EGM held on 13 June 2017.

On 19 June 2017, the Board of Directors of Kelington announced that the effective date for the implementation of the ESS is 19 June 2017.

On 20 June 2016, the Company announced that 16,000,000 KGB shares has been offered to the eligible employee under the ESS. Subject to certain vesting conditions and after fulfilment of certain performance target, such number of KGB shares to be vested entirely at the end of the 3-year period, with vesting occurring on or before 30 June 2020 or such other date to be determined by the ESS Committee.

7 Group Borrowings

(a) Breakdown of the Group's borrowings and debt securities as at 30 June 2017 were as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Short-term borrowing	13,352	-	13,352
Long-term borrowing	527	-	527
Total Borrowings	13,879	-	13,879

(b) Foreign currency borrowings and debt securities in RM equivalent as at 30 June 2017 were as follows:

Foreign currency	RM'000
New Taiwan Dollar	2,684
Chinese Yuan	6,176
Total	8,860

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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 and 6 July 2017, High court had heard the evidences given by the witnesses and fixed the next hearing on 25 August 2017.

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

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

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

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

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

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

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

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

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

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

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

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

(3) Commencement of 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 speciality 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.

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8 Material Litigation (Cont'd)

(3) Commencement of adjudication proceeding between KTSB, a wholly owned subsidiary of Kelington, against Biocon Sdn. Bhd. (Cont'd)

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

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.

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	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Profit After Taxation attributable to owners of the company (RM'000)	2,336	1,839	4,404	2,096
Weighted average number of ordinary shares in issue ('000)	228,374	220,811	227,859	220,262
Basic Earnings Per Share (Sen)	1.02	0.83	1.93	0.95
Diluted Earnings Per Share (Sen) #	1.02	0.83	1.93	0.95

Note :

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

11 DISCLOSURE OF REALISED AND UNREALISED PROFITS/ (LOSSES)

	Cumulative Year to date ended 30/6/17 RM'000	Cumulative Year to date ended 30/6/16 RM'000
Total retained profits of KGB:		
- Realised	33,863	24,600
- Unrealised	(118)	(923)
Total group retained profits as per consolidated accounts	33,745	23,677