

**KELINGTON GROUP BERHAD ("KGB")**  
**[Registration No. 199901026486 (501386-P)]**  
Statement of Profit or Loss and Other Comprehensive Income  
For The 3rd Quarter Ended 30 September 2019

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the period ended 30 September 2019 are as follow:-

	Note	Unaudited		+	-	Unaudited		+	-
		Current Qtr Ended 30/09/2019 RM'000	Previous Qtr Ended 30/09/2018 RM'000			9-months Period up to 30/09/2019 RM'000	9-months Period up to 30/09/2018 RM'000		
Revenue		97,034	63,656	+		268,519	239,433	+	12
Cost of sales		(84,905)	(50,499)			(227,582)	(200,777)		
<b>Gross profit</b>		<b>12,129</b>	<b>13,157</b>	-	8	<b>40,937</b>	<b>38,656</b>	+	6
Other income		3,151	102			4,608	907		
Administrative expenses		(6,003)	(5,841)			(19,140)	(16,817)		
Selling and distribution expenses		(413)	(267)			(1,057)	(826)		
Other expenses		(951)	(1,122)			(3,181)	(3,639)		
<b>Results from operating activities</b>		<b>7,913</b>	<b>6,029</b>	+	31	<b>22,167</b>	<b>18,281</b>	+	21
Finance costs		(369)	(155)			(963)	(746)		
<b>Profit before taxation for the financial period</b>		<b>7,544</b>	<b>5,874</b>	+	28	<b>21,204</b>	<b>17,535</b>	+	21
Taxation	B5	(1,328)	(1,262)			(5,197)	(4,392)		
<b>Profit after taxation for the financial period</b>		<b>6,216</b>	<b>4,612</b>	+	35	<b>16,007</b>	<b>13,143</b>	+	22
<b>Other comprehensive income, net of tax</b>									
Foreign currency translation		(2,368)	49			(346)	1,235		
		<u>(2,368)</u>	<u>49</u>			<u>(346)</u>	<u>1,235</u>		
<b>Total comprehensive income for the period</b>		<b>3,848</b>	<b>4,661</b>			<b>15,661</b>	<b>14,378</b>		
<b>Profit attributable to:</b>									
Shareholders of the Company		6,264	4,646	+	35	16,205	13,255	+	22
Non-controlling interests		(48)	(34)			(198)	(112)		
<b>Profit after taxation for the financial period</b>		<b>6,216</b>	<b>4,612</b>	+	35	<b>16,007</b>	<b>13,143</b>	+	22
<b>Total comprehensive income attributable to:</b>									
Shareholders of the Company		3,898	4,691			15,860	14,469		
Non-controlling interests		(50)	(30)			(199)	(91)		
<b>Total comprehensive income for the period</b>		<b>3,848</b>	<b>4,661</b>			<b>15,661</b>	<b>14,378</b>		
<b>Basic earnings per ordinary share (sen):</b>									
Basic earnings per share (sen)	B11	2.01	1.84			5.40	5.40		
Diluted earnings per share (sen)	B11	1.94	1.62			5.20	4.72		

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 2018 and the accompanying explanatory notes enclosed to the interim financial statements.

**KELINGTON GROUP BERHAD ("KGB")**  
**[Registration No. 199901026486 (501386-P)]**  
Statement of Financial Position  
As at 30 September 2019

	Unaudited As At 30/09/2019 RM'000	Audited As At 31/12/2018 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	46,316	24,676
Goodwill on consolidation	6,338	6,348
	52,654	31,024
<b>Current assets</b>		
Inventories	465	177
Contract assets	54,481	46,390
Trade receivables	59,431	81,410
Other receivables, prepayments and deposits	16,646	16,913
Current tax assets	2,051	452
Fixed deposits with licensed banks	27,560	24,196
Cash and cash equivalents	62,434	42,914
	223,068	212,452
	<b>275,722</b>	<b>243,476</b>
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	71,276	50,422
Retained earnings	64,906	51,054
Other reserve	14,853	15,198
Treasury share	(534)	(534)
<b>Total Equity attributable to Shareholders of the Company</b>	150,501	116,140
Non-controlling interests	223	75
<b>Total Equity</b>	150,724	116,215
<b>Non-current liabilities</b>		
Deferred tax liabilities	92	92
Long-term borrowings	18,901	1,506
	18,993	1,598
<b>Current liabilities</b>		
Contract liabilities	27,256	22,247
Trade payables	41,989	60,321
Other payables and accruals	21,037	19,419
Current tax liabilities	5,564	5,407
Short term borrowings	10,159	15,614
Dividend payable	-	2,655
	106,005	125,663
<b>Total liabilities</b>	124,998	127,261
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>275,722</b>	<b>243,476</b>
<b>Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)</b>	0.4895	0.4345

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 2018 and the accompanying explanatory notes enclosed to the interim financial statements.



**KELINGTON GROUP BERHAD ("KGB")**  
**[Registration No. 199901026486 (501386-P)]**  
Condensed Consolidated Statement of Cash Flow  
For The Third Quarter Ended 30 September 2019

	<b>Unaudited 9-Months Ended 30/09/2019 RM'000</b>	<b>Unaudited 9-Months Ended 30/09/2018 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	21,204	17,535
Adjustments for:-		
Depreciation of property, plant and equipment	1,739	1,474
Equipment written off	5	28
Impairment loss on trade receivables	593	825
Impairment loss on contract assets	-	797
Interest expense	741	638
Interest income	(421)	(296)
Gain on disposal of equipment	(1)	(23)
Share-based payments	-	477
Writeback of impairment loss on trade receivables	(882)	-
Writeback of impairment loss on contract assets	(2,076)	-
Utilisation of share premium	-	(343)
Unrealised loss on foreign exchange	374	1,103
	<hr/>	<hr/>
Operating profit before working capital changes	21,276	22,215
(Increase)/ Decrease in inventory	(288)	941
(Increase)/ Decrease in amounts owing by/to contract customers	(1,006)	8,279
Decrease in trade and other receivables	22,162	15,411
Decrease in trade and other payables	(16,714)	(30,548)
	<hr/>	<hr/>
<b>CASH FROM OPERATIONS</b>	25,430	16,298
Income tax paid	(6,639)	(4,070)
Interest paid	(741)	(638)
Interest received	421	296
	<hr/>	<hr/>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	18,471	11,886
	<hr/>	<hr/>
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Purchase of plant and equipments	(23,955)	(2,388)
Proceeds from disposal of equipment	-	45
Placement of fixed deposit pledged with licensed bank	(2,330)	(824)
Capital contribution from non-controlling interests	347	300
	<hr/>	<hr/>
<b>NET CASH FOR INVESTING ACTIVITIES</b>	(25,938)	(2,867)
	<hr/>	<hr/>
<b>CASH FLOWS FROM/ (FOR) FINANCING ACTIVITIES</b>		
Dividend paid	(5,009)	(3,665)
Repayment of revolving credit	(3,035)	(13,500)
Net drawdown/ (repayment) of hire purchase obligations	2,700	(185)
Net drawdown/ (repayment) of term loan	14,543	(902)
Proceeds from exercise of employee's share options	627	385
Repayment of invoice financing	(2,268)	(4,301)
Proceeds from private placement	-	17,840
Proceeds from exercise of warrants	20,227	82
	<hr/>	<hr/>
<b>NET CASH FROM/ (FOR) FINANCING ACTIVITIES</b>	27,785	(4,246)
	<hr/>	<hr/>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	20,318	4,773
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	235	1,291
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	52,202	49,533
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	72,755	55,597
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Cash and cash equivalents at the end of financial period comprise the following:

Cash and bank balances	62,434	36,071
Fixed deposits	27,560	32,979
	<hr/>	<hr/>
	89,994	69,050
Less: fixed deposits pledged with licensed banks	(17,239)	(13,453)
	<hr/>	<hr/>
	72,755	55,597
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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 2018 and the accompanying explanatory notes enclosed to the interim financial statements.

**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 2018. 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 2018.

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 2018.

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 17 Insurance Contracts	1 January 2021
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
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 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

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 2018.

**3. Segmental Information**

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

**Geographical information**

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

	Revenue		Non-current Assets	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
Malaysia	66,440	62,856	41,625	13,388
China	76,712	98,930	1,743	1,949
Taiwan	6,830	10,642	214	248
Singapore	116,958	65,462	9,072	7,606
Indonesia	984	1,601	-	-
Other	595	(58)	-	-
	<b>268,519</b>	<b>239,433</b>	<b>52,654</b>	<b>23,191</b>

**4. Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 30 September 2019.

**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 September 2019, 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:

Employee's Shares Scheme ("ESS")

On 4 July and 25 July 2019, KGB increased its number of issued and paid up shares by the issuance of 3,553,480 ordinary shares by way of ESS.

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

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

(i) Acquisition of Shares in Puritec Technologies (M) Sdn. Bhd. ("PTMSB")

The Company undertook an internal restructuring by acquiring one million (1,000,000) ordinary shares, representing 100% of the total issued and paid-up share capital of Puritec Technologies (M) Sdn. Bhd. (940904-W) ("PTMSB") from Puritec Technologies (S) Pte. Ltd. (201110531G), an indirect wholly-owned subsidiary of the Company for a total consideration of RM1.00 (Ringgit Malaysia One) only. That in consequent thereto, PTMSB shall become a wholly-owned subsidiary of the Company.

(ii) Deregistration of KE Intergrated Facility Services (Suzhou) Co., Ltd. ("KEIFSS")

On 23 August 2019, KEIFSS, a wholly-owned indirect subsidiary of the Company, had been duly dissolved under the laws of the People's Republic of China. This is due to the better incentives given by local Government of Chuzhou, Kelington Engineering (Shanghai) Co., Ltd., has on 1 April 2019 incorporated a wholly-owned subsidiary known as Kelington Engineering System Integration (ChuZhou) Co., Ltd. (Company No. 91341171MA2TKM1X2U) in China to carry out the business of fabrication of gas and liquid delivery equipment, mechanical parts for semiconductor industry.

**11. Discontinued Operation**

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

**12. Capital Commitments**

Saved as disclosed in the following, 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.

	<b>As at 30/09/2019 RM'000</b>
Purchase of plant & equipment	<u>3,368</u>

**13. Changes in Contingent Liabilities and Contingent Assets**

Saved as disclosed in the following, there is no other contingent liabilities and contingent assets as at quarter end 30 September 2019:

	<b>As at 30/09/2019 Unaudited RM'000</b>	<b>As at 30/09/2018 Unaudited RM'000</b>
<b>Contingent liabilities</b>		
Bank guarantee and insurance bond given to third party as performance bond or warranty bond	<u>17,550</u>	<u>11,637</u>

**14. Material Subsequent Events**

Saved as disclosed in the following, there has been no material subsequent events after the quarter ended 30 September 2019:

Dividend payable

On 22 August 2019, the Board of Directors of KGB proposed the payment of first interim tax-exempt dividend of 1 sen per ordinary share in respect of the FYE 31 December 2019 amounting to RM3,103,392. The dividend was paid on 16 October 2019.

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

1 Review Of Performance

	Current Year Quarter 30/09/2019 RM'000	Preceding Year Corresponding Quarter 30/09/2018 RM'000	Changes		Current Year-to-date 30/09/2019 RM'000	Preceding Year Corresponding Period 30/09/2018 RM'000	Changes	
			Amount RM'000	%			Amount RM'000	%
Revenue	97,034	63,656	33,378	52%	268,519	239,433	29,086	12%
Operating profit	7,913	6,029	1,884	31%	22,167	18,281	3,886	21%
Profit before tax	7,544	5,874	1,670	28%	21,204	17,535	3,669	21%
Profit after tax	6,216	4,612	1,604	35%	16,007	13,143	2,864	22%
Profit attributable to shareholders of the company	6,264	4,646	1,618	35%	16,205	13,255	2,950	22%

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Revenue		% of total	Revenue	
	Current Year Quarter 30/09/2019 RM'000			Preceding Year Corresponding Quarter 30/09/2018 RM'000	% of total
Ultra High Purity	73,136	75%	37,860	60%	
Process Engineering	17,023	18%	15,536	24%	
General Contracting	5,520	6%	9,696	15%	
Industrial Gases	1,355	1%	564	1%	
Total	97,034		63,656		
	-		-		

The Group's revenue for the quarter ended 30 September 2019 ("3Q2019") increased by 52% to RM97.0 million against RM63.7 million from the same period last year ("3Q2018"). The increase was mainly driven by higher contribution from the Singapore and China operations.

During the quarter under review, Singapore operations was the largest revenue contributor at RM48.0 million or 50% of total revenue, rising 87% year-on-year ("YoY") from RM25.7 million in 3Q2018, on the back of higher projects contributed from the UHP division. Revenue from China came in second at 26% or RM25.3 million of total revenue in 3Q2019, up 102% YoY from RM12.5 million in 3Q2018.

Revenue from UHP division jumped RM35.3 million or 93% YoY in 3Q2019 to RM73.1 million as compared with RM37.9 million in 3Q2018, contributing the largest revenue to the group at 75%. Meanwhile, revenue from the Process Engineering division recorded the second highest in 3Q2019 at RM17.0 million or 18% of total revenue. This was followed by General Contracting (6%) and Industrial Gases (1%).

Gross profit decreased 8% YoY in 3Q2019 to RM12.1 million from RM13.2 million in 3Q2018. The difference in gross profit margins in 3Q2019 (12.5%) as compared with 3Q2018 (20.7%) was mainly due to absence of reversal of cost that was recognized in the previous year's corresponding quarter.

Profit before tax ("PBT") recorded an increase of 28% YoY to RM7.5 million in 3Q2019 against RM5.9 million in 3Q2018, with PBT margins of 8%. The Group's profit after tax ("PAT") rose 35% to RM6.2 million versus RM4.6 million in 3Q2018.

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

	Revenue		% of total	Revenue	
	9M2019 RM'000			9M2018 RM'000	% of total
Ultra High Purity	172,742	64%	176,252	74%	
Process Engineering	75,663	29%	39,595	16%	
General Contracting	16,238	6%	21,408	9%	
Industrial Gases	3,876	1%	2,178	1%	
Total	268,519		239,433		

For the period ended 30 September 2019 ("9M2019"), the Group's revenue increased by 12% YoY to RM268.5 million as compared to RM239.4 million in the previous year's corresponding period ("9M2018"), mainly due to higher revenue contribution from projects in Singapore.

Revenue from the UHP division remains as the anchor revenue contributor to the Group at 64% or RM172.7 million in 9M2019. Meanwhile, revenue from Process Engineering almost doubled in 9M2019 at RM75.7 million from RM39.6 million a year ago, representing the second largest revenue contributor at 29%.

In 9M2019, revenue contribution by geographical segments were led by Singapore at 44% or RM117.0 million, up 79% YoY from RM65.5 million in the corresponding period in previous year. Revenue from China was the second largest at 29% followed by Malaysia (25%) and Taiwan (3%).

Meanwhile, gross profit improved by 6% YoY to RM40.9 million in 9M2019 against RM38.7 million from same period last year, while gross profit margin decreased marginally to 15% in 9M2018.

PBT grew 21% YoY to RM21.2 million as compared to RM17.5 million in 9M2018, resulting in PBT margin rising to 8% in 9M2018. PAT rose 22% to RM16.0 million in 9M2019 from RM13.1 million in 9M2018.

## 1 Review Of Performance (Cont'd)

### (c) Variation of Results Against Preceding Quarter

	Current Quarter 30/09/2019 RM'000	Immediate Preceding Quarter 30/06/2019 RM'000	Changes	
			Amount RM'000	%
Revenue	97,034	95,078	1,956	2%
Operating profit	7,913	7,407	506	7%
Profit before tax	7,544	7,156	388	5%
Profit after tax	6,216	5,013	1,203	24%
Profit attributable to shareholders of the company	6,264	5,098	1,166	23%

The Group's revenue increased 2% to RM97.0 million in 3Q2019 as compared to RM95.1 million in the preceding quarter ended 30 June 2019 ("2Q2019").

PBT increased to RM7.5 million in 3Q2019 as compared to RM7.2 million in 2Q2019. The Group's PAT stood at RM6.2 million in 3Q2019 from RM5.0 million in 2Q2019.

### (d) Statement of Financial Position

Financial Indicators	As at 30/09/2019 Unaudited RM'000	As at 31/12/2018 Audited RM'000	As at 30/09/2018 Audited RM'000
Total assets	275,722	243,476	234,592
Total equity	150,724	116,215	107,929
Debt	29,060	17,120	15,434
Deposits, cash & bank balance	89,994	67,110	69,050
Net cash	60,934	49,990	53,616
Debt-to-Equity	0.19	0.15	0.14

As at 30 September 2019, the Group's shareholder equity (excluding non-controlling interests) rose 30% to RM150.5 million from RM116.1 million. The increase was mainly attributable to the exercise of convertible warrants, exercise of employee's share scheme and continuous quarterly profit.

Meanwhile, total gross cash in hand grew to RM90.0 million as at 30 September 2019, exceeding the total debt of RM29.1 million. As a result, the Group's net cash position strengthened to RM60.9 million against RM50.0 million as at 31 December 2018. Net cash per share stood at 20 sen.

The Group's total borrowings increased by 70% to RM29.1 million as at 30 September 2019 from RM17.1 million as at 31 December 2018, due to the drawdown of term loan for the new liquid carbon dioxide plant operating under the industrial gas division. The majority of the Group's debt are used for project financing purposes and capital expenditure for new industrial gas business division.

## 2 Commentary Of Prospects

Kelington's year-to-date performance has been satisfactory thus far, with double-digit growth in earnings, amidst the challenging operating landscape. The Singapore and China markets were the key growth drivers to the Group, and we expect to sustain the momentum going forward.

In 3Q2019, we clinched an additional RM67 million worth of projects which then boosted our total new project orders to RM294 million in FY2019. The new projects are mainly from the UHP and Process Engineering division originating from Singapore and China. Inclusive of carried forward projects, Kelington's total orderbook grew to RM554 million, of which RM282 million remains outstanding.

In addition to that, the Group has made positive developments in its foray into the Industrial Gas business. The construction of the new liquid carbon dioxide plant has been completed and commenced operations since late October 2019. Kelington expects production to ramp up progressively and anticipate positive contribution from this new business from FY2020 onwards.

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 2019 in any public document and hence this information is not applicable.

**KELINGTON GROUP BERHAD ("KGB")**  
**[Registration No. 199901026486 (501386-P)]**  
**EXPLANATORY NOTES TO THE QUARTERLY REPORT**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

**4 Profit for the Period**

	Quarter ended		Year-to-date ended	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	284	188	421	296
Interest expense	(233)	(385)	(741)	(638)
Impairment loss on trade receivables:				
- specified	(262)	-	(262)	-
- in accordance to MFRS 9	-	(305)	(331)	(825)
Impairment loss on contract assets	-	(797)	-	(797)
Depreciation and amortisation	(596)	(1,010)	(1,739)	(1,474)
Equipment written off	-	(15)	(5)	(28)
Unrealised Foreign exchange (loss)/gain	18	(703)	(374)	(1,103)
Realised Foreign exchange (loss)/gain	(84)	37	(275)	43
Gain on disposal of equipment	-	(5)	1	23
Writeback on impairment loss on contract assets	2,076	-	2,076	-
Writeback on impairment loss on trade receivables	179	-	882	-

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 30/06/19 RM'000	Cumulative Year to date ended 30/06/19 RM'000
Current tax:		
- for the financial period	1,328	5,197

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.

**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	Deviation	
					RM'000	%
To part finance the acquiring of carbon dioxide gas purification plant	Within 24 months from the date of listing	2,854	(2,854)	-	-	-
To part finance the subsequent phase of the construction of carbon dioxide gas purification plant, gas manufacturing facilities and gas delivery systems	Within 24 months from the date of listing	3,805	(3,805)	-	-	-
To part finance the acquisition of assets for the operations of the industrial gas business division	Within 24 months from the date of listing	6,522	(5,731)	791	-	-
General working capital	Within 24 months from the date of listing	4,279	(4,042)	237	-	-
Expenses relating to the Proposed Private Placement	Upon completion	380	(362)	18	18	5%
		17,840	(16,794)	1,046		

**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 2019 versus 30 September 2018 are as follows:

	As At 30 September 2019					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
<b>Secured</b>						
Hire purchase	SGD42, RM906	1,032	SGD236, RM2,529	3,244	SGD278, RM3,435	4,276
Term Loan	NTD4,746, RM675	1,315	NTD4,838, RM15,004	15,657	NTD9,584, RM15,679	16,972
Import Loan/Invoice financing	RMB13,315	7,812		-	RMB13,315	7,812
<b>Unsecured</b>						
Nil	-	-	-	-	-	-
		10,159		18,901		29,060
Weighted average interest rate of borrowings						5.48%
Proportion of borrowings between fixed interest rate and floating interest rate						21%:79%

The increase in borrowing during the period ended 30 September 2019 is mainly due to the drawdown of term loan for liquid carbon dioxide plant.

	As At 30 September 2018					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
<b>Secured</b>						
Hire purchase	SGD 11, RM957	990	SGD 146, RM3,276	3,718	SGD157, RM4,233	4,708
Term Loan	NTD 16,412 RMB 11,155,	2,323	NTD 3,686	500	NTD 20,098 RMB 11,155,	2,823
Import Loan/Invoice financing	RM1,200	7,903		-	RM1,200	7,903
<b>Unsecured</b>						
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.

## 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) Updates 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 August 2019, the Board of Directors of KGB proposed the payment of first interim tax-exempt dividend of 1 sen per ordinary share in respect of the FYE 31 December 2019 amounting to RM3,103,392. The dividend was paid on 16 October 2019.

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	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Profit After Taxation attributable to owners of the company (RM'000)	6,264	4,646	16,205	13,255
Weighted average number of ordinary shares in issue ('000)	311,292	252,128	300,162	245,601
Basic Earnings Per Share (Sen)	2.01	1.84	5.40	5.40
Diluted Earnings Per Share (Sen) #	1.94	1.62	5.20	4.72

Note :

# - Assuming the full exercise of 11,252,742 shares of Employee Shares Scheme.

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
<b>30/9/2019</b>			
Not past due	34,686	(1,198)	33,488
Past due:			
- less than 3 months	9,632		9,632
- 3 to 6 months	7,374		7,374
- over 6 months	3,677		3,677
- over 1 year	10,718	(5,458)	5,260
	<u>66,087</u>	<u>(6,656)</u>	<u>59,431</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
<b>30/9/2018</b>			
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>

13 DISCLOSURE OF REALISED AND UNREALISED PROFITS/ (LOSSES)

	Cumulative Year to date ended 30/09/19 RM'000	Cumulative Year to date ended 30/09/18 RM'000
Total retained profits of KGB:		
- Realised	65,372	49,689
- Unrealised	(466)	(1,260)
Total group retained profits as per consolidated accounts	<u>64,906</u>	<u>48,429</u>