

**KELINGTON GROUP BERHAD ("KGB")**  
**(Company No. 501386-P)**  
Statement of Profit or Loss and Other Comprehensive Income  
For The 2nd Quarter Ended 30 June 2018

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the year ended 30 June 2018 are as follow:-

Note	Unaudited Current Qtr Ended 30/06/2018 RM'000	Unaudited Previous Qtr Ended 30/06/2017 RM'000	+ - %	Unaudited 6-months Period up to 30/06/2018 RM'000	Unaudited 6-months Period up to 30/06/2017 RM'000	+ - %
Revenue	89,229	69,622	+ 28	175,777	126,125	+ 39
Cost of sales	(75,908)	(60,680)		(150,278)	(111,543)	
<b>Gross profit</b>	<b>13,321</b>	<b>8,942</b>	<b>+ 49</b>	<b>25,499</b>	<b>14,582</b>	<b>+ 75</b>
Other income	195	235		805	316	
Administrative expenses	(6,527)	(4,864)		(10,976)	(8,034)	
Selling and distribution expenses	(255)	(333)		(559)	(600)	
Other expenses	(1,220)	(1,155)		(2,517)	(873)	
<b>Results from operating activities</b>	<b>5,514</b>	<b>2,825</b>	<b>+ 95</b>	<b>12,252</b>	<b>5,391</b>	<b>+ 127</b>
Finance costs	(285)	(169)		(591)	(334)	
<b>Profit before taxation for the financial period</b>	<b>5,229</b>	<b>2,656</b>	<b>+ 97</b>	<b>11,661</b>	<b>5,057</b>	<b>+ 131</b>
Taxation	(892)	(341)		(3,130)	(706)	
<b>Profit after taxation for the financial period</b>	<b>4,337</b>	<b>2,315</b>	<b>+ 87</b>	<b>8,531</b>	<b>4,351</b>	<b>+ 96</b>
<b>Other comprehensive income, net of tax</b>						
Foreign currency translation	383	(206)		1,186	855	
	<b>383</b>	<b>(206)</b>		<b>1,186</b>	<b>855</b>	
<b>Total comprehensive income for the period</b>	<b>4,720</b>	<b>2,109</b>		<b>9,717</b>	<b>5,206</b>	
<b>Profit attributable to:</b>						
Shareholders of the Company	4,399	2,336	+ 88	8,609	4,404	+ 95
Non-controlling interests	(62)	(21)		(78)	(53)	
<b>Profit after taxation for the financial period</b>	<b>4,337</b>	<b>2,315</b>	<b>+ 87</b>	<b>8,531</b>	<b>4,351</b>	<b>+ 96</b>
<b>Total comprehensive income attributable to:</b>						
Shareholders of the Company	4,782	2,185		9,778	5,267	
Non-controlling interests	(62)	(76)		(61)	(61)	
<b>Total comprehensive income for the period</b>	<b>4,720</b>	<b>2,109</b>		<b>9,717</b>	<b>5,206</b>	
<b>Basic earnings per ordinary share (sen):</b>						
Basic earnings per share (sen)	1.79	1.02		3.56	1.93	
Diluted earnings per share (sen)	1.57	1.02		3.11	1.93	

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with KGB's audited consolidated financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes enclosed to the interim financial statements.

**KELINGTON GROUP BERHAD ("KGB")**  
**(Company No. 501386-P)**  
Statement of Financial Position  
As at 30 June 2018

	<b>Unaudited As At 30/06/2018 RM'000</b>	<b>Audited As At 31/12/2017 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	17,323	15,525
Goodwill on consolidation	5,994	6,336
	<b>23,317</b>	<b>21,861</b>
<b>Current assets</b>		
Inventories	-	969
Amount owing by contract customers	48,796	42,851
Trade receivables	89,859	81,194
Other receivables, prepayments and deposits	20,955	20,373
Current tax assets	1,029	464
Cash and cash equivalents	60,249	62,162
	<b>220,888</b>	<b>208,013</b>
<b>TOTAL ASSETS</b>	<b>244,205</b>	<b>229,874</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	37,734	25,826
Retained earnings	47,448	38,839
Other reserve	15,932	14,113
Treasury share	(534)	(534)
<b>Total Equity attributable to Shareholders of the Company</b>	<b>100,580</b>	<b>78,244</b>
Non-controlling interests	470	231
<b>Total Equity</b>	<b>101,050</b>	<b>78,475</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	696	157
Long-term borrowings	1,710	2,317
	<b>2,406</b>	<b>2,474</b>
<b>Current liabilities</b>		
Amount owing to contract customers	35,800	21,806
Trade payables	50,425	59,322
Other payables and accruals	30,174	35,274
Current tax liabilities	5,802	4,575
Short term borrowings	18,548	27,948
	<b>140,749</b>	<b>148,925</b>
<b>Total liabilities</b>	<b>143,155</b>	<b>151,399</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>244,205</b>	<b>229,874</b>
<b>Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)</b>	<b>0.4117</b>	<b>0.3414</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 2017 and the accompanying explanatory notes enclosed to the interim financial statements.

**KELINGTON GROUP BERHAD ("KGB")**  
**(Company No. 501386-P)**  
Condensed Consolidated Statements of Changes in Equity  
For The 2nd Quarter Ended 30 June 2018

	----- 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	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
<b>As at 1 January 2018</b>	25,826	-	8,985	696	4,432	(534)	38,839	<b>78,244</b>	231	<b>78,475</b>
Profit after taxation for the financial period	-	-	-	-	-	-	8,609	<b>8,609</b>	(78)	<b>8,531</b>
Other comprehensive expense, net of tax: - Foreign currency translation	-	-	-	-	1,169	-	-	<b>1,169</b>	17	<b>1,186</b>
Total comprehensive (expense)/ income for the financial period	-	-	-	-	1,169	-	8,609	<b>9,778</b>	(61)	<b>9,717</b>
Contributions by and distribution to owners of the company:										
- Utilisation of share premium against expenses incurred upon insurance of shares	(260)	-	-	-	-	-	-	<b>(260)</b>	-	<b>(260)</b>
- Issuance of ordinary shares via private placement	12,168	-	-	-	-	-	-	<b>12,168</b>	-	<b>12,168</b>
- Investment in a subsidiary: - Ace Gases Sdn Bhd	-	-	-	-	-	-	-	-	300	<b>300</b>
- Employees' share scheme reserve	-	-	-	650	-	-	-	<b>650</b>	-	<b>650</b>
Total recognised income and expense for the period	11,908	-	-	650	-	-	-	<b>12,558</b>	300	<b>12,858</b>
<b>As at 30 June 2018</b>	<b>37,734</b>	<b>-</b>	<b>8,985</b>	<b>1,346</b>	<b>5,601</b>	<b>(534)</b>	<b>47,448</b>	<b>100,580</b>	<b>470</b>	<b>101,050</b>
<b>As at 1 January 2017</b>	22,238	1,315	8,985	371	4,933	(608)	29,341	<b>66,575</b>	418	<b>66,993</b>
Profit after taxation for the financial period	-	-	-	-	-	-	4,404	<b>4,404</b>	(53)	<b>4,351</b>
Other comprehensive income, net of tax: - Foreign currency translation differences	-	-	-	-	863	-	-	<b>863</b>	(8)	<b>855</b>
Total comprehensive income for the financial period	-	-	-	-	863	-	4,404	<b>5,267</b>	(61)	<b>5,206</b>
Contributions by and distribution to owners of the company:										
- Acquisition/Investment of a subsidiary: - Hiti Engineering (M) Sdn Bhd	-	-	-	-	-	-	-	-	49	<b>49</b>
- Ace Gases Sdn Bhd	-	-	-	-	-	-	-	-	110	<b>110</b>
- Purchase of treasury shares	-	-	-	-	-	74	-	<b>74</b>	-	<b>74</b>
- Employees' share option reserve	-	-	-	34	-	-	-	<b>34</b>	-	<b>34</b>
- Employee's share options exercised	1,902	371	-	(371)	-	-	-	<b>1,902</b>	-	<b>1,902</b>
Total transactions with owners	1,902	371	-	(337)	-	74	-	<b>2,010</b>	159	<b>2,169</b>
<b>As at 30 June 2017</b>	<b>24,140</b>	<b>1,686</b>	<b>8,985</b>	<b>34</b>	<b>5,796</b>	<b>(534)</b>	<b>33,745</b>	<b>73,852</b>	<b>516</b>	<b>74,368</b>

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with KGB's audited consolidated financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes enclosed to the interim financial statements.

**KELINGTON GROUP BERHAD ("KGB")**  
**(Company No. 501386-P)**  
Condensed Consolidated Statement of Cash Flow  
For The 6-Months Period Ended 30 June 2018

	<b>Unaudited 6-Months Ended 30/06/2018 RM'000</b>	<b>Unaudited 6-Months Ended 30/06/2017 RM'000</b>
<b>CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES</b>		
Profit before taxation	11,661	5,057
Adjustments for:-		
Amortisation of development cost	-	10
Depreciation of property, plant and equipment	854	640
Equipment written off	13	1
Impairment loss on trade receivables	520	318
Interest expense	526	450
Interest income	(195)	(82)
(Gain)/ Loss on disposal of equipment	(23)	60
Share-based payments	650	34
Utilisation of share premium	(260)	-
Unrealised loss on foreign exchange	1,321	42
	15,067	6,530
Operating profit before working capital changes		
Decrease/ (Increase) in inventory	969	(223)
Decrease in amounts owing by/to contract customers	7,560	9,028
(Increase)/ Decrease in trade and other receivables	(11,068)	2,558
Decrease in trade and other payables	(14,017)	(15,964)
	(1,489)	1,929
<b>CASH (FOR)/FROM OPERATIONS</b>		
Income tax paid	(1,940)	(94)
Interest paid	(526)	(450)
Interest received	195	82
	(3,760)	1,467
<b>NET CASH (FOR)/FROM OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Purchase of plant and equipments	(1,729)	(510)
Proceeds from resale of treasury shares	-	74
Proceeds from disposal of equipment	45	81
Placement of fixed deposit pledged with licensed bank	(824)	(1,229)
Net cash inflow/ (outflow) from increase investment in a subsidiary	300	(248)
Capital contribution from non-controlling interests	-	100
	(2,208)	(1,732)
<b>NET CASH FOR INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM/ (FOR) FINANCING ACTIVITIES</b>		
Repayment of revolving credit	(13,500)	(2,500)
Repayment of trust receipts	-	(6,900)
Repayment of hire purchase obligations	(130)	(139)
Repayment of term loan	(460)	(6,400)
Proceeds from exercise of employee's share options	-	1,902
Repayment of bankers' acceptance	-	(176)
Drawdown of invoice financing	2,461	5,433
Drawdown of foreign currency loan	1,112	-
Proceeds from private placement	12,168	-
	1,651	(8,780)
<b>NET CASH FROM/ (FOR) FINANCING ACTIVITIES</b>		
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		
	(4,317)	(9,045)
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		
	1,580	839
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>		
	49,533	34,361
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>		
	46,796	26,155

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

Cash and bank balances	30,336	18,849
Fixed deposits	29,913	16,771
	60,249	35,620
Less: fixed deposits pledged with licensed banks	(13,453)	(9,465)
	46,796	26,155

**The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited consolidated financial statements of KGB for the year ended 31 December 2017 and the accompanying explanatory notes enclosed to the interim financial statements.**

**KELINGTON GROUP BERHAD ("KGB")  
(Company No. 501386-P)  
EXPLANATORY NOTES TO THE QUARTERLY REPORT  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

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

**1. Basis of Preparation**

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 : Interim Financial Reporting and in accordance to the requirements of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Malaysia**").

The interim financial statements should be read in conjunction with KGB's audited consolidated financial statements for the financial year ended ("**FYE**") 31 December 2017. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2017.

The accounting policies and methods of presentation and computation adopted in this interim financial report are consistent with those adopted in the most recent annual financial statements for the FYE 31 December 2017.

**Adoption of New and Revised Financial Reporting Standards ("FRSs")**

On 1 January 2018, the Group and the Company adopted the following new and amended MFRSs for annual financial periods beginning on or after 1 January 2018.

Description	Effective for annual period beginning on or after
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018

The adoption of the above standards and interpretation did not have any material effect on the financial performance or position of the Group and the Company.

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

MFRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective date
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

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

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

**2. Status of Audit Qualification**

There were no audit qualification to the annual audited financial statements of the Group for the FYE 31 December 2017.

**3. Segmental Information**

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

Geographical information

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

	Revenue		Non-current Assets	
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Malaysia	42,595	63,203	13,431	5,777
China	86,411	21,928	1,958	1,217
Taiwan	6,018	17,385	253	272
Singapore	39,805	18,164	7,675	7,305
Indonesia	947	3,393	-	-
Philippines	1	2,052	-	-
	<u>175,777</u>	<u>126,125</u>	<u>23,317</u>	<u>14,571</u>

**KELINGTON GROUP BERHAD ("KGB")**  
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**EXPLANATORY NOTES TO THE QUARTERLY REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**4. Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 30 June 2018.

**5. Material Changes in Estimates**

There were no material changes in estimates used in the preparation of the financial statements in the current financial quarter as compared with the previous financial quarters or financial year.

**6. Seasonal or Cyclical Factors**

The interim operations of the Group were not affected by any significant seasonal or cyclical factors during the quarter under review.

**7. Dividends Paid**

There were no dividends paid during the current quarter under review.

**8. Valuation of Property, Plant and Equipment**

Property, plant and equipment of the Group were not revalued during the current quarter under review. As at 30 June 2018, 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**

	<b>Company</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/06/2018</b>	<b>30/06/2017</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Contingent liabilities</b>		
Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries	14,811	6,176

**14. Material Subsequent Events**

Saved as disclosed in the following, there has been no material subsequent events after the quarter ended 30 June 2018.

(i) Employee Shares Scheme ("ESS")

On 2 July 2018, the Company increased its issued and paid up capital by the issuance of 1,282,170 ordinary shares by way of ESS.

(ii) Fund Raising via Private Placement

On 20 July 2018 and 10 August 2018, the Company increased its issued and paid up capital by the issuance of 7,271,426 ordinary shares at an issue price of RM0.78 by way of private placement. The new shares rank pari passu with the existing shares of the Company.

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**EXPLANATORY NOTES TO THE QUARTERLY REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

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

**1 Review Of Performance**

	Current Year Quarter 30/06/2018 RM'000	Preceding Year Corresponding Quarter 30/06/2017 RM'000	Changes		Current Year-to-date 30/06/2018 RM'000	Preceding Year Corresponding Period 30/06/2017 RM'000	Changes	
			Amount RM'000	%			Amount RM'000	%
Revenue	89,229	69,622	19,607	28%	175,777	126,125	49,652	39%
Operating profit	5,514	2,825	2,689	95%	12,252	5,391	6,861	127%
Profit before tax	5,229	2,656	2,573	97%	11,661	5,057	6,604	131%
Profit after tax	4,337	2,315	2,022	87%	8,531	4,351	4,180	96%
Profit attributable to shareholders of the company	4,399	2,336	2,063	88%	8,609	4,404	4,205	95%

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Revenue Currency Year Quarter 30/06/2018 RM'000	% of total	Revenue Preceding Year Corresponding Quarter 30/06/2017 RM'000	% of total
Ultra High Purity	75,046	84%	31,990	46%
Process Engineering	9,512	11%	15,051	22%
General Contracting	3,698	4%	22,336	32%
Industrial Gases	972	1%	245	0%
Total	89,229		69,622	

The Group's revenue for the quarter ended 30 June 2018 ("2Q2018") rose 28% to RM89.2 million, as compared to RM69.6 million from the same quarter last year ("2Q2017"). The increase is mainly contributed by higher revenue contribution from China and Singapore.

During the quarter under review, revenue from China increased by almost four-fold to RM39.7 million from RM10.1 million. China overtook Malaysia as the primary revenue contributor, representing 45% of the Group's total revenue in 2Q2018. Singapore came in second at 29%, followed by Malaysia (22%) and Taiwan (3%).

Revenue contribution from the Ultra High Purity ("UHP") division, representing 84% of the Group's 2Q2018 revenue, more than doubled to RM75.0 million from RM32.0 million in 2Q2017.

Subsequently, gross profit grew 49% to RM13.3 million from RM8.9 million in 2Q2017. Gross profit margins improved to 14.9% in 2Q2018 from 12.8% a year ago, on the back of higher contribution from UHP projects which typically provides higher margins.

Profit before tax ("PBT") also almost doubled to RM5.3 million in 2Q2018 as compared to RM2.7 million in 2Q2017. PBT margins increased to 5.9% from 3.8% in the previous year.

In 2Q2018, the Group recorded a higher effective tax rate of 17% as compared to 13% in 2Q2017 due to the expiry of the Pioneer Status of one of the Group's wholly-owned subsidiary, Kelington Technologies Sdn Bhd in May 2017 and certain non tax deductible expenses incurred.

Profit after tax ("PAT") in 2Q2018 increased to RM4.3 million as compared to RM2.3 million in 2Q2017.

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

For the six months period ended 30 June 2018 ("1H2018"), the Group recorded an increase of 39% in revenue to RM175.8 million as compared to RM126.1 million in the previous year's corresponding period ("1H2017"), mainly driven by higher contribution from UHP and Process Engineering divisions.

The UHP division remains the largest revenue contributor in 1H2018 at 79% followed by Process Engineering (14%), General Contracting (6%) and Industrial Gases (1%). Revenue from the UHP division more than doubled to RM138.4 million in 1H2018 as compared to RM55.6 million in 1H2017, on the back of larger projects undertaken in China. Meanwhile, Process Engineering division recorded 18% increase in revenue to RM24.1 million in 1H2018 against RM20.4 million a year ago.

	Revenue 1H2018 RM'000	% of total	Revenue 1H2017 RM'000	% of total
Ultra High Purity	138,392	79%	55,578	44%
Process Engineering	24,059	14%	20,361	16%
General Contracting	11,712	6%	49,853	40%
Industrial Gases	1,614	1%	333	0%
Total	175,777		126,125	

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**EXPLANATORY NOTES TO THE QUARTERLY REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

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

Revenue from the Industrial Gases division in 1H2018 stood higher at RM1.6 million, as compared to RM0.3 million in 1H2017. This is due to the commencement of the Group's first industrial gas supply contract involving the on-site supply of nitrogen gas to a photovoltaic cell manufacturer in Malaysia over a period of ten years.

In 1H2018, revenue from China and Singapore registered the strongest growth. Revenue from China almost four-folds to RM86.4 million versus RM21.9 million, while revenue from Singapore more than doubled to RM39.8 million as compared to RM18.2 million in 1H2017. Revenue contribution by geographical segments were led by China (49%), Malaysia (24%) and Singapore (23%).

Gross profit rose 75% to RM25.5 million in 1H2018 from RM14.6 million in 1H2017. Gross profit margins increased from 11.6% to 14.5% in 1H2018, boosted by projects completion under the UHP and Process Engineering divisions, which carry higher profit margins.

PBT in 1H2018 more than doubled to RM11.7 million against RM5.1 million in the same period last year. PBT margin increased to 6.6% from 4.0% in 1H2017.

The Group's effective tax was higher at 27% in 1H2018 as compared to 14% in 1H2017, mainly due to the expiry of the Pioneer Status of one of the Group's wholly-owned subsidiary, Kelington Technologies Sdn Bhd in May 2017 and certain non tax deductible expenses incurred.

Notwithstanding the higher tax rate, PAT jumped almost two-fold to RM8.5 million in 1H2018 from RM4.4 million in 1H2017.

(c) Variation of Results Against Preceding Quarter

	Current Quarter 30/06/2018 RM'000	Immediate Preceding Quarter 31/03/2018 RM'000	Changes	
			Amount RM'000	%
Revenue	89,229	86,548	2,681	3%
Operating profit	5,514	6,738	(1,224)	-18%
Profit before tax	5,229	6,432	(1,203)	-19%
Profit after tax	4,337	4,194	143	3%
Profit attributable to shareholders of the company	4,399	4,210	189	4%

The Group's revenue increased 3% quarter-on-quarter ("q-o-q") to RM89.2 million in 2Q2018 as compared to RM86.5 million reported in the preceding quarter ended 31 March 2018 ("1Q2018").

Included in 1Q2018 is the recognition of a one-off settlement claim from Biocon. Excluding the one-off gain, the Group's PAT would have registered an increase of 139% q-o-q in 2Q2018.

(d) Statement of Financial Position

Financial Indicators	As at 30/06/2018 RM'000	As at 31/12/2017 RM'000	As at 30/06/2017 RM'000
Total assets	244,205	229,874	177,831
Total equity	101,050	78,475	74,368
Debt	20,258	30,265	13,879
Deposits, cash & bank balance	60,249	62,162	35,620
Net cash	39,991	31,897	21,741
Debt-to-Equity	0.20	0.39	0.19

Year-to-date, the Group's shareholder equity (excluding non-controlling interests) rose 29% to RM100.6 million from RM78.2 million. The increase was mainly attributable to the proceeds injection from the private placement completed in early August 2018 (RM12.2 million as of June 2018), continuous quarterly profit, as well as from the employees shares option exercise (RM1.3 million).

As at 30 June 2018, The Group's total borrowings reduced by 33% to RM20.3 million from RM30.3 million as at 31 December 2017. Correspondingly, the Group's financial position has strengthened to a net cash position of RM40.0 million as at 30 June 2018, as compared to RM31.9 million in 31 December 2017. Total cash in hand stood at RM60.3 million exceeding total debt of RM20.3 million. Net cash per share stood at 20 sen.

The majority of the Group's debt are short term in nature and are used for project financing purposes and working capital for new industrial gas business division.



**KELINGTON GROUP BERHAD ("KGB")**  
**(Company No. 501386-P)**  
**EXPLANATORY NOTES TO THE QUARTERLY REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**2 Commentary Of Prospects**

Outlook for Kelington remains favourable as the Group continues to enjoy healthy orderbook growth from China, Malaysia and Singapore. The Group's new orders secured year-to-date has increased to RM236 million with majority from the UHP division. Combined with the carried forward projects, Kelington's orderbook increased to RM427 million, of which RM252 million remains outstanding. The progress billing of the outstanding orderbook will contribute positively to the Group's financial performance.

In the near term, the key growth driver for Kelington will be its UHP division. The UHP division contributes the largest portion to the Group's total outstanding order at 46%. The Group aims to sustain its growth momentum in the UHP business as it continues to expand its market share in the fastest growing semiconductor market, China.

Meanwhile, Kelington's continued efforts to expand its client network via the Process Engineering division bodes well for the Group's earnings growth. Projects from the Process Engineering division represents 36% of the Group's total outstanding orderbook. The diversified clientele allows the Group to bid for more projects beyond the high-tech sector.

Over the longer term, the Group aims to build up its recurring income business, anchored on the Industrial Gases division. Revenue contribution from the on-site gas supply business commenced in 1Q2018 and has contributed positively to the Group's recurring income stream. Along with the new manufacturing of liquid carbon dioxide ("LCO2") business expected to commence in 3Q2019, the Group expects earnings visibility to improve going forward.

The Group's key operations outside Malaysia, which are Taiwan, China and Singapore are carried out in the respective local currencies of those countries. Hence, the Group enjoys a natural currency hedge, and this minimizes the Group's exposure to the fluctuations in the currency markets.

**3 Profit Forecast and Profit Guarantee**

The Company did not announce any profit forecast or profit estimate for the FYE 31 December 2018 in any public document and hence this information is not applicable.

**4 Profit for the Period**

	Quarter ended		Year-to-date ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	108	33	195	82
Interest expense	(253)	(218)	(526)	(450)
Impairment loss on trade receivables	(520)	-	(520)	(322)
Depreciation and amortisation	(464)	(321)	(854)	(640)
Equipment written off	(13)	-	(13)	(1)
Unrealised Foreign exchange (loss)/gain	(400)	(766)	(1,321)	42
Realised Foreign exchange (loss)/gain	6	(117)	(163)	(176)
Gain/ (Loss) on disposal of equipment	28	-	23	(60)

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 30/06/18	Cumulative Year to date ended 30/06/18
	RM'000	RM'000
Current tax:		
- for the financial period	892	3,130

The effective tax rate of the Group for the current financial period under review is higher than the statutory tax rate mainly due to certain expenses being disallowed for taxation purposes and profits in certain subsidiary companies are separately assessed for tax and not relieved by losses in other companies within the Group as well as certain subsidiaries operating in different tax jurisdictions.

**KELINGTON GROUP BERHAD ("KGB")**  
**(Company No. 501386-P)**  
**EXPLANATORY NOTES TO THE QUARTERLY REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**6 Corporate Proposal**

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

The status of utilisation of proceeds derived from the private placement as below:

Utilisation Purposes	Timeframe for Utilisation	Proposed Utilisation	Actual Utilisation	Balance
		RM'000	RM'000	RM'000
To part finance the acquiring of carbon dioxide gas purification plant	Within 1 year from the date of listing	2,854	(737)	2,117
To part finance the subsequent phase of the construction of carbon dioxide gas purification plant, gas manufacturing facilities and gas delivery systems	Within 1 year from the date of listing	3,805	(1,576)	2,229
To part finance the acquisition of assets for the operations of the industrial gas business division	Within 1 year from the date of listing	6,522	(2,893)	3,629
General working capital	Within 1 year from the date of listing	4,279	(425)	3,854
Expenses relating to the Proposed Private Placement	Upon completion	380	(265)	115
		<b>17,840</b>	<b>(5,896)</b>	<b>11,944</b>

**7 Derivative Financial Instruments**

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

**8 Group Borrowings**

The borrowings as at 30 June 2018 versus 30 June 2017 are as follows:

	As At 30 June 2018					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Foreign Currency ('000)	RM'000	Foreign Currency ('000)	RM'000	Foreign Currency ('000)	RM'000
<b>Secured</b>						
Hire purchase	SGD 44	317	SGD 118	899	-	1,216
Term Loan	NTD 17,648	2,454	NTD 5,996	811	NTD 23,644	3,265
Foreign currency loan	USD 284	1,112	-	-	USD 284	1,112
Import Loan/Invoice financing	RMB 24,037	14,665	-	-	RMB 24,037	14,665
<b>Unsecured</b>						
Nil	-	-	-	-	-	-
		<b>18,548</b>		<b>1,710</b>		<b>20,258</b>
Weighted average interest rate of borrowings						5.28%
Proportion of borrowings between fixed interest rate and floating interest rate						18%:82%

The decrease in borrowing during the period ended 30 June 2018 is mainly due to repayment of revolving credit and completion of few major projects in Malaysia.

**KELINGTON GROUP BERHAD ("KGB")**  
**(Company No. 501386-P)**  
**EXPLANATORY NOTES TO THE QUARTERLY REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

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

	As At 30 June 2017					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Foreign Currency ('000)	RM'000	Foreign Currency ('000)	RM'000	Foreign Currency ('000)	RM'000
<b>Secured</b>						
Hire purchase	-	169	-	397	-	566
Term Loan	<i>NTD 19,004</i>	2,787	-	130	<i>NTD 19,004</i>	2,917
Revolving loan	-	4,000	-	-	-	4,000
Import Loan/Invoice financing	<i>RMB 9,754</i>	6,397	-	-	-	6,397
<b>Unsecured</b>						
Nil	-	-	-	-	-	-
		13,353		527		13,880
Weighted average interest rate of borrowings						5.72%
Proportion of borrowings between fixed interest rate and floating interest rate						18%:82%

The material changes to borrowings of the Group during the period ended 30 June 2017 mainly due to repayment of borrowing used for project undertaken in Taiwan, China and Singapore.

**9 Material Litigation**

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

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

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

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

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

On 19 January 2017, High court decided to call the witnesses to Court to give evidence on the next hearing. On 24 February 2017, 7 April 2017, 18 May 2017, 6 July 2017, 25 August 2017, 28 September 2017, 16 November 2017, 21 December 2017, 2 February 2018, 15 March 2018, 22 June 2018, 5 July 2018 and 10 August 2018, High court had heard the evidences given by the witnesses and fixed the final hearing on 29 Aug 2018.

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

**KELINGTON GROUP BERHAD ("KGB")  
(Company No. 501386-P)  
EXPLANATORY NOTES TO THE QUARTERLY REPORT  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

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

**(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.

**10 Dividends Payable**

The Board of Directors of KGB recommended the payment of a final tax-exempt dividend of 1.5 sen per ordinary share amounting to RM3,664,714 in respect of the FYE 31 December 2017 had been approved by the shareholders of KGB during the Eighteenth Annual General Meeting of KGB which was held on 13 June 2018. The dividend was paid on 25 July 2018.

**11 Earnings Per Share**

The earnings per share for the quarter and cumulative year to date are computed as follow:

	Current Quarter Ended		Cumulative Year To Date Ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Profit After Taxation attributable to owners of the company (RM'000)	4,399	2,336	8,609	4,404
Weighted average number of ordinary shares in issue ('000)	245,434	228,374	241,716	227,859
Basic Earnings Per Share (Sen)	1.79	1.02	3.56	1.93
Diluted Earnings Per Share (Sen) #	1.57	1.02	3.11	1.93

Note :

# - Assuming the full exercise of 53,937,631 convertible warrants and 16,088,392 shares of Employee Shares Scheme

**KELINGTON GROUP BERHAD ("KGB")**  
**(Company No. 501386-P)**  
**EXPLANATORY NOTES TO THE QUARTERLY REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**12 TRADE RECEIVABLES**

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

	<b>Gross Amount RM'000</b>	<b>Collective Impairment RM'000</b>	<b>Carrying Value RM'000</b>
<b>30/06/2018</b>			
Not past due	64,091	(41)	64,050
Past due:			
- less than 3 months	19,627	-	19,627
- 3 to 6 months	201	-	201
- over 6 months	61	-	61
- over 1 year	12,799	(6,879)	5,920
	<u>96,779</u>	<u>(6,920)</u>	<u>89,859</u>

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

	<b>Gross Amount RM'000</b>	<b>Collective Impairment RM'000</b>	<b>Carrying Value RM'000</b>
<b>30/06/2017</b>			
Not past due	26,298	(83)	26,215
Past due:			
- less than 3 months	20,825	-	20,825
- 3 to 6 months	383	-	383
- over 6 months	2,268	-	2,268
- over 1 year	16,484	(6,211)	10,273
	<u>66,258</u>	<u>(6,294)</u>	<u>59,964</u>

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

	<b>Cumulative Year to date ended 30/06/18 RM'000</b>	<b>Cumulative Year to date ended 30/06/17 RM'000</b>
Total retained profits of KGB:		
- Realised	49,465	24,600
- Unrealised	(2,017)	(923)
Total group retained profits as per consolidated accounts	<u>47,448</u>	<u>23,677</u>