

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 2024

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the period ended 31 March 2024 are as follow:-

	Unaudited	Unaudited			Unaudited	Unaudited		
	Current	Previous	+		3-months	3-months	+	
Note	Qtr Ended	Qtr Ended	-	%	Period	Period	-	%
	31.3.2024	31.3.2023	%		up to	up to		
	RM'000	RM'000			31.3.2024	31.3.2023		
	RM'000	RM'000			RM'000	RM'000		
Revenue	339,279	308,925	+	10	339,279	308,925	+	10
Cost of sales	(286,345)	(270,982)			(286,345)	(270,982)		
Gross profit	52,934	37,943	+	40	52,934	37,943	+	40
Other income	992	1,539			992	1,539		
Administrative expenses	(15,252)	(12,824)			(15,252)	(12,824)		
Selling and distribution expenses	(851)	(630)			(851)	(630)		
Other expenses	(2,701)	(1,719)			(2,701)	(1,719)		
Results from operating activities	35,122	24,309	+	44	35,122	24,309	+	44
Finance costs	(2,397)	(3,292)			(2,397)	(3,292)		
Profit before taxation for the financial period	32,725	21,017	+	56	32,725	21,017	+	56
Taxation	(7,082)	(4,401)			(7,082)	(4,401)		
Profit after taxation for the financial period	25,643	16,616	+	54	25,643	16,616	+	54
Other comprehensive income, net of tax								
Foreign currency translation	1,684	1,932			1,684	1,932		
	1,684	1,932			1,684	1,932		
Total comprehensive income for the period	27,327	18,548			27,327	18,548		
Profit attributable to:								
Shareholders of the Company	24,822	16,188	+	53	24,822	16,188	+	53
Non-controlling interests	821	428			821	428		
Profit after taxation for the financial period	25,643	16,616	+	54	25,643	16,616	+	54
Total comprehensive income attributable to:								
Shareholders of the Company	26,503	18,120			26,503	18,120		
Non-controlling interests	824	428			824	428		
Total comprehensive income for the period	27,327	18,548			27,327	18,548		
Basic earnings per ordinary share (sen):								
Basic earnings per share (sen)	B11 3.81	2.52			3.81	2.52		
Diluted earnings per share (sen)	B11 3.36	2.45			3.36	2.45		

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 2023 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 2024

Note	Unaudited As At 31.3.2024 RM'000	Audited As At 31.12.2023 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	188,409	168,750
Goodwill on consolidation	7,252	7,211
Deferred tax assets	946	1,333
Right-of-use assets	5,604	6,756
	202,211	184,050
Current assets		
Inventories	27,506	25,450
Contract assets	188,564	159,382
Trade receivables	280,262	386,584
Other receivables, prepayments and deposits	51,532	46,293
Current tax assets	1,012	308
Fixed deposits with licensed banks	36,869	36,129
Cash and bank balances	265,293	233,132
	851,038	887,278
TOTAL ASSETS	1,053,249	1,071,328
EQUITY AND LIABILITIES		
Equity		
Share capital	101,188	73,792
Retained earnings	211,239	204,797
Other reserve	57,998	54,541
Treasury share	(534)	(534)
Total Equity attributable to Shareholders of the Company	369,891	332,596
Non-controlling interests	6,620	5,796
Total Equity	376,511	338,392
Non-current liabilities		
Deferred tax liabilities	6,463	5,922
Lease liability	B8 (a) 1,393	2,598
Hire purchase payables	B8 (b) 5,602	4,430
Term loans	B8 (b) 65,319	55,617
	78,777	68,567
Current liabilities		
Contract liabilities	230,894	249,714
Trade payables	189,974	223,841
Other payables and accruals	55,043	52,040
Derivative liabilities	B7 -	434
Lease liability	B8 (a) 4,140	4,080
Current tax liabilities	11,116	12,773
Dividend payable	16,604	-
Short term borrowings	B8 (b) 87,615	119,241
Bank overdraft	B8 (b) 2,575	2,246
	597,961	664,369
Total liabilities	676,738	732,936
TOTAL EQUITY AND LIABILITIES	1,053,249	1,071,328
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.5646	0.5230

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 2023 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 2024

	-----Attributable to Equity Holders of the Company-----						Total Equity RM'000		
	-----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	Non-Controlling Interest RM'000	
As at 1 January 2024	73,792	(534)	36,651	4,697	13,193	204,797	332,596	5,796	338,392
Profit after taxation for the financial period	-	-	-	-	-	24,822	24,822	821	25,643
Other comprehensive expense, net of tax:									
- Foreign currency translation	-	-	-	-	1,681	-	1,681	3	1,684
Total comprehensive income for the financial period	-	-	-	-	1,681	24,822	26,503	824	27,327
Contributions by and distribution to owners of the company:									
- Employee's share scheme reserve	-	-	-	-	-	-	-	-	-
- Dividend payable for the period	-	-	-	-	-	(16,604)	(16,604)	-	(16,604)
- Warrants exercised	27,396	-	-	-	-	-	27,396	-	27,396
- Transfer of non-distributable reserve funds by a subsidiary	-	-	1,776	-	-	(1,776)	-	-	-
Total recognised income and expense for the period	27,396	-	1,776	-	-	(18,380)	10,792	-	10,792
As at 31 March 2024	101,188	(534)	38,427	4,697	14,874	211,239	369,891	6,620	376,511
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 year	-	-	-	-	-	16,188	16,188	428	16,616
Other comprehensive income, net of tax:									
- Foreign currency translation differences	-	-	-	-	1,932	-	1,932	-	1,932
Total comprehensive income/ (expenses) for the financial year	-	-	-	-	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
Total transactions with owners	-	-	-	320	-	-	320	-	320
As at 31 March 2023	73,292	(534)	11,194	954	10,860	161,973	257,739	4,244	261,983

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 2023 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 2024

	Unaudited 3-Months Ended 31.3.2024 RM'000	Unaudited 3-Months Ended 31.3.2023 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	32,725	21,017
Adjustments for:-		
Bad debts written off	-	3
Depreciation of property, plant and equipment	2,366	1,644
Depreciation of right-of-use assets	1,185	545
Property, plant and equipment written off	6	
Interest expense	2,397	3,592
Interest income	(810)	(139)
Loss on disposal of equipment	-	66
Net fair value adjustments of financial derivatives	(434)	-
Net addition of provision of warranty costs	-	(117)
Share-based payments	-	320
Unrealised loss on foreign exchange	93	(478)
	37,528	26,453
Operating profit before working capital changes		
Increase in inventory	(2,056)	(6,505)
Changes in net of contract assets /contract liabilities	(48,002)	10,896
Decrease in trade and other receivables	101,037	11,310
Decrease in trade and other payables	(30,910)	(23,552)
	57,597	18,602
CASH FROM OPERATIONS		
Income tax paid	(8,230)	(2,935)
Interest paid	(18)	(137)
Interest received	810	139
	50,159	15,669
NET CASH FROM OPERATING ACTIVITIES		
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(10,327)	(14,666)
Proceeds from disposal of equipments	-	589
Increase in pledged fixed deposits and bank balances with licensed bank	(395)	(1,603)
	(10,722)	(15,680)
NET CASH FOR INVESTING ACTIVITIES		
CASH FLOWS FOR FINANCING ACTIVITIES		
Interest paid	(2,379)	(3,455)
(Repayment)/ drawdown of revolving credit	(500)	10,970
Net repayment of hire purchase	(458)	(941)
Repayment of lease liability	(1,145)	(498)
Net repayment of term loan	(5,501)	(444)
Repayment of invoice financing	(25,900)	(54,619)
Proceeds from exercise of warrants	27,396	-
	(8,487)	(48,987)
NET CASH FOR FINANCING ACTIVITIES		
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	30,950	(48,998)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,227	1,646
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	237,322	230,685
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	269,499	183,333

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

Cash and bank balances	265,293	154,034
Fixed deposits	36,869	59,632
	302,162	213,666
Less: bank overdraft	(2,575)	(700)
Less: fixed deposits pledged to licensed banks	(25,238)	(25,875)
Less: bank balance pledged to licensed banks	(4,850)	(3,758)
	269,499	183,333

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 2023 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 2023. 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 2023.

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 2023. The new, revised and amended MFRS and IC Interpretations, which are effective for the financial periods beginning on January 1, 2024, did not have any material impact on the financial results of the Group.

The Group have adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):

MFRSs and/or IC Interpretations (Including the Consequential Amendments)

Amendments to MFRS 16: Lease Liability in a Sale and Leaseback
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current
Amendments to MFRS 101: Non-current Liabilities with Covenants
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements

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 121: Lack of Exchangeability

1 January 2025

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 and of the Company 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 2023.

3. Segmental Information

(a) Business Segment

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

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

KELINGTON GROUP BERHAD ("KGB")
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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2024

3. Segmental Information (Cont'd)

(a) Business Segment (Cont'd)

Service Segment	Manufacturing and Trading Segment:		Construction Segment	The Group
	Industrial Gases	Equipments & Materials		
RM'000	RM'000	RM'000	RM'000	RM'000

31.3.2024

Revenue					
External revenue	-	35,869	390	303,020	339,279
Inter-segment revenue	-	65	15,761	2,238	18,064
	-	35,934	16,151	305,258	357,343
Consolidated Adjustments					(18,064)
					<u>339,279</u>

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	165	24,292	2,254	282,214	308,925
Inter-segment revenue	-	115	2,403	2,221	4,739
	165	24,407	4,657	284,435	313,664
Consolidated Adjustments					(4,739)
					<u>308,925</u>

(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	
	31.3.2024	31.3.2023	31.3.2024	31.3.2023
	RM'000	RM'000	RM'000	RM'000
Malaysia	151,641	142,502	178,129	110,235
China	104,007	45,528	4,970	4,141
Taiwan	3,292	7,392	34	53
Singapore	70,506	104,105	19,078	16,581
Indonesia	3,060	2,515	-	-
Philippines	1,300	2,785	-	-
Australia	2,831	507	-	-
Fiji	1,298	1,251	-	-
New Zealand	581	2,165	-	-
Others	763	175	-	-
	<u>339,279</u>	<u>308,925</u>	<u>202,211</u>	<u>131,010</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 2024.

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 2024, all the property, plant and equipment were stated at cost less accumulated depreciation.

9. Movement of Debt And Equity Securities

Saved as disclosed in the following, there were no issuance, cancellation, resale and repayment of debt and equity securities during the current quarter under review:

Exercise of Warrants

During the quarter under review, KGB issued 19,852,049 new ordinary shares from the exercise of Warrants 2021/2026 at the exercise price of RM1.38 which amounted to RM27,395,828.

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
	31.3.2024
	RM'000
Purchase of plant & equipment	<u>30,182</u>

13. Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities and contingent assets as at 31 March 2024.

14. Material Subsequent Events

There has been no material subsequent events after the quarter ended 31 March 2024.

KELINGTON GROUP BERHAD ("KGB")
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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2024

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

1 Review Of Performance

	Current Year Quarter 31.3.2024 RM'000	Preceding Year Corresponding Quarter 31.3.2023 RM'000	Changes	
			Amount RM'000	%
Revenue	339,279	308,925	30,354	10%
Operating profit	35,122	24,309	10,813	44%
Profit before tax ("PBT")	32,725	21,017	11,708	56%
Profit after tax ("PAT")	25,643	16,616	9,027	54%
Profit attributable to shareholders of the company	24,822	16,188	8,634	53%

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Revenue 1Q2024 31.3.2024 RM'000	% of total	Revenue 1Q2023 31.3.2023 RM'000	% of total	Changes %
Service segment:	-	0%	165	0%	-100%
Manufacturing & trading segment:	35,934	11%	24,407	8%	47%
- Industrial gases					
- Equipments and materials	16,151	5%	4,657	2%	247%
Construction segment	205,518	61%	183,972	60%	12%
- Ultra High Purity ("UHP")					
- Process Engineering	21,357	6%	35,698	12%	-40%
- General Contracting	78,383	23%	64,765	21%	21%
Consolidated Adjustments	(18,064)	-5%	(4,739)	-2%	
Total	339,279		308,925		10%

Kelington's revenue grew 10% YoY to RM339.3 million in 1Q2024 compared to 1Q2023, as the Group recorded a rise in contribution mainly from its key operating markets of Malaysia and China.

In terms of geographical breakdown, revenue contribution was led by Malaysia (45%), followed by China (31%), Singapore (21%), and Taiwan (1%).

Meanwhile, revenue derived from Malaysia increased by 6.4% to RM151.6 million, up from RM142.5 million in the 1Q2023. This growth was mainly driven by the industrial gases division's contribution to the Malaysian market.

Revenue from China reached RM104.0 million, representing a significant increase of 128.5% from RM45.5 million in the same period last year. This substantial rise was primarily due to several large UHP projects awarded in the second half of 2023.

Revenue from Singapore experienced a 32.3% YoY decline, amounting to RM70.5 million in 1Q2024, compared to RM104.1 million in 1Q2023. This decrease primarily stems from the conclusion of several significant projects in Singapore that had previously been in an accelerated phase, resulting in slower progress.

Revenue from Taiwan reduced by 55.5% to RM3.3 million from RM7.4 million in 1Q2023 mainly due to the lower recognition during the quarter compared to same period last year.

In terms of business segment, the UHP division maintained its position as the primary revenue generator, accounting for 61% of the Group's total revenue in 1Q2024.

The revenue contribution from the Process Engineering division saw a significant decrease of 40%, totaling RM21.4 million in 1Q2024. This decline was primarily due to a process engineering project awarded in Malaysia in 2022 that has progressed to a slower pace following its period of accelerated activity.

Revenue from the General Contracting division surged by 21% to RM78.4 million from RM64.8 million in 1Q2023. This expansion was mainly credited to increased recognition of overall General Contracting projects and a project undertaken in Kuching, which was awarded in the second half of 2023.

Improved revenue performance in 1Q2024 led to a notable year-over-year increase in gross profit by 40%, rising from RM37.9 million in 1Q2023 to RM52.9 million. This significant enhancement in the gross profit margin, which climbed to 15.6% from 12.3% in 1Q2023, was primarily driven by changes in revenue composition and a favorable project mix. Furthermore, PBT and PAT for the current quarter demonstrated robust growth, expanding by 56% and 54%, respectively, compared to 1Q2023.

1 Review Of Performance (Cont'd)

(b) Variation of Results Against Preceding Quarter

	Current Quarter 1Q2024 Unaudited 31.3.2024 RM'000	Immediate Preceding Quarter 4Q2023 Audited 31.12.2023 RM'000	Changes	
			Amount RM'000	%
Revenue	339,279	478,787	(139,508)	-29%
Operating profit	35,122	50,740	(15,618)	-31%
Profit before tax ("PBT")	32,725	47,796	(15,071)	-32%
Profit after tax ("PAT")	25,643	37,089	(11,446)	-31%
Profit attributable to shareholders of the company	24,822	37,215	(12,393)	-33%

In contrast to 4Q2023, revenue in 1Q2024 saw a 29% decrease to RM339.3 million, typically a weaker quarter due to seasonal effects. Concurrently, both PBT and PAT experienced a 32% and 31% decline respectively, primarily driven by the reduction in revenue.

(c) Statement of Financial Position

Financial Indicators	As at 31.12.2023 Unaudited RM'000	As at 31.12.2023 Audited RM'000
Total assets	1,053,249	1,071,328
Total equity	376,511	338,392
Debt	166,644	188,212
Fixed deposits, cash & bank balances	302,162	269,261
Net cash	135,518	81,049
Debt-to-Equity (Gearing)	0.44	0.56

As at 31 March 2024, the Group's shareholder equity (excluding non-controlling interests) experienced growth, reaching RM369.9 million from RM332.6 million as at 31 December 2023 driven by quarterly profits. In 1Q2024, the Group proposed dividends of RM16.6 million to its shareholders.

As of 31 March 2024, the Group's total debt decreased to RM166.6 million compared to RM188.2 million as of 31 December 2023. This reduction in debt was primarily a result of repayments made on borrowings in both Malaysia and Singapore. The significant enhancement in the net cash balance to RM135.5 million in 1Q2024 from RM81.0 million in 2023 can be primarily attributed to both debt repayments and proceeds from various projects, as several large projects neared completion.

Consequently, the Group's financial position remains strong and healthy with the improved gearing ratio at 0.44 times.

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 2024, the Group has secured new contracts amounting to RM235 million in 2024, despite Q1 traditionally being a slower quarter. Including the projects carried forward from the previous years, our total orderbook stood at RM1.54 billion of which RM1.25 billion remains outstanding.

The Group is actively tendering for additional projects, with a focus on the semiconductor sector in Malaysia, China, and Singapore. The prospects in these regions are promising, with industry analysts expecting the semiconductor industry to recover in 2024 and rebound strongly in 2025.

In the Industrial Gases division, our second LCO₂ plant in Kerteh commenced operations on 25 March 2024. This new facility increases our production capacity by an additional 70,000 mt/year, bringing our total capacity to 120,000 mt/year. The expanded capacity strengthens our ability to meet the robust export demand for LCO₂, supporting our growth strategy and enhancing our market position further.

Additionally, the commencement of our second on-site gas supply scheme in 2Q2024 to supply hydrogen, nitrogen, and oxygen for an optoelectronics semiconductor giant in Kulim, Kedah, will also 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 FY2024 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 2024 in any public document and hence this information is not applicable.

4 Profit for the Period

	Quarter ended		Year-to-date ended	
	31.3.2024	31.3.2023	31.3.2024	31.3.2023
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Bad debts written off	-	(3)	-	(3)
Interest income	810	139	810	139
Interest expense	(2,397)	(3,592)	(2,397)	(3,592)
Depreciation and amortisation	(2,366)	(1,644)	(2,366)	(1,644)
Depreciation of right-of-use assets	(1,185)	(545)	(1,185)	(545)
Equipment written off	(6)	-	(6)	-
Unrealised Foreign exchange loss	(93)	478	(93)	478
Realised Foreign exchange (loss)/ gain	(125)	(189)	(125)	(189)
Net addition of provision for warranty costs	-	117	-	117
Gain/ (loss) on disposal of equipment	-	(66)	-	(66)
Net fair value adjustments of financial derivatives	434	-	434	-

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 31.3.2024
	RM'000
Company taxation	6,270
Deferred taxation	812
	<u>7,082</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

There were no outstanding foreign currency forward contracts as at 31 March 2024.

8 Lease Liability and Group Borrowings

(a) Lease liability

The lease liability as at 31 March 2024 versus 31 March 2023 were as follows:

	31.3.2024	31.3.2023
	RM'000	RM'000
Non-current	1,393	996
Current	4,140	1,947
Total	<u>5,533</u>	<u>2,943</u>

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

8 Lease Liability and Group Borrowings (Cont'd)

(b) Group Borrowings

The borrowings as at 31 March 2024 versus 31 March 2023 were as follows.

	As At 31 March 2024					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
Secured						
Term Loan	NTD8,000, RM14,172	15,354	RM62,569	62,569	NTD8,000, RM76,741	77,923
Revolving loan	RM23,000	23,000	RM2,750	2,750	25,750	25,750
Post buyer Loan/ Invoice financing	RMB65,450, RM4,508	47,286			RMB65,450, RM4,508	47,286
Hire Purchase Payable	SGD43, RM1,827	1,975	SGD323, RM4,513	5,602	SGD354, RM6,340	7,577
Bank overdraft	RM2,575	2,575			RM2,575	2,575
Unsecured						
Nil	-	-	-	-	-	-
		90,190		70,921		161,111
Weighted average interest rate of borrowings						4.13%
Proportion of borrowings between fixed interest rate and floating interest rate						5%:95%

The decrease in borrowing during the period ended 31 March 2024 compared to same period last year mainly attributed to the settlement of project financing loan as specific projects reached their final stage. However, the upswing in term loans and revolving credit is primarily a result of capital expenditure and working capital for the industrial gases division.

The improved in weighted average interest rate mainly a result of the reduction in the interest rate of term loan.

	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
Hire Purchase Payable	RM1,048	1,048	RM2,441	2,441	RM3,489	3,489
Bank overdraft	RM700	700			RM700	700
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.

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.

On 8 May 2024, High Court of Taiwan has delivered its court decision and ordered that Hui Neng shall pay Kelington Taiwan the sum of NTD 28,067,575 (approximately RM4,108,279), plus an interest of 5% per annum thereon since 11 August 2018.

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.

On 22 April 2024, KTSB served a statement of case to JCT pursuant to Article 10 of the Pertubuhan Arkitek Malaysia Rules 2019 (PAM Rules 2019).

Particulars of the Primarily Reliefs

In this arbitral proceeding, the Claimant seeks from the Respondent, amongst others, the outstanding payment of RM6,272,033.97, and costs and interests arising from the same.

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

10 Dividends Payable

On 28 February 2024, the Board of Directors of KGB proposed the payment of second interim tax-exempt dividend of 2.5 sen per ordinary share in respect of the FYE 31 December 2023 amounting to RM16,605,843. This had been paid on 5 Apr 2024.

On 23 May 2024, the Board of Directors of KGB proposed the payment of first interim tax-exempt dividend of 2 sen per ordinary share in respect of the FYE 31 December 2024 amounting to RM13,337,771. This will be paid on 10 July 2024.

KELINGTON GROUP BERHAD ("KGB")
[Company No. 199901026486 (501386-P)]
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2024

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	
	31.3.2024	31.3.2023	31.3.2024	31.3.2023
Profit After Taxation attributable to owners of the company (RM'000)	24,822	16,188	24,822	16,188
Weighted average number of ordinary shares in issue ('000)	651,529	643,007	651,529	643,007
Basic Earnings Per Share (Sen)	3.81	2.52	3.81	2.52
Diluted Earnings Per Share (Sen) # ^	3.36	2.45	3.36	2.45

Note :

- Assuming the full exercise of the remaining 194,468,439 convertible warrants

^ - Assuming the exercise of 23,943,800 shares, which is the remaining unexercised options of Employee Shares Scheme.

12 Comparative Figures

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

	As previously reported		As restated	
	Service Segment RM'000	Manufacturing and Trading Segment: Industrial Gases RM'000	Service Segment RM'000	Manufacturing and Trading Segment: Industrial Gases RM'000
31.3.2023				
Revenue				
External revenue	316	24,141	165	24,292
Inter-segment	106	9	-	115
	422	24,150	165	24,407