

KELINGTON GROUP BERHAD ("KGB")
[Company No. 199901026486 (501386-P)]
Statement of Profit or Loss and Other Comprehensive Income
For The 3rd Quarter Ended 30 September 2022

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the period ended 30 September 2022 are as follow:-

	Unaudited	Unaudited		Unaudited	Unaudited	
Note	Current Qtr Ended 30.9.2022 RM'000	Previous Qtr Ended 30.9.2021 RM'000	+ - %	9-months Period up to 30.9.2022 RM'000	9-months Period up to 30.9.2021 RM'000	+ - %
Revenue	366,394	106,369	+	852,119	337,578	+
Cost of sales	(325,692)	(85,936)	244	(755,162)	(283,022)	152
Gross profit	40,702	20,433	+	96,957	54,556	+
Other income	258	1,180		1,706	4,705	
Administrative expenses	(16,007)	(10,504)		(36,449)	(25,919)	
Selling and distribution expenses	(685)	(526)		(1,512)	(1,501)	
Other expenses	(4,226)	(1,104)		(10,448)	(4,416)	
Results from operating activities	20,042	9,479	+	50,254	27,425	+
Share of result in an Associate, net of tax	-	-		-	-	
Finance costs	(1,193)	(709)		(2,788)	(2,191)	
Profit before taxation for the financial period	18,849	8,770	+	47,466	25,234	+
Taxation	B5 (2,514)	(623)	111	(8,685)	(3,854)	83
Profit after taxation for the financial period	16,335	8,147	+	38,781	21,380	+
Other comprehensive income, net of tax						
Foreign currency translation	1,440	(244)		3,633	682	
	<u>1,440</u>	<u>(244)</u>		<u>3,633</u>	<u>682</u>	
Total comprehensive income for the period	17,775	7,903		42,414	22,062	
Profit attributable to:						
Shareholders of the Company	15,706	7,960	+	37,567	20,856	+
Non-controlling interests	629	187	97	1,214	524	80
Profit after taxation for the financial period	16,335	8,147	+	38,781	21,380	+
Total comprehensive income attributable to:						
Shareholders of the Company	17,144	7,716		41,199	21,535	
Non-controlling interests	631	187		1,215	527	
Total comprehensive income for the period	17,775	7,903		42,414	22,062	
Basic earnings per ordinary share (sen):						
Basic earnings per share (sen)	B11 2.44	2.29		5.84	4.01	
Diluted earnings per share (sen)	B11 2.38	NA		5.70	NA	

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 2021 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 30 September 2022

	Unaudited As At 30.9.2022 RM'000	Audited As At 31.12.2021 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	86,807	64,358
Goodwill on consolidation	6,758	6,449
Deferred tax assets	183	272
Right-of-use assets	7,273	5,655
	101,021	76,734
Current assets		
Inventories	21,631	6,856
Contract assets	191,157	111,111
Trade receivables	343,453	92,136
Other receivables, prepayments and deposits	68,075	10,186
Current tax assets	554	448
Fixed deposits with licensed banks	25,627	25,410
Cash and bank balances	84,257	81,087
	734,754	327,234
	835,775	403,968
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity		
Share capital	73,292	73,292
Retained earnings	128,276	103,569
Other reserve	19,314	15,365
Treasury share	(534)	(534)
Total Equity attributable to Shareholders of the Company	220,348	191,692
Non-controlling interests	2,270	1,055
Total Equity	222,618	192,747
Non-current liabilities		
Deferred tax liabilities	2,216	777
Lease liability	3,675	2,679
Long-term borrowings	19,096	23,168
	24,987	26,624
Current liabilities		
Contract liabilities	215,258	30,854
Trade payables	164,689	94,042
Other payables and accruals	45,360	25,271
Lease liability	1,940	1,495
Current tax liabilities	6,199	3,756
Short term borrowings	152,918	29,019
Bank overdraft	1,806	160
	588,170	184,597
Total liabilities	613,157	211,221
TOTAL EQUITY AND LIABILITIES	835,775	403,968
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.3450	0.2987

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 2021 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 30 September 2022

	Unaudited 9-Months Ended 30.9.2022 RM'000	Unaudited 9-Months Ended 30.9.2021 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	47,466	25,234
Adjustments for:-		
Depreciation of property, plant and equipment	3,933	3,537
Depreciation of right-of-use assets	1,342	618
Impairment loss on trade receivables	1,722	245
Impairment losses on contract assets	1,130	200
Interest expense	3,126	2,191
Interest income	(139)	(314)
Loss on disposal of equipment	36	193
Provision for warranty costs	28	52
Share-based payments	317	-
Reversal of provision of warranty costs	-	(63)
Unrealised gain on foreign exchange	764	(1,636)
Operating profit before working capital changes	59,725	30,257
Increase in inventory	(14,775)	(3,982)
Changes in net of contract assets /contract liabilities	103,228	(14,676)
Increase in trade and other receivables	(311,310)	(5,112)
Increase/(Decrease) in trade and other payables	90,326	(13,932)
CASH FOR OPERATIONS	(72,806)	(7,445)
Income tax paid	(4,820)	(3,052)
Interest paid	(47)	(124)
Interest received	139	314
NET CASH FOR OPERATING ACTIVITIES	(77,534)	(10,307)
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(26,329)	(6,823)
Addition of right-of-use assets	-	(96)
Proceeds from disposal of equipment	83	143
Increase in pledged fixed deposits and bank balances with licensed bank	(4,336)	169
NET CASH FOR INVESTING ACTIVITIES	(30,582)	(6,607)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES		
Dividend paid	(12,860)	(3,215)
Interest paid	(3,079)	(2,067)
Drawdown of revolving credit	19,097	3,346
Repayment of bankers' acceptance	-	(2,140)
Repayment of lease liability	(1,533)	(817)
Repayment of term loan	(4,888)	(3,002)
Repayment of trust receipts	(3,339)	-
Drawdown of invoice financing	108,957	(8,492)
NET CASH FROM/(FOR) FINANCING ACTIVITIES	102,355	(16,387)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,761)	(33,301)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	3,166	343
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	85,046	113,787
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	82,451	80,829
Cash and cash equivalents at the end of financial period comprise the following:		
Cash and bank balances	84,257	75,164
Fixed deposits	25,627	24,007
	109,884	99,171
Less: bank overdraft	(1,806)	(506)
Less: fixed deposits pledged to licensed banks	(22,037)	(14,697)
Less: bank balance pledged to licensed banks	(3,590)	(3,139)
	82,451	80,829

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 2021 and the accompanying explanatory notes enclosed to the interim financial statements.

KELINGTON GROUP BERHAD ("KGB")
[Company No. 199901026486 (501386-P)]
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022

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 2021. 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 2021.

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 2021.

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 2023
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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 2021.

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 RM'000	Manufacturing and Trading Segment:		Construction Segment RM'000	The Group RM'000
		Industrial Gases RM'000	Equipments & Materials RM'000		
30.9.2022					
Revenue					
External revenue	937	42,007	3,493	805,682	852,119
Inter-segment revenue	151	443	13,418	1,171	15,183
	1,088	42,450	16,911	806,853	867,302
Consolidated Adjustments					(15,183)
					<u>852,119</u>

	Service Segment RM'000	Manufacturing and Trading Segment:		Construction Segment RM'000	The Group RM'000
		Industrial Gases RDS1:G66M'000	Equipments & Materials RM'000		
30.9.2021					
Revenue					
External revenue	868	23,946	3,480	309,284	337,578
Inter-segment revenue	75	6	9,693	1,713	11,487
	943	23,952	13,173	310,997	349,065
Consolidated Adjustments					(11,487)
					<u>337,578</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	
	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000
Malaysia	399,081	117,692	81,746	60,309
China	129,570	94,901	3,903	3,821
Taiwan	23,203	9,839	69	123
Singapore	291,921	112,968	15,303	10,577
Philippines	4,540	2,178	-	-
Others	3,804	-	-	-
	852,119	337,578	101,021	74,830

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 30 September 2022.

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

On 22 September 2022, KGB had paid the first interim tax-exempt dividend of 1 sen per ordinary share in respect of the FYE 31 December 2022 amounting to RM6,430,072.

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 2022, 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 except:

Kelington Nawik Sdn Bhd, a 100% owned subsidiary of Kelington Group Berhad, had disposed all shares (100 shares) in Kelington Nawik (PNG) Limited on 28 Sep 2022.

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

Saved as disclosed in the following, there is no other contingent liabilities and contingent assets as at quarter ended 30 September 2022:

	As at 30.9.2022 Unaudited RM'000	As at 30.9.2021 Unaudited RM'000
Contingent liabilities		
Bank guarantee and insurance bond given to third party as performance bond or warranty bond	228,262	39,078

The increase in amount of bonds as compared to same period of previous year is mainly due to the projects undertaken in Malaysia and Singapore.

14. Material Subsequent Events

There has been no material subsequent events after the quarter ended 30 September 2022.

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

1 Review Of Performance

	Current Year Quarter 30.9.2022 RM'000	Preceding Year Corresponding Quarter 30.9.2021 RM'000	Changes		Current Year-to-date 30.9.2022 RM'000	Preceding Year Corresponding Period 30.9.2021 RM'000	Changes	
			Amount RM'000	%			Amount RM'000	%
Revenue	366,394	106,369	260,025	244%	852,119	337,578	514,541	152%
Operating profit	20,042	9,479	10,563	111%	50,254	27,425	22,829	83%
Profit before tax ("PBT")	18,849	8,770	10,079	115%	47,466	25,234	22,232	88%
Profit after tax ("PAT")	16,335	8,147	8,188	100%	38,781	21,380	17,401	81%
Profit attributable to shareholders of the company	15,706	7,960	7,746	97%	37,567	20,856	16,711	80%

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Revenue 3Q2022 30.9.2022 RM'000	% of total		Revenue 3Q2021 30.9.2021 RM'000	% of total	Changes
						%
Service segment:	317	0%		285	0%	11%
Manufacturing & trading segment:	20,496	6%		7,528	7%	172%
Construction segment:	3,267	1%		1,112	1%	194%
- Industrial gases	20,496	6%		7,528	7%	172%
- Equipments and materials	3,267	1%		1,112	1%	194%
- Ultra High Purity ("UHP")	206,585	56%		70,624	66%	193%
- Process Engineering	14,131	4%		17,053	16%	-17%
- General Contracting	121,598	33%		9,767	9%	1145%
Total	366,394			106,369		244%

Kelington's revenue grew 244% YoY to RM366.4 million in 3Q2022 due to rise in contributions from all countries.

In terms of geographical breakdown, revenue contribution was led by Malaysia (47%), followed by Singapore (34%), China (15%), and Taiwan (3%).

Revenue from Malaysia soared 379% YoY to RM173.2 million mainly due to higher revenue recognition from a major general contracting job which was awarded in the previous year's corresponding quarter ("3Q2021").

Meanwhile, revenue from Singapore rose 243% to RM125.0 million from RM36.5 million in 3Q2021. The strong growth was mainly driven by higher revenue recognition contributed by UHP projects awarded during the second half of FY2021.

Due to higher recognition from on-going projects, China contributed RM51.0 million in revenue, representing a 74% increase as compared to the same period last year.

Revenue from Taiwan to RM11.7 million from RM3.5 million previously.

In terms of business segment, the UHP division remained the primary revenue contributor, representing 56% of total revenue to the Group in 3Q 2022. Revenue from UHP division climbed 193% YoY to RM206.6 million, spurred by growth in contribution from Singapore, China and Malaysia.

The General Contracting division recorded a strong 1145% rise in revenue to RM121.6 million from RM9.8 in 3Q2021 mainly due to the recognition of revenue from a major general contracting job awarded in 3Q2021.

Revenue contribution from the Process Engineering division stood at RM14.1 million in 3Q2022, mainly from projects in Malaysia.

The Industrial Gases division continued its upward performance in 3Q2022 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 almost three-fold to RM20.5 million, as compared to RM7.5 million in 3Q2021.

In line with strong revenue performance in 3Q2022, gross profit grew 99% YoY to RM40.7 million compared to RM20.4 million in 3Q2021. Gross margin was lower at 11.1% versus 19.2% in 3Q2021 due to the change in revenue mix driven by higher contribution from the General Contracting segment. In addition, the PBT and PAT for the current quarter grew and doubled as compared to 3Q2021.

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

	Revenue 9M2022 RM'000	% of total		Revenue 9M2021 RM'000	% of total	Changes
						%
Service segment:	937	0%		868	0%	8%
Manufacturing & trading segment:	42,007	4%		23,946	7%	75%
Construction segment:	3,493	0%		3,480	1%	0%
- Industrial gases	42,007	4%		23,946	7%	75%
- Equipments and materials	3,493	0%		3,480	1%	0%
- Ultra High Purity ("UHP")	511,001	60%		231,716	68%	121%
- Process Engineering	37,614	4%		39,229	12%	-4%
- General Contracting	257,067	30%		38,339	12%	571%
Total	852,119			337,578		152%

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[Company No. 199901026486 (501386-P)]
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022

1 Review Of Performance (Cont'd)

(b) Current Year-to date vs. Previous Year-to date (Cont'd)

The Group's revenue more than doubled YoY to RM852.1 million in 9M2022 as compared to RM337.6 million in the previous year's corresponding period ("9M2021"). This was mainly driven by the strong orders secured across the UHP and General Contracting divisions as well as increase in demand in the Industrial Gases division.

Revenue from UHP division grew 121% YoY to RM511.0 million in 9M2022 against RM231.7 million in 9M2021, largely due to higher project recognition in Malaysia, Singapore, and China.

The better performance in the General Contracting division was mainly attributed to a large project in Malaysia, which led to a 571% rise in revenue to RM257.1 million in 9M2022 from RM38.3 million in 9M2021.

Furthermore, revenue from the Industrial Gases division rose 75% YoY to RM42.0 million in 9M2022, mainly driven by higher sales of liquid carbon dioxide and other gases.

In terms of geographical breakdown in 9M2022, revenue contribution was led by Malaysia (47%) followed by Singapore (34%), China (15%), and Taiwan (3%).

In line with the topline growth, gross profit, PBT, and PAT increased 78% YoY to RM97.0 million, 88% YoY to RM47.5 million and, 81% YoY to RM38.8 million respectively.

(c) Variation of Results Against Preceding Quarter

	Current Quarter 3Q2022	Immediate Preceding Quarter 2Q2022	Changes	
	Unaudited 30.9.2022 RM'000	Unaudited 30.6.2022 RM'000	Amount RM'000	%
Revenue	366,394	312,397	53,997	17%
Operating profit	20,042	18,505	1,537	8%
Profit before tax ("PBT")	18,849	17,504	1,345	8%
Profit after tax ("PAT")	16,335	13,932	2,403	17%
Profit attributable to shareholders of the company	15,706	13,559	2,147	16%

As compared to 2Q2022, revenue increased by 17% to RM366.4 million in 3Q2022 mainly as a result of increasing contributions from Malaysia and Singapore operations. In tandem with the revenue growth, PBT increased 8% to RM18.8 million from RM17.5 million in 2Q2022. Meanwhile, PAT increased by 17% to RM16.3 million from RM13.9 million due to the lower effective tax rate.

(d) Statement of Financial Position

Financial Indicators	As at 30.9.2022 Unaudited RM'000	As at 31.12.2021 Audited RM'000
Total assets	835,775	403,968
Total equity	222,618	192,747
Debt	179,435	56,521
Fixed deposits, cash & bank balances	109,884	106,497
Net cash	(69,551)	49,976
Debt-to-Equity (Gearing)	0.81	0.29

As at 30 September 2022, the Group's shareholder equity (excluding non-controlling interests) rose to RM220.3 million from RM191.7 million as at 31 December 2021, on the back of consecutive quarterly profits. During the period, the Group has distributed RM12.9 million dividends to shareholders.

The Group's total debt increased to RM179.4 million as at 30 September 2022 against RM56.5 million as at 31 December 2021. The increase in drawdown of borrowings was mainly due to the financing for projects undertaken in Malaysia, Singapore and China.

As a result, the gearing ratio stood at 0.81 times. Nonetheless, the Group's financial position remained healthy with a cash position of RM109.9 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. As at 30 September 2022, we have secured new contracts amounting to RM1.36 billion in 2022. Including the projects carried forward from the previous years, our total orderbook stood at RM2.4 billion of which RM1.6 billion remains outstanding.

In addition, we clinched another 2 contracts totalling approximately RM262 million from Malaysia and China in early November 2022:

- The first contract is to provide turnkey design and build services of a bulk liquid terminal in Port Klang, Malaysia.
- The second contract is to undertake the material supply and installation of bulk gas delivery system for a semiconductor plant in Beijing, China.

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 double the production capacity and will further enhance the industrial gas financial performance starting from FY 2024.

The commencement of our second onsite gas supply scheme in 3Q2023 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 FY2022 as we execute our existing orderbook across our key operating markets.

3 Profit Forecast and Profit Guarantee

The Company did not announce any profit forecast or profit estimate for the FYE 31 December 2022 in any public document and hence this information is not applicable.

4 Profit for the Period

	Quarter ended		Year-to-date ended	
	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	48	55	139	314
Interest expense #	(1,409)	(755)	(3,126)	(2,191)
Impairment loss on trade receivables:				
- specified	(8)	(25)	(1,422)	(45)
- in accordance to MFRS 9	(300)	(200)	(300)	(200)
Impairment loss on contract assets:				
- specified	(930)	-	(930)	-
- in accordance to MFRS 9	(200)	(200)	(200)	(200)
Depreciation and amortisation	(1,403)	(1,158)	(3,933)	(3,537)
Depreciation of right-of-use assets	(616)	(220)	(1,342)	(618)
Unrealised Foreign exchange gain/(loss)	(819)	449	(764)	1,636
Realised Foreign exchange gain/(loss)	(199)	(133)	(119)	(202)
Provision for warranty costs	(28)	-	(28)	-
(Loss)/gain on disposal of equipment	2	-	(36)	(193)
Reversal of provision of warranty costs	-	63	-	63

Note:

- RM337,734 of the interest expense are included in cost of sales

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 30.9.2022 RM'000	Cumulative Year to date ended 30.9.2022 RM'000
Current tax:		
- for the financial period	<u>2,514</u>	<u>8,685</u>

The effective tax rate of the Group for the current financial period 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

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

8 Lease Liability and Group Borrowings

(a) Lease liability

The lease liability as at 30 September 2022 versus 30 September 2021 were as follows:

	30.9.2022 RM'000	30.9.2021 RM'000
Non-current	3,675	2,521
Current	1,940	1,060
Total	5,615	3,581

The lease liability comprises the hire purchase agreements of motor vehicles, prime mover under finance leases and tenancy agreements of more than one year.

(b) Group Borrowings

The borrowings as at 30 September 2022 versus 30 September 2021 were as follows.

	As At 30 September 2022					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
Secured						
Term Loan	<i>RM8,058</i>	8,058	<i>RM19,096</i>	19,096	<i>RM28,768</i>	27,154
Revolving loan	<i>SGD2,500; RM12,500</i>	20,597		-	<i>SGD2,500; RM12,500</i>	20,597
Post buyer Loan/Invoice financing	<i>RMB40,422; SGD15,123; RM40,079</i>	124,263		-	<i>RMB40,422; SGD15,123; RM40,079</i>	124,263
Bank overdraft	<i>RM1,806</i>	1,806		-	<i>RM1,497</i>	1,806
Unsecured						
Nil	-	-	-	-	-	-
		154,724		19,096		173,820
Weighted average interest rate of borrowings						4.35%
Proportion of borrowings between fixed interest rate and floating interest rate						1%;99%

The increase in borrowing during the period ended 30 September 2022 is mainly due to the financing for the projects undertaken in China, Singapore and Malaysia. The relatively lower weighted average interest rate for the period ended 30 September 2022 as compared to the same period last year is mainly due to the lower interest rate for revolving loan and invoice financing.

	As At 30 September 2021					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
Secured						
Term Loan	<i>NTD16,000, RM1,538</i>	3,946	<i>RM27,124</i>	27,124	<i>NTD16,000, RM28,662</i>	31,070
Bank overdraft	<i>RM506</i>	506		-	<i>RM506</i>	506
Revolving loan	<i>SGD600, RM1,500</i>	3,346		-	<i>SGD600, RM1,500</i>	3,346
Post buyer loan/Invoice financing	<i>RMB13,855, RM1,589</i>	10,566		-	<i>RMB13,855, RM1,589</i>	10,566
Unsecured						
Nil	-	-	-	-	-	-
		18,364		27,124		45,488
Weighted average interest rate of borrowings						4.47%
Proportion of borrowings between fixed interest rate and floating interest rate						3%;97%

The decrease in borrowing during the period ended 30 September 2021 is mainly due to repayment of invoice financing loan for projects.

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) Arbitration Proceeding commenced by Kelington Engineering (S) Pte Ltd ("KESG"), a wholly-owned subsidiary of Kelington, against Mutiara (FE) Pte Ltd

On 16 March 2020, KESGG served a Notice of Arbitration dated 18 March 2020 as the Claimant on Mutiara to refer KESGG's claims on back charges and liquidated damages in respect of Mutiara's failure, refused and/or neglected to complete the works timely and with due diligence and/or to carry out its contractual obligations under the sub contracts.

The Arbitration proceedings commenced under the Notice of Arbitration filed pursuant to the Arbitration Rules of the Singapore International Arbitration Centre.

The arbitration proceeding is commenced against Mutiara to seek, among others, the following relief:

- 1 Value of work done (including variations) by Mutiara to be assessed;
- 2 A declaration that Mutiara has breached its obligations under the sub-contracts;
- 3 An award for the sum of SGD6,375,475 being the payment that is due and payable by Mutiara to KESGG as back charges and liquidated damages and scope deductions incurred to rectify the defects and/or non-compliant works, pursuant to the terms and conditions of the various purchase orders;
- 4 Losses and damages incurred by KESGG arising out of Mutiara's breached of sub contracts and/or disputes in relation to the valuation of work done (including variations) by KESGG and/or such other losses to be assessed; and
- 5 Interest, costs, and other relief that the arbitrator shall deemed fit.

On 16 September 2020, KESGG filed a Statement of Claim under the Arbitration Rules of the Singapore International Arbitration Centre and sets out its claims against Mutiara (FE) Pte Ltd ("the Respondent") as follows:

- 1 Back charges and/or claims in the sum of SGD5,033,066.99 and/or any amounts to be assessed by the Tribunal;
- 2 Liquidated damages in the sum of S\$738,535.88 in respect of the Package 1 Subcontract and liquidated damages in the sum of S\$780,384.80 in respect of the Package 2 Subcontract and/or any amounts to be assessed by the Tribunal;
- 3 Further and/or in the alternative, general damages to be assessed;
- 4 A credit of the sum of S\$373,732.85 that was overpaid in respect of the Package 1 Subcontract and a credit of the sum of S\$693,266.00 that will be overpaid in respect of the Package 2 Subcontract and/or any amounts to be assessed by the Tribunal;
- 5 Costs on an indemnity basis;
- 6 Interest; and
- 7 Such further and other relief as may be deemed appropriate by the Tribunal.

9 Material Litigation (Cont'd)

(2) Arbitration Proceeding commenced by Kelington Engineering (S) Pte Ltd ("KESG"), a wholly-owned subsidiary of Kelington, against Mutiara (FE) Pte Ltd (Cont'd)

On 3 February 2021, KESGG as Claimant had filed a Statement of Reply and Defence to Counterclaim under the Arbitration Rules of the Singapore International Arbitration Centre. The following claims against KESG as stated in the Respondent's Statement of Defence and Counterclaim dated 25 November 2020 was denied:

- 1 The sum of S\$5,845,018.31 (excluding GST) being the balance value of work (including variations) done under the terms of the Subcontracts or under general law or on a quantum meruit to be assessed and determined by the Tribunal;
- 2 Loss and expense to be assessed arising from the prolongation of the Subcontracts;
- 3 Costs and expenses of S\$195,725.05 (excluding GST) incurred by the Respondent in SOP process;
- 4 The Guaranteed Sum paid under the Performance Bond (S\$679,070);
- 5 The additional costs and expenses incurred by the Respondent to procure workers without man-year entitlement under the terms of the Subcontracts or under general law or on a quantum meruit to be assessed and determined by the Tribunal;
- 6 Financing and/or interest charges as special damages;
- 7 GST on all amounts to be found due to the Respondent;
- 8 Costs on an indemnity basis;
- 9 Interest; and
- 10 Such further or other relief as this Tribunal may deem fit or appropriate.

In addition, KESG as Claimant has provided particulars of the Respondent's failure, refusal and/or negligence to carry out and/or complete the works satisfactorily, on a timely basis and/or with due diligence, as well as the Claimant's responses to the Respondent's allegations in respect of the Claimant's alleged delay and/or acts of prevention and/or omissions. Accordingly, the Claimant avers that the Respondent has no basis to claim for the claims set out above.

On 18 June 2021, KESG had replied to the Respondent's request dated 3 May 2021 for further and better particulars ("F&BP") of KESG's Statement of Reply and Defence to Counterclaim dated 3 February 2021. The Respondent has provided KESG with F&BP in respect of their Defence and Counterclaim on 13 April 2021 and filed and served its Statement of Reply on 23 April 2021

On 18 August 2022, KESG and Mutiara (FE) ("the Parties") had, prior to the exchange of witness statements, managed to amicably settle the matter in full with a final settlement sum of RM0.00

On 29 August 2022, the arbitrator noted and acknowledged that the Parties had discontinued their respective claims and counterclaims in the Arbitration Proceeding.

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

On 30 November 2020, KTSB received a Notice of Arbitration dated 27 November 2020 served on behalf of JCT. The Arbitration proceedings commenced under the Notice of Arbitration filed pursuant to the Arbitration Act 2005 and the PAM Arbitration Rules. The Claimant had alleged that KTSB had failed to complete the Works within the stipulated completion timeframe as stipulated in the Contract and failed, refused and/or neglected to make good of its defects despite demand from the Claimant. The Claimant will be seeking against KTSB in the arbitration for the following reliefs:

- 1 Liquidated damages to be ascertained by the tribunal;
- 2 Damages for defects to be ascertained by the tribunal;
- 3 Such other claims as may be raised in due course in the Statement of Claim;
- 4 Interest;
- 5 Costs; and
- 6 Such further and/or other reliefs.

On 13 June 2022, KTSB had responded to the Claimant Notice of Arbitration dated 27 November 2020. In summary, KTSB disputes the Claimant entitlement to the relief sought in the Notice of Arbitration and claims against the Claimant 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 costs of the arbitration; and
- 5 such further relief as the Honourable Tribunal deems fit and proper.

KTSB accepted the Claimant's decision to withdraw the Previous Notice of Arbitration in order for both parties to resolve all the disputes as soon as possible via commencement of fresh arbitration proceedings.

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(4) 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.

10 Dividends Payable

There were no dividends proposed during the current quarter ended 30 September 2022.

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	
	30.9.2022	30.9.2021	30.9.2022	30.9.2021
Profit After Taxation attributable to owners of the company (RM'000)	15,706	7,960	37,567	20,856
Weighted average number of ordinary shares in issue ('000)	643,007	637,113	643,007	482,373
Basic Earnings Per Share (Sen)	2.44	1.25	5.84	4.32
Diluted Earnings Per Share (Sen) #^	2.38	NA	5.70	NA

Note :

- As at 30 September.2022, the unexercised convertible warrants were anti-dilutive in nature. This is due to the average market share price of the Company being below the exercise price of the warrants.

^ - Assuming the full exercise of 25,720,000 shares of Employee Shares Scheme

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>30.9.2022</u>	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
Not past due	289,354	(1,212)	288,142
Past due:			
- less than 3 months	55,560	(2,471)	53,089
- 3 to 6 months	1,127	(564)	563
- over 6 months to 1 year	1,137	(76)	1,061
- over 1 year	1,355	(757)	598
Credit impaired	9,608	(9,608)	-
	<u>358,141</u>	<u>(14,688)</u>	<u>343,453</u>

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

<u>30.9.2021</u>	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
Not past due	42,881	(86)	42,795
Past due:			
- less than 3 months	24,042	(385)	23,657
- 3 to 6 months	4,624	(254)	4,370
- over 6 months to 1 year	4,946	(203)	4,743
- over 1 year	2,572	(498)	2,074
Credit impaired	9,711	(9,711)	-
	<u>88,776</u>	<u>(11,137)</u>	<u>77,639</u>

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13 Disclosure Of Realised And Unrealised Profits/ (Losses)

	Cumulative Year to date ended 30.9.2022 RM'000	Cumulative Year to date ended 30.9.2021 RM'000
Total retained profits of KGB:		
- Realised	131,073	97,724
- Unrealised	(2,797)	1,742
Total group retained profits as per consolidated accounts	<u>128,276</u>	<u>99,466</u>