

KELINGTON GROUP BERHAD ("KGB")
[Company No. 199901026486 (501386-P)]
Statement of Profit or Loss and Other Comprehensive Income
For The 1st Quarter Ended 31 March 2023

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the period ended 31 March 2023 are as follow:-

	Note	Unaudited		+	-	Unaudited		+	-
		Current Qtr Ended 31.3.2023 RM'000	Previous Qtr Ended 31.3.2022 RM'000			3-months Period up to 31.3.2023 RM'000	3-months Period up to 31.3.2022 RM'000		
Revenue		308,925	173,328	+		308,925	173,328	+	
Cost of sales		(270,982)	(149,601)		78	(270,982)	(149,601)		78
Gross profit		<u>37,943</u>	<u>23,727</u>	+	60	<u>37,943</u>	<u>23,727</u>	+	60
Other income		1,539	661			1,539	661		
Administrative expenses		(12,824)	(10,235)			(12,824)	(10,235)		
Selling and distribution expenses		(630)	(480)			(630)	(480)		
Other expenses		(1,719)	(1,966)			(1,719)	(1,966)		
Results from operating activities		<u>24,309</u>	<u>11,707</u>	+	108	<u>24,309</u>	<u>11,707</u>	+	108
Finance costs		(3,292)	(594)			(3,292)	(594)		
Profit before taxation for the financial period		<u>21,017</u>	<u>11,113</u>	+	89	<u>21,017</u>	<u>11,113</u>	+	89
Taxation	B5	(4,401)	(2,599)			(4,401)	(2,599)		
Profit after taxation for the financial period		<u>16,616</u>	<u>8,514</u>	+	95	<u>16,616</u>	<u>8,514</u>	+	95
Other comprehensive income, net of tax									
Foreign currency translation		1,932	1,511			1,932	1,511		
		<u>1,932</u>	<u>1,511</u>			<u>1,932</u>	<u>1,511</u>		
Total comprehensive income for the period		<u>18,548</u>	<u>10,025</u>			<u>18,548</u>	<u>10,025</u>		
Profit attributable to:									
Shareholders of the Company		16,188	8,302	+	95	16,188	8,302	+	95
Non-controlling interests		428	212			428	212		
Profit after taxation for the financial period		<u>16,616</u>	<u>8,514</u>	+	95	<u>16,616</u>	<u>8,514</u>	+	95
Total comprehensive income attributable to:									
Shareholders of the Company		18,120	9,813			18,120	9,813		
Non-controlling interests		428	212			428	212		
Total comprehensive income for the period		<u>18,548</u>	<u>10,025</u>			<u>18,548</u>	<u>10,025</u>		
Basic earnings per ordinary share (sen):									
Basic earnings per share (sen)	B11	2.52	1.29			2.52	1.29		
Diluted earnings per share (sen)	B11	2.45	1.27			2.45	1.27		

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 2022 and the accompanying explanatory notes enclosed to the interim financial statements.

KELINGTON GROUP BERHAD ("KGB")
[Company No. 199901026486 (501386-P)]
Statement of Financial Position
As at 31 March 2023

	Note	Unaudited As At 31.3.2023 RM'000	Audited As At 31.12.2022 RM'000
ASSETS			
Non-current assets			
Property, plant & equipment		120,478	106,791
Goodwill on consolidation		6,926	6,829
Deferred tax assets		559	682
Right-of-use assets		3,047	3,561
		<u>131,010</u>	<u>117,863</u>
Current assets			
Inventories		28,376	21,871
Contract assets		172,785	196,558
Trade receivables		334,890	385,507
Other receivables, prepayments and deposits		102,703	63,712
Current tax assets		9,626	10,163
Fixed deposits with licensed banks		59,632	25,586
Cash and bank balances		154,034	234,381
		<u>862,046</u>	<u>937,778</u>
TOTAL ASSETS		<u>993,056</u>	<u>1,055,641</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		73,292	73,292
Retained earnings		161,973	145,785
Other reserve		23,008	20,756
Treasury share		(534)	(534)
Total Equity attributable to Shareholders of the Company		<u>257,739</u>	<u>239,299</u>
Non-controlling interests		4,244	3,816
Total Equity		<u>261,983</u>	<u>243,115</u>
Non-current liabilities			
Deferred tax liabilities		2,713	2,675
Lease liability	B8 (a)	996	1,423
Hire purchase payables	B8 (b)	2,441	2,186
Long-term borrowings	B8 (b)	37,119	31,863
		<u>43,269</u>	<u>38,147</u>
Current liabilities			
Contract liabilities		270,689	283,566
Trade payables		148,791	201,469
Other payables and accruals		88,849	62,070
Derivative liabilities	B7	1,841	2,962
Lease liability	B8 (a)	1,947	2,018
Current tax liabilities		18,057	14,745
Short term borrowings	B8 (b)	156,930	206,296
Bank overdraft	B8 (b)	700	1,253
		<u>687,804</u>	<u>774,379</u>
Total liabilities		<u>731,073</u>	<u>812,526</u>
TOTAL EQUITY AND LIABILITIES		<u>993,056</u>	<u>1,055,641</u>
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)		0.4060	0.3768

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 2022 and the accompanying explanatory notes enclosed to the interim financial statements.

KELINGTON GROUP BERHAD ("KGB")
[Company No. 199901026486 (501386-P)]
Condensed Consolidated Statements of Changes in Equity
For The 1st Quarter Ended 31 March 2023

	-----Attributable to Equity Holders of the Company-----							Non-Controlling Interest	Total Equity
	-----Non Distributable-----					Distributable			
	Share Capital RM'000	Treasury Share RM'000	Capital Reserve RM'000	Employee Share Scheme Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Earnings RM'000	Total RM'000	RM'000	RM'000
As at 1 January 2023	73,292	(534)	11,194	634	8,928	145,785	239,299	3,816	243,115
Profit after taxation for the financial period	-	-	-	-	-	16,188	16,188	428	16,616
Other comprehensive expense, net of tax: - Foreign currency translation	-	-	-	-	1,932	-	1,932	-	1,932
Total comprehensive income for the financial period	-	-	-	-	1,932	16,188	18,120	428	18,548
Contributions by and distribution to owners of the company:									
- Employee's share options reserve	-	-	-	320	-	-	320	-	320
- Dividend paid for the period	-	-	-	-	-	-	-	-	-
Total recognised income and expense for the period	-	-	-	320	-	-	320	-	320
As at 31 March 2023	73,292	(534)	11,194	954	10,860	161,973	257,739	4,244	261,983
As at 1 January 2022	73,292	(534)	10,518	-	4,847	103,569	191,692	1,055	192,747
Profit after taxation for the financial year	-	-	-	-	-	8,302	8,302	212	8,514
Other comprehensive income, net of tax: - Foreign currency translation differences	-	-	-	-	1,511	-	1,511	-	1,511
Total comprehensive income/ (expenses) for the financial year	-	-	-	-	1,511	8,302	9,813	212	10,025
As at 31 March 2022	73,292	(534)	10,518	-	6,358	111,871	201,505	1,267	202,772

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 2022 and the accompanying explanatory notes enclosed to the interim financial statements.

KELINGTON GROUP BERHAD ("KGB")
[Company No. 199901026486 (501386-P)]
 Condensed Consolidated Statement of Cash Flow
 For The Period Ended 31 March 2023

	Unaudited 3-Months Ended 31.3.2023 RM'000	Unaudited 3-Months Ended 31.3.2022 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	21,017	11,113
Adjustments for:-		
Bad debts written off	3	-
Depreciation of property, plant and equipment	1,644	1,429
Depreciation of right-of-use assets	545	116
Impairment loss on trade receivables	-	72
Interest expense	3,592	596
Interest income	(139)	(37)
Loss on disposal of equipment	66	18
Share-based payments	320	-
Reversal of provision of warranty costs	(117)	-
Unrealised (gain)/ loss on foreign exchange	(478)	483
Operating profit before working capital changes	26,453	13,790
Increase in inventory	(6,505)	(2,885)
Changes in net of contract assets /contract liabilities	10,896	39,487
Decrease/ (Increase) in trade and other receivables	11,310	(79,838)
Decrease in trade and other payables	(23,552)	(2,541)
CASH FROM/ (FOR) OPERATIONS	18,602	(31,987)
Income tax paid	(2,935)	(2,506)
Interest paid	(137)	(2)
Interest received	139	37
NET CASH FROM/(FOR) OPERATING ACTIVITIES	15,669	(34,458)
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(14,666)	(4,494)
Proceeds from disposal of equipments	589	83
Increase in pledged fixed deposits and bank balances with licensed bank	(1,603)	(1,262)
NET CASH FOR INVESTING ACTIVITIES	(15,680)	(5,673)
CASH FLOWS (FOR)/ FROM FINANCING ACTIVITIES		
Interest paid	(3,455)	(594)
Drawdown of revolving credit	10,970	8,387
Repayment of hire purchase	(941)	-
Repayment of lease liability	(498)	(383)
Net (repayment)/drawdown of term loan	(444)	46
Drawdown of trust receipts	-	293
Net (repayment)/ drawdown of invoice financing	(54,619)	30,675
NET CASH (FOR)/FROM FINANCING ACTIVITIES	(48,987)	38,424
NET DECREASE IN CASH AND CASH EQUIVALENTS	(48,998)	(1,707)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,646	1,436
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	230,685	85,046
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	183,333	84,775
 Cash and cash equivalents at the end of financial period comprise the following:		
Cash and bank balances	154,034	81,287
Fixed deposits	59,632	26,686
	213,666	107,973
Less: bank overdraft	(700)	(645)
Less: fixed deposits pledged to licensed banks	(25,875)	(19,205)
Less: bank balance pledged to licensed banks	(3,758)	(3,348)
	183,333	84,775

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 2022 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 2022. 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 2022.

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 2022. The new, revised and amended MFRS and IC Interpretations, which are effective for the financial periods beginning on January 1, 2023, did not have any material impact on the financial results of the Group.

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
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024

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.

2. Status of Audit Qualification

There were no audit qualification to the annual audited financial statements of the Group for the FYE 31 December 2022.

3. Segmental Information

(a) Business Segment

The Group is organised into 3 main reportable segments as follows:

- (i) Service segment - involved in the renting of skid tank, provision of scientific and technical researches, laboratory testing service and experiments;
- (ii) Manufacturing and trading segment - (1) industrial gases and
 - (2) equipments and materials for contracts; and
- (iii) Construction segment - involved in the provision of engineering services and construction.

Service Segment	Manufacturing and Trading Segment:		Construction Segment	The Group
	Industrial Gases	Equipments & Materials		
RM'000	RM'000	RM'000	RM'000	RM'000
31.3.2023				
Revenue				
External revenue	316	24,141	2,254	282,214
Inter-segment revenue	106	9	2,403	2,221
	422	24,150	4,657	284,435
Consolidated Adjustments				(4,739)
				<u>308,925</u>

Service Segment	Manufacturing and Trading Segment:		Construction Segment	The Group
	Industrial Gases	Equipments & Materials		
RM'000	RDS1:G66M'000	RM'000	RM'000	RM'000
31.3.2022				
Revenue				
External revenue	299	9,858	221	162,950
Inter-segment revenue	39	6	4,353	100
	338	9,864	4,574	163,050
Consolidated Adjustments				(4,498)
				<u>173,328</u>

3. Segmental Information (Cont'd)

(b) Geographical information

Revenue is based on the country in which the customers are located. Non-current assets are determined according to the country where these assets are located.

	Revenue		Non-current Assets	
	31.3.2023 RM'000	31.3.2022 RM'000	31.3.2023 RM'000	31.3.2022 RM'000
Malaysia	142,502	77,905	110,235	64,470
China	45,528	26,958	4,141	3,250
Taiwan	7,392	4,860	53	83
Singapore	104,105	62,257	16,581	11,583
Indonesia	2,515	-	-	-
Philippines	2,785	1,348	-	-
Others	4,098	-	-	-
	<u>308,925</u>	<u>173,328</u>	<u>131,010</u>	<u>79,386</u>

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 31 March 2023.

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 dividend 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 31 March 2023, 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 were 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

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.

	As at 31.3.2023 RM'000
Purchase of plant & equipment	<u>81,034</u>

13. Changes in Contingent Liabilities and Contingent Assets

There were no changes on contingent liabilities and contingent assets since the last annual balance sheet as at 31 December 2022.

14. Material Subsequent Events

There has been no material subsequent events after the quarter ended 31 March 2023.

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

1 Review Of Performance

	Current Year Quarter 31.3.2023 RM'000	Preceding Year Corresponding Quarter 31.3.2022 RM'000	Changes	
			Amount RM'000	%
Revenue	308,925	173,328	135,597	78%
Operating profit	24,309	11,707	12,602	108%
Profit before tax ("PBT")	21,017	11,113	9,904	89%
Profit after tax ("PAT")	16,616	8,514	8,102	95%
Profit attributable to shareholders of the company	16,188	8,302	7,886	95%

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Revenue 1Q2023 31.3.2023 RM'000	% of total		Revenue 1Q2022 31.3.2022 RM'000	% of total	Changes
						%
Service segment:	316	0%		299	0%	6%
Manufacturing & trading segment:						
- Industrial gases Equipments and materials	24,141	8%		9,858	6%	145%
- Ultra High Purity ("UHP")	2,254	1%		221	0%	920%
Construction segment:						
- Process Engineering	181,969	59%		112,640	65%	62%
- General Contracting	35,698	12%		11,950	7%	199%
	64,547	21%		38,360	22%	68%
Total	308,925			173,328		78%
	-			-		

Kelington's revenue grew 78% YoY to RM308.9 million in 1Q2023 compared to 1Q2022, owing to significant rise in contributions from all countries.

In terms of geographical breakdown, revenue contribution was led by Malaysia (46%), followed by Singapore (34%), China (15%), and Taiwan (2%).

Revenue from Malaysia rose 83% to RM142.5 million from RM77.9 million in 1Q2022. The growth was mainly driven by higher revenue recognition contributed by one UHP project and one process engineering project, both of which were awarded during the second half of FY2022.

Meanwhile, revenue from Singapore soared 69% YoY to RM45.5 million from RM27.0 million in the corresponding quarter of 1Q2023 primarily attributed to the contribution from several UHP projects currently underway. The revenue increase can be attributed to these UHP projects reaching the midway point, where a significant portion of the project milestones were accomplished. This progress led to a higher recognition of the completed project works.

Due to higher recognition from on-going projects, China contributed RM45.5 million in revenue, representing a 69% increase as compared to the same period last year.

Revenue from Taiwan increased to RM7.4 million from RM4.9 million previously.

In terms of business segment, the UHP division continued to be the primary revenue contributor, accounting for 59% of the Group's total revenue in 1Q2023. Revenue from UHP division climbed 62% YoY to RM182.0 million, spurred by growth in contribution from Singapore, China and Malaysia.

Revenue contribution from the Process Engineering division surged by 199% to RM35.7 million in 1Q2023, primarily due to a process engineering project awarded in Malaysia during 4Q2022.

The General Contracting division recorded a 68% increase in revenue to RM64.5 million from RM38.4 million in 1Q2022, as a result of revenue recognition from jobs in Malaysia and Singapore.

The Industrial Gases division continued its upward performance in 1Q2023 with higher production output as the Group successfully penetrated into a new geographical region namely Oceania countries for the sale of liquid carbon dioxide. As a result, revenue increased more than two-fold to RM24.1 million, as compared to RM9.9 million in 1Q2022.

In line with strong revenue performance in 1Q2023, gross profit grew 60% YoY to RM37.9 million from RM23.7 million in 1Q2022. Gross margin was lower at 12.3% versus 13.7% in 1Q2022 due to the change in revenue mix driven by higher revenue contribution from Process Engineering and General Contracting segment. In addition, the PBT and PAT for the current quarter grew almost double as compared to 1Q2022.

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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2023

(b) Variation of Results Against Preceding Quarter

	Current Quarter 1Q2023 Unaudited 31.3.2023 RM'000	Immediate Preceding Quarter 4Q2022 Audited 31.12.2022 RM'000	Changes	
			Amount RM'000	%
Revenue	308,925	426,718	(117,793)	-28%
Operating profit	24,309	29,553	(5,244)	-18%
Profit before tax ("PBT")	21,017	26,925	(5,908)	-22%
Profit after tax ("PAT")	16,616	19,725	(3,109)	-16%
Profit attributable to shareholders of the company	16,188	18,185	(1,997)	-11%

As compared to 4Q2022, revenue decreased by 28% to RM308.9 million in 1Q2023, which is traditionally a weaker quarter due to seasonality effects. Meanwhile, PBT and PAT dropped by 22% and 16% respectively mainly due to lower revenue.

(c) Statement of Financial Position

Financial Indicators	As at 31.3.2023	As at 31.12.2022
	Unaudited RM'000	Audited RM'000
Total assets	993,056	1,055,641
Total equity	261,983	243,115
Debt	200,133	245,039
Fixed deposits, cash & bank balances	213,666	259,967
Net cash	13,533	14,928
Debt-to-Equity (Gearing)	0.76	1.01

As at 31 March 2023, the Group's shareholder equity (excluding non-controlling interests) rose to RM257.7 million from RM239.3 million as at 31 December 2022, on the back of consecutive quarterly profit.

The Group's total debt reduced to RM200.1 million as at 31 March 2023 against RM245.0 million as at 31 December 2022. The reduction in debt was mainly due to the repayment of borrowing in Malaysia.

As a result, the gearing ratio stood at 0.76 times. Nonetheless, the Group's financial position remained healthy with a cash position of RM213.7 million.

2 Commentary Of Prospects

The Group continues to enjoy a healthy orderbook replenishment rate across the Ultra High Purity, Process Engineering, and General Contracting Segments. During the 3-month ended 31 March 2023, the Group has secured new contracts amounting to RM467 million in 2023. Including the projects carried forward from the previous years, our total orderbook stood at RM2.167 billion of which RM1.83 billion remains outstanding.

In addition, we clinched another major contract amounting to RM102 million in Singapore in April 2023. This is KGB's first contract to supply a fully customised chemical delivery system. The job includes designing and building the chemical delivery system as well as designing and installing of process utility main line and hookups.

Prospects at the Industrial Gases division remain positive as demand for liquid carbon dioxide (LCO2) increases in tandem with the recovery in economic activities. The proposed investment of the second LCO2 plant at Kerteh will more than double the production capacity and will further enhance the industrial gas division's financial performance starting from FY 2024.

The commencement of our second onsite gas supply scheme in 4Q2023 to supply hydrogen, nitrogen and oxygen for an optoelectronics semiconductor giant in Kulim, Kedah will contribute positively to the Group's earnings visibility over the next ten years.

Barring unforeseen circumstances, we are confident of delivering a commendable financial performance in FY2023 as we execute our existing orderbook across our key operating markets.

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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2023

3 Profit Forecast and Profit Guarantee

The Company did not announce any profit forecast or profit estimate for the FYE 31 December 2023 in any public document and hence this information is not applicable.

4 Profit for the Period

	Quarter ended		Year-to-date ended	
	31.3.2023 RM'000	31.3.2022 RM'000	31.3.2023 RM'000	31.3.2022 RM'000
Profit for the period is arrived at after crediting/ (charging):				
Bad debts written off	3	-	3	-
Interest income	139	37	139	37
Interest expense #	(3,592)	(596)	(3,592)	(596)
Impairment loss on trade receivables:				
- specified	-	(72)	-	(72)
Depreciation and amortisation	(1,644)	(1,429)	(1,644)	(1,429)
Depreciation of right-of-use assets	(545)	(116)	(545)	(116)
Unrealised Foreign exchange gain/(loss)	478	(483)	478	(483)
Realised Foreign exchange gain/(loss)	(189)	*	(189)	*
Reversal of provision of warranty costs	117	-	117	-
Loss on disposal of equipment	(66)	(18)	(66)	(18)

Note:

- RM299,873 of the interest expense are included in cost of sales

* - amount less than RM1,000

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 31.3.2023 RM'000	Cumulative Year to date ended 31.3.2023 RM'000
Company taxation	4,240	4,240
Deferred taxation	161	161
	<u>4,401</u>	<u>4,401</u>

The effective tax rate of the Group for the current financial year under review is lower than the statutory tax rate due to the tax rate in Singapore is relatively lower. Apart from this, there are some tax exemptions in China due to expenditure on research and developments.

6 Corporate Proposal

There were no outstanding corporate proposals announced but not completed as at the current quarter under review.

7 Derivative Financial Instruments

The details of the foreign currency forward contracts are as follows:

	31.3.2023 RM'000
Type of Derivatives	
Forward Contract (US Dollar)	
Contract (Notional Value)	56,961
Less: Fair value	(55,107)
Derivatives financial liabilities	<u>1,854</u>
Forward Contract (Euro)	
Contract (Notional Value)	1,430
Less: Fair value	(1,443)
Derivatives financial liabilities	<u>(13)</u>
Total derivatives liabilities	<u>1,841</u>

The Group maintains a natural hedge, whenever is possible, by matching the receivables and the payables in the same currency, any unmatched balances will be hedged by the forward foreign currency contracts

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8 Lease Liability and Group Borrowings

(a) Lease liability

The lease liability as at 31 March 2023 versus 31 March 2022 were as follows:

	31.3.2023 RM'000	31.3.2022 RM'000
Non-current	996	213
Current	1,947	722
Total	2,943	935

The lease liability comprises tenancy agreements of more than one year.

(b) Group Borrowings

The borrowings as at 31 March 2023 versus 31 March 2022 were as follows.

	As At 31 March 2023					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
Secured						
Term Loan	SGD2,000, RM7,562	14,206	RM37,119	37,119	SGD2,000, RM44,681	51,325
Revolving loan	NTD16,000, SGD1,100, RM17,000	22,970			NTD16,000, SGD1,100, RM17,000	22,970
Post buyer Loan/ Invoice financing	RMB68,189, SGD20,280	118,706			RMB68,189, SGD20,280	118,706
Bank overdraft	RM700	700			RM700	700
Hire Purchase Payable	RM1,048	1,048	RM2,441	2,441	RM3,489	3,489
Unsecured						
Nil	-	-	-	-	-	-
		157,630		39,560		197,190
Weighted average interest rate of borrowings						5.58%
Proportion of borrowings between fixed interest rate and floating interest rate						2%:98%

The decrease in borrowing during the period ended 31 March 2023 is mainly due to the repayment of borrowing for the projects undertaken in China, Singapore and Malaysia.

	As At 31 March 2022					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
Secured						
Term Loan	NTD16,000, RM4,914	7,263	RM24,825	24,825	RM32,042	32,088
Bank overdraft	SGD2,700, RM1,500	9,887	-	-	SGD2,700, RM1,500	9,887
Post buyer loan/Invoice financing	RMB8,310, SGD7,470, RM20,899	49,613	-	-	RMB8,310, SGD7,470, RM20,899	49,613
Bank overdraft	RM645	645	-	-	RM645	645
Hire Purchase Payable	RM758	758	RM2,098	2,098		2,856
Unsecured						
Nil	-	-	-	-	-	-
		68,166		26,923		95,089
Weighted average interest rate of borrowings						3.37%
Proportion of borrowings between fixed interest rate and floating interest rate						4%:96%

The increase in borrowing during the period ended 31 March 2022 is mainly due to the financing for the projects undertaken in Singapore and 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.

On 11 January 2021, Kelington Taiwan received a judgement from the Supreme Court of Taiwan which in response to Hui Neng's petition made on 23 October 2018 that the original court judgment made on 12 September 2018 was set aside except for the provisional execution, and the case shall re-submit to the Taiwan High Court in Kaohsiung.

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

(2) Commencement of arbitration proceeding by Kelington Technologies Sdn. Bhd. ("KTSB"), a wholly owned subsidiary of Kelington against JCT Industries Group Sdn. Bhd ("JCT")

On 19 August 2022, KTSB served a Notice of Arbitration to JCT ("Respondent"). The arbitration proceedings commenced under the Notice of Arbitration filed pursuant to the Arbitration Act 2005 and the PAM Arbitration Rules.

In summary, KTSB claims from the Respondent by way of counterclaims, including but not limited to:

- 1 the sum of RM6,272,033.97;
- 2 further, or alternatively, such sums as may be determined by this Honourable Tribunal on a quantum meruit basis;
- 3 interest for such period and rate as the Honourable Tribunal deems fit;
- 4 interest from the date of the award until full and final settlement;
- 5 costs of the arbitration; and
- 6 such further relief as the Honourable Tribunal deems fit and proper.

On 14 November 2022, KTSB received a notice dated 8 November 2022 from Pertubuhan Akitek Malaysia (PAM) that a sole arbitrator has been appointed for the Arbitration Proceedings.

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

10 Dividends Payable

On 27 February 2023, the Board of Directors of KGB proposed the payment of second interim tax-exempt dividend of 1.5 sen per ordinary share in respect of the FYE 31 December 2022 amounting to RM9,645,107. This had been paid on 21 April 2023.

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	
	31.3.2023	31.3.2022	31.3.2023	31.3.2022
Profit After Taxation attributable to owners of the company (RM'000)	16,188	8,302	16,188	8,302
Weighted average number of ordinary shares in issue ('000)	643,007	643,007	643,007	643,007
Basic Earnings Per Share (Sen)	2.52	1.29	2.52	1.29
Diluted Earnings Per Share (Sen) # ^	2.45	1.27	2.45	1.27

Note :

- Assuming the full exercise of 214,333,821 convertible warrants

^ - Assuming the exercise of 2,572,000 shares, which is the 10% of 25,720,000 shares of Employee Shares Scheme.

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12 Trade Receivables

At each reporting date, the Group assess whether any of the trade receivables are credit impaired. The Group consider trade receivables having financial difficulty are deemed credit impaired and assesses for their risk of loss individually. The ageing analysis of the Group's gross trade receivables is as follows:

<u>31.3.2023</u>	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
Not past due	294,701	(127)	294,574
Past due:			
- less than 3 months	37,154	(1,854)	35,300
- 3 to 6 months	4,119	(549)	3,570
- over 6 months	1,771	(325)	1,446
Credit impaired	9,564	(9,564)	-
	<u>347,309</u>	<u>(12,419)</u>	<u>334,890</u>

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

<u>31.3.2022</u>	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
Not past due	128,586	(493)	128,093
Past due:			
- less than 3 months	24,820	(1,120)	23,700
- 3 to 6 months	163	(163)	-
- over 6 months	6,030	(3,040)	2,990
Credit impaired	9,564	(9,564)	-
	<u>169,163</u>	<u>(14,380)</u>	<u>154,783</u>

14 Comparative Figures

The following figures have been reclassified to conform with the presentation of current financial period:

	As Restated 31.3.2022 RM'000	As Previously Reported 31.3.2022 RM'000
Condensed Consolidated Statement of Cash Flow (Extract):-		
Depreciation of property, plant and equipment	1,429	1,220
Depreciation of right-of-use assets	116	325
Interest paid (operating activities)	(2)	(596)
Interest paid (financing activities)	(594)	-
	<u> </u>	<u> </u>
Profit for the period is arrived at after charging (Extract):-		
Depreciation and amortisation	(1,429)	(1,220)
Depreciation of right-of-use assets	(116)	(325)
	<u> </u>	<u> </u>
Lease liability (Extract):-		
Non-current	213	2,310
Current	722	1,481
	<u> </u>	<u> </u>
Group Borrowings (Extract):-		
Hire purchase payable	2,856	-
Weighted average interest rate of borrowings	3.37%	3.39%
Proportion of borrowings between fixed interest rate and floating interest rate	4%:96%	1%:99%
	<u> </u>	<u> </u>