

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
Statement of Profit or Loss and Other Comprehensive Income
For The 3rd Quarter Ended 30 September 2018

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

Note	Unaudited Current Qtr Ended 30/09/2018 RM'000	Unaudited Previous Qtr Ended 30/09/2017 RM'000	+ - %	Unaudited 9-months Period up to 30/09/2018 RM'000	Unaudited 9-months Period up to 30/09/2017 RM'000	+ - %
Revenue	63,656	87,226	- 27	239,433	213,351	+ 12
Cost of sales	(50,499)	(74,736)		(200,777)	(186,279)	
Gross profit	13,157	12,490	+ 5	38,656	27,072	+ 43
Other income	102	163		907	479	
Administrative expenses	(5,841)	(5,922)		(16,817)	(13,956)	
Selling and distribution expenses	(267)	(245)		(826)	(845)	
Other expenses	(1,122)	(1,772)		(3,639)	(2,645)	
Results from operating activities	6,029	4,714	+ 28	18,281	10,105	+ 81
Finance costs	(155)	(245)		(746)	(579)	
Profit before taxation for the financial period	5,874	4,469	+ 31	17,535	9,526	+ 84
Taxation	(1,262)	(1,232)		(4,392)	(1,938)	
Profit after taxation for the financial period	4,612	3,237	+ 42	13,143	7,588	+ 73
Other comprehensive income, net of tax						
Foreign currency translation	49	158		1,235	1,013	
	49	158		1,235	1,013	
Total comprehensive income for the period	4,661	3,395		14,378	8,601	
Profit attributable to:						
Shareholders of the Company	4,646	3,248	+ 43	13,255	7,652	+ 73
Non-controlling interests	(34)	(11)		(112)	(64)	
Profit after taxation for the financial period	4,612	3,237	+ 42	13,143	7,588	+ 73
Total comprehensive income attributable to:						
Shareholders of the Company	4,691	3,407		14,469	8,674	
Non-controlling interests	(30)	(12)		(91)	(73)	
Total comprehensive income for the period	4,661	3,395		14,378	8,601	
Basic earnings per ordinary share (sen):						
Basic earnings per share (sen)	B10	1.84	1.41	5.40	3.36	
Diluted earnings per share (sen)	B10	1.62	1.38	4.72	3.29	

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 September 2018

	Unaudited As At 30/09/2018 RM'000	Audited As At 31/12/2017 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	16,863	15,525
Goodwill on consolidation	6,328	6,336
	23,191	21,861
Current assets		
Inventories	28	969
Amount owing by contract customers	55,172	42,851
Trade receivables	63,138	81,194
Other receivables, prepayments and deposits	23,117	20,373
Current tax assets	896	464
Cash and cash equivalents	69,050	62,162
	211,401	208,013
	234,592	229,874
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity		
Share capital	43,790	25,826
Retained earnings	48,429	38,839
Other reserve	15,804	14,113
Treasury share	(534)	(534)
Total Equity attributable to Shareholders of the Company	107,489	78,244
Non-controlling interests	440	231
Total Equity	107,929	78,475
Non-current liabilities		
Deferred tax liabilities	709	157
Long-term borrowings	4,218	2,317
	4,927	2,474
Current liabilities		
Amount owing to contract customers	43,203	21,806
Trade payables	40,122	59,322
Other payables and accruals	23,406	35,274
Current tax liabilities	3,789	4,575
Short term borrowings	11,216	27,948
	121,736	148,925
Total liabilities	126,663	151,399
	234,592	229,874
TOTAL EQUITY AND LIABILITIES		
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.4247	0.3414

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 3rd Quarter Ended 30 September 2018

	----- Attributable to Equity Holders of the Company -----						Distributable	Non-Controlling Interest	Total Equity	
	Non Distributable			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	Total RM'000	RM'000	RM'000
As at 1 January 2018	25,826	-	8,985	696	4,432	(534)	38,839	78,244	231	78,475
Profit after taxation for the financial period	-	-	-	-	-	-	13,255	13,255	(112)	13,143
Other comprehensive expense, net of tax:	-	-	-	-	1,214	-	-	1,214	21	1,235
- Foreign currency translation	-	-	-	-	1,214	-	-	1,214	21	1,235
Total comprehensive (expense)/ income for the financial period	-	-	-	-	1,214	-	13,255	14,469	(91)	14,378
Contributions by and distribution to owners of the company:										
- Utilisation of share premium against expenses incurred upon issuance of shares	(343)	-	-	-	-	-	-	(343)	-	(343)
- Issuance of ordinary shares via private placement	17,840	-	-	-	-	-	-	17,840	-	17,840
- Investment in a subsidiary:										
- Ace Gases Sdn Bhd	-	-	-	-	-	-	-	-	300	300
- Hiti Engineering (M) Sdn Bhd	-	-	-	-	-	-	-	-	-	-
- Exercise of convertible warrants	82	-	-	-	-	-	-	82	-	82
- Bonus issue	-	-	-	-	-	-	-	-	-	-
- Dividend paid for the period	-	-	-	-	-	-	(3,665)	(3,665)	-	(3,665)
- Incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	-
- Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-
- Employees' share scheme reserve	-	-	-	861	-	-	-	861	-	861
- Employees' share option exercise	385	-	-	(384)	-	-	-	1	-	1
Total recognised income and expense for the period	17,964	-	-	477	-	-	(3,665)	14,776	300	15,076
As at 30 September 2018	43,790	-	8,985	1,173	5,646	(534)	48,429	107,489	440	107,929
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 income, net of tax:	-	-	-	-	1,022	-	-	1,022	(9)	1,013
- Foreign currency translation differences	-	-	-	-	1,022	-	-	1,022	(9)	1,013
Total comprehensive income for the financial period	-	-	-	-	1,022	-	7,652	8,674	(73)	8,601
Contributions by and distribution to owners of the company:										
- Acquisition/Investment of a subsidiary:										
- Hiti Engineering (M) Sdn Bhd	-	-	-	-	-	-	-	-	49	49
- Ace Gases Sdn Bhd	-	-	-	-	-	-	-	-	110	110
- Dividend paid for the period	-	-	-	-	-	-	(2,287)	(2,287)	-	(2,287)
- Purchase of treasury shares	-	-	-	-	-	74	-	74	-	74
- Employees' share option reserve	-	-	-	366	-	-	-	366	-	366
- Employee's share options exercised	1,902	371	-	(371)	-	-	-	1,902	-	1,902
Total transactions with owners	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

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.

* : - 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 2018

	Unaudited 9-Months Ended 30/09/2018 RM'000	Unaudited 9-Months Ended 30/09/2017 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES		
Profit before taxation	17,535	9,526
Adjustments for:-		
Amortisation of development cost	-	15
Depreciation of property, plant and equipment	1,474	955
Equipment written off	28	10
Impairment loss on trade receivables	825	589
Impairment loss on due from customer on construction contract	797	640
Interest expense	638	503
Interest income	(296)	(147)
(Gain)/ Loss on disposal of equipment	(23)	60
Share-based payments	477	366
Writeback of impairment loss on trade receivables	-	(44)
Utilisation of share premium	(343)	-
Unrealised (gain)/ loss on foreign exchange	1,103	530
	22,215	13,003
Operating profit before working capital changes	22,215	13,003
Decrease/ (Increase) in inventory	941	(441)
Decrease in amounts owing by/to contract customers	8,279	3,386
Decrease/ (Increase) in trade and other receivables	15,411	(13,040)
Decrease in trade and other payables	(30,548)	(11,078)
	16,298	(8,170)
CASH FROM/ (FOR) OPERATIONS	16,298	(8,170)
Income tax paid	(4,070)	(584)
Interest paid	(638)	(503)
Interest received	296	147
	11,886	(9,110)
NET CASH FROM/ (FOR) OPERATING ACTIVITIES	11,886	(9,110)
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(2,388)	(640)
Proceeds from resale of treasury shares	-	74
Proceeds from disposal of equipment	45	81
Placement of fixed deposit pledged with licensed bank	(824)	(1,446)
Net cash outflow on acquisition of a subsidiary	-	(248)
Net cash inflow from increase investment in a subsidiary	300	-
Capital contribution from non-controlling interests	-	100
	(2,867)	(2,079)
NET CASH FOR INVESTING ACTIVITIES	(2,867)	(2,079)
CASH FLOWS (FOR)/ FROM FINANCING ACTIVITIES		
Dividend paid	(3,665)	(2,287)
(Repayment)/ Drawdown of revolving credit	(13,500)	4,822
Repayment of trust receipts	-	(6,900)
Repayment of hire purchase obligations	(185)	(176)
Repayment of term loan	(902)	(6,819)
Proceeds from exercise of employee's share options	385	1,902
Repayment of bankers' acceptance	-	(176)
(Repayment)/ Drawdown of invoice financing	(4,301)	11,195
Proceeds from private placement	17,840	-
Proceeds from exercise of warrants	82	-
	(4,246)	1,561
NET CASH (FOR)/ FROM FINANCING ACTIVITIES	(4,246)	1,561
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	4,773	(9,628)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,291	1,077
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	49,533	34,361
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	55,597	25,810

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

Cash and bank balances	36,071	17,479
Fixed deposits	32,979	18,464
Bank overdraft	-	(451)
	69,050	35,492
Less: fixed deposits pledged with licensed banks	(13,453)	(9,682)
	55,597	25,810

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 SEPTEMBER 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.

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

3. Segmental Information (Cont'd)

	Revenue		Non-current Assets	
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	RM'000	RM'000	RM'000	RM'000
Malaysia	62,856	94,537	13,388	5,630
China	98,930	38,364	1,949	1,151
Taiwan	10,642	27,001	248	296
Singapore	65,462	47,668	7,606	7,275
Indonesia	1,601	3,720	-	-
Philippines	(58)	2,061	-	-
Other	-	-	-	-
	239,433	213,351	23,191	14,352

4. Unusual Items

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

The Board of Directors of KGB recommended the payment of a final tax-exempt dividend of 1.5 sen per ordinary share (FYE 31 December 2016: 1 sen per ordinary share) amounting to RM3,664,715 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.

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 2018, 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 Scheme ("ESS")

On 2 July 2018, KGB increased its number of issued and paid up shares 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, KGB increased its number of issued and paid up shares 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.

(iii) Exercise of Warrants

On 7 September and 20 September 2018, KGB increased its number of issued and paid up shares by the exercise of 166,000 convertible warrants at an issue price of RM0.50.

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 30/09/2018 Unaudited RM'000	As at 30/09/2017 Unaudited RM'000
Contingent liabilities		
Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries	9,132	13,658

14. Material Subsequent Events

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

(i) Exercise of warrants

As at 16 November 2018, KGB increased its number of issued and paid up shares by the exercise of 9,525,800 convertible warrants at an issue price of RM0.50.

(ii) Proposed adoption of new constitution of the Company

On 5 November 2018, KGB intends to seek approval from its shareholders at the forthcoming Extraordinary General Meeting to be held on 7 December 2018, for the Proposed Adoption of New Constitution of the Company.

(iii) Dividend payable

On 22 November 2018, the Board of Directors of KGB recommended the payment of an interim tax-exempt dividend of 1 sen per ordinary share in respect of the FYE 31 December 2018.

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

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

1 Review Of Performance

	Current Year Quarter 30/09/2018 RM'000	Preceding Year Corresponding Quarter 30/09/2017 RM'000	Changes		Current Year-to-date 30/09/2018 RM'000	Preceding Year Corresponding Period 30/09/2017 RM'000	Changes	
			Amount RM'000	%			Amount RM'000	%
Revenue	63,656	87,226	(23,570)	-27%	239,433	213,351	26,082	12%
Operating profit	6,029	4,714	1,315	28%	18,281	10,105	8,176	81%
Profit before tax	5,874	4,469	1,405	31%	17,535	9,526	8,009	84%
Profit after tax	4,612	3,237	1,375	42%	13,143	7,588	5,555	73%
Profit attributable to shareholders of the company	4,646	3,248	1,398	43%	13,255	7,652	5,603	73%

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Revenue		% of total	Revenue	
	Currency Year Quarter 30/09/2018 RM'000			Preceding Year Corresponding Quarter 30/09/2017 RM'000	% of total
Ultra High Purity	37,860	60%	30,368	35%	
Process Engineering	15,536	24%	25,459	29%	
General Contracting	9,696	15%	31,283	36%	
Industrial Gases	564	1%	116	0%	
Total	63,656		87,226		

The Group's revenue for the quarter ended 30 September 2018 ("3Q2018") decreased 27% to RM63.7 million, as compared to RM87.2 million from the same quarter last year ("3Q2017"). The softer performance is mainly due to the absence of revenue recognition from a few projects in Malaysia which have been completed.

During the quarter under review, Singapore as the primary revenue contributor, representing 40% of the Group's total revenue in 3Q2018. Malaysia came in second at 32%, followed by China (20%) and Taiwan (7%).

Revenue contribution from the Ultra High Purity ("UHP") division, representing 60% of the Group's 3Q2018 revenue, increased by 24.7% to RM37.9 million from RM30.4 million in 3Q2017.

Despite the lower revenue, the Group's gross profit grew to RM13.2 million from RM12.5 million in 3Q2017. This is due to the more favourable project mix as UHP projects typically carry higher profit margins, which resulted in higher gross profit margin of 20.7% against 14.3% a year ago.

Profit before tax ("PBT") increased by 31% to RM5.9 million in 3Q2018 as compared to RM4.5 million in 3Q2017. PBT margins increased to 9.2% from 5.1% in the previous year.

Profit after tax ("PAT") in 3Q2018 rose 42% to RM4.6 million as compared to RM3.2 million in 3Q2017.

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

	Revenue		% of total	Revenue	
	9M2018 RM'000			9M2017 RM'000	% of total
Ultra High Purity	176,252	74%	85,946	40%	
Process Engineering	39,595	16%	45,820	22%	
General Contracting	21,408	9%	81,136	38%	
Industrial Gases	2,178	1%	449	0%	
Total	239,433		213,351		

For the nine months period ended 30 September 2018 ("9M2018"), the Group recorded an increase of 12% in revenue to RM239.4 million as compared to RM213.4 million in the previous year's corresponding period ("9M2017"), mainly driven by higher contribution from UHP division, which more than doubled to RM176.3 million in 9M2018 as compared to RM85.9 million in 9M2017, on the back of larger projects undertaken in China.

The UHP division remained the largest revenue contributor in 9M2018 at 74% followed by Process Engineering (16%), General Contracting (9%) and Industrial Gases (1%).

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

1 Review Of Performance (Cont'd)

Meanwhile, revenue from the Industrial Gases division grew almost five-fold to RM2.2 million as compared to RM0.4 million in 9M2017. The jump was mainly attributable 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 for a period of ten years.

In 9M2018, revenue from China and Singapore registered the strongest growth, which was up 158% and 37% respectively. Revenue contribution by geographical segments were led by China (41%), Singapore (27%) and Malaysia (26%).

Gross profit rose 43% to RM38.7 million in 9M2018 from RM27.1 million in 9M2017. Gross profit margins increased from 12.7% to 16.1% in 9M2018, boosted by higher projects completion under the UHP division, which typically carry higher profit margins.

PBT in 9M2018 grew by 84% to RM17.5 million against RM9.5 million in the same period last year. PBT margin increased to 7.3% from 4.5% in 9M2017. PAT jumped 73% to RM13.1 million in 9M2018 from RM7.6 million in 9M2017.

(c) Variation of Results Against Preceding Quarter

	Current Quarter 30/09/2018 RM'000	Immediate Preceding Quarter 30/6/2018 RM'000	Changes	
			Amount RM'000	%
Revenue	63,656	89,229	(25,573)	-29%
Operating profit	6,029	5,514	515	9%
Profit before tax	5,874	5,229	645	12%
Profit after tax	4,612	4,337	275	6%
Profit attributable to shareholders of the company	4,646	4,399	247	6%

The Group's revenue declined 29% quarter-on-quarter ("q-o-q") to RM63.7 million in 3Q2018 as compared to RM89.2 million reported in the preceding quarter ended 30 June 2018 ("2Q2018").

Due to the favourable project mix recorded during the quarter, The Group's PAT registered a marginal increase to RM4.6 million in 3Q2018 from RM4.3 million in 2Q2018.

(d) Statement of Financial Position

Financial Indicators	As at 30/09/2018 RM'000	As at 31/12/2017 RM'000	As at 30/09/2017 RM'000
Total assets	234,592	229,874	196,367
Total equity	107,929	78,475	75,808
Debt	15,434	30,265	26,958
Deposits, cash & bank balance	69,050	62,162	35,943
Net cash	53,616	31,897	8,985
Debt-to-Equity	0.14	0.39	0.36

Year-to-date, the Group's shareholder equity (excluding non-controlling interests) rose 37% to RM107.5 million from RM78.2 million. The increase was mainly attributable to the proceeds injection from the private placement completed in early August 2018, exercise of convertible warrants, continuous quarterly profit, as well as from the employees shares option exercise.

As at 30 September 2018, The Group's total borrowings pared down by 49% to RM15.4 million from RM30.3 million as at 31 December 2017. Correspondingly, the Group's financial position has strengthened to a net cash position of RM53.6 million as at 30 September 2018, as compared to RM31.9 million as at 31 December 2017. Total cash in hand stood at RM69.1 million exceeding total debt of RM15.4 million. Net cash per share stood at 21 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.

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2 Commentary Of Prospects

The Group remains optimistic on its earnings outlook and growth prospects, underpinned by healthy orderbook growth and favourable operating environment in China. Kelington continues to enjoy strong orderbook replenishment from China, Malaysia and Singapore, as new orders secured year-to-date rose to RM372 million with majority from the UHP division.

Combined with the carried forward projects, Kelington's orderbook increased to RM563 million, of which RM323 million remains outstanding. The progress billing of the outstanding orderbook will contribute positively to the Group's financial performance.

Additionally, the on-site gas supply business under the Industrial Gases division has since commenced its revenue contribution and contributed positively to the Group's recurring income stream. Along with the new manufacturing of liquid carbon dioxide ("LCO2") business, the Group expects earnings contribution from the Industrial Gases division to improve moving 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	
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	188	65	296	147
Interest expense	(385)	(53)	(638)	(503)
Impairment loss on trade receivables:				
- specified	-	(267)	-	(589)
- in accordance to MFRS 9	(305)	-	(825)	-
Impairment loss on due from customer on construction contracts	(797)	(640)	(797)	(640)
Depreciation and amortisation	(1,010)	(315)	(1,474)	(955)
Equipment written off	(15)	(9)	(28)	(10)
Unrealised Foreign exchange (loss)/gain	(703)	(572)	(1,103)	(530)
Realised Foreign exchange (loss)/gain	37	146	43	(30)
Gain/ (Loss) on disposal of equipment	(5)	-	23	(60)
Writeback on impairment loss on trade receivables	-	44	-	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 30/09/18	Cumulative Year to date ended 30/09/18
	RM'000	RM'000
Current tax:		
- for the financial period	1,262	4,392

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.

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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 RM'000	Actual Utilisation RM'000	Balance 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	(1,579)	2,226
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	(2,953)	3,569
General working capital	Within 1 year from the date of listing	4,279	(847)	3,432
Expenses relating to the Proposed Private Placement	Upon completion	380	(344)	36
		17,840	(6,460)	11,380

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 September 2018 versus 30 September 2017 are as follows:

	As At 30 September 2018					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Foreign Currency ('000)	RM'000	Foreign Currency ('000)	RM'000	Foreign Currency ('000)	RM'000
Secured						
Hire purchase	SGD 11	990	SGD 146	3,718	-	4,708
Term Loan	NTD 16,412	2,323	NTD 3,686	500	-	2,823
Foreign currency loan			-	-	-	-
Import Loan/Invoice financing	RMB 11,155	7,903	-	-	-	7,903
Bank draft	-	-	-	-	-	-
Letter of credit	-	-	-	-	-	-
Unsecured						
Nil	-	-	-	-	-	-
		11,216		4,218		15,434
Weighted average interest rate of borrowings						4.36%
Proportion of borrowings between fixed interest rate and floating interest rate						44%:56%

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

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8 Group Borrowings (Cont'd)

	As At 30 September 2017					
	Current 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	<i>NTD 16,475</i>	2,394	-	104	<i>NTD 16,475</i>	2,498
Revolving loan	<i>SGD 200</i>	11,322	-	-	<i>SGD 200</i>	11,322
Bankers' acceptances	-	-	-	-	-	-
Trust receipts	-	-	-	-	-	-
Import Loan/Invoice financing	<i>SGD 11,945</i>	12,158	-	-	<i>SGD 11,945</i>	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						8%:92%

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

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, 1 August and 29 August, High court had heard the evidences given by the witnesses and fixed the final hearing on 12 September 2018.

On 12 September 2018, High Court Taiwan has delivered its court decision and ordered that Hui Neng shall pay Kelington Taiwan the sum of NTD 29,328,814 (equivalent to RM3,946,129) plus interest of 5% per annum thereon since 10 October 2015.

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

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

On 22 November 2018, the Board of Directors of KGB recommended the payment of an interim tax-exempt dividend of 1 sen per ordinary share in respect of the FYE 31 December 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	
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
Profit After Taxation attributable to owners of the company (RM'000)	4,646	3,248	13,255	7,652
Weighted average number of ordinary shares in issue ('000)	252,128	229,834	245,601	227,859
Basic Earnings Per Share (Sen)	1.84	1.41	5.40	3.36
Diluted Earnings Per Share (Sen) #	1.62	1.38	4.72	3.29

Note :

- Assuming the full exercise of 53,771,631 convertible warrants and 14,806,222 shares of Employee Shares Scheme

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12 TRADE RECEIVABLES

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

	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
<u>30/9/2018</u>			
Not past due	35,634	(865)	34,769
Past due:			
- less than 3 months	18,897		18,897
- 3 to 6 months	270		270
- over 6 months	1,154		1,154
- over 1 year	14,878	(6,830)	8,048
	<u>70,833</u>	<u>(7,695)</u>	<u>63,138</u>

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

	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
<u>30/9/2017</u>			
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>

13 DISCLOSURE OF REALISED AND UNREALISED PROFITS/ (LOSSES)

	Cumulative Year to date ended 30/09/18 RM'000	Cumulative Year to date ended 30/09/17 RM'000
Total retained profits of KGB:		
- Realised	49,689	35,394
- Unrealised	(1,260)	(688)
Total group retained profits as per consolidated accounts	<u>48,429</u>	<u>34,706</u>