

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 2023

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the period ended 30 September 2023 are as follow:-

	Unaudited	Unaudited			Unaudited	Unaudited		
	Current	Previous	+		9-months	9-months	+	
Note	Qtr Ended	Qtr Ended	-	%	Period	Period	-	%
	30.9.2023	30.9.2022			up to	up to		
	RM'000	RM'000	%		30.9.2023	30.9.2022	%	
	RM'000	RM'000			RM'000	RM'000		
Revenue	401,824	366,394	+	10	1,135,662	852,119	+	33
Cost of sales	(342,480)	(325,692)			(992,384)	(755,162)		
Gross profit	59,344	40,702	+	46	143,278	96,957	+	48
Other income	1,833	258			6,699	1,706		
Administrative expenses	(13,903)	(16,007)			(45,285)	(36,449)		
Selling and distribution expenses	(716)	(685)			(2,071)	(1,512)		
Other expenses	(4,600)	(4,226)			(8,507)	(10,448)		
Results from operating activities	41,958	20,042	+	109	94,114	50,254	+	87
Finance costs	(2,816)	(1,193)			(8,007)	(2,788)		
Profit before taxation for the financial period	39,142	18,849	+	108	86,107	47,466	+	81
Taxation	(7,133)	(2,514)			(17,178)	(8,685)		
Profit after taxation for the financial period	32,009	16,335	+	96	68,929	38,781	+	78
Other comprehensive income, net of tax								
Foreign currency translation	890	1,440			4,091	3,633		
	890	1,440			4,091	3,633		
Total comprehensive income for the period	32,899	17,775			73,020	42,414		
Profit attributable to:								
Shareholders of the Company	31,668	15,706	+	102	66,920	37,567	+	78
Non-controlling interests	341	629			2,009	1,214		
Profit after taxation for the financial period	32,009	16,335	+	96	68,929	38,781	+	78
Total comprehensive income attributable to:								
Shareholders of the Company	32,559	17,144			71,097	41,199		
Non-controlling interests	340	631			1,923	1,215		
Total comprehensive income for the period	32,899	17,775			73,020	42,414		
Basic earnings per ordinary share (sen):								
Basic earnings per share (sen)	B11	4.91	2.44		10.39	5.84		
Diluted earnings per share (sen)	B11	4.81	2.38		10.16	5.70		

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 30 September 2023

Note	Unaudited As At 30.9.2023 RM'000	Audited As At 31.12.2022 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	156,051	106,791
Goodwill on consolidation	7,171	6,829
Deferred tax assets	419	682
Right-of-use assets	2,299	3,561
	165,940	117,863
Current assets		
Inventories	41,964	21,871
Contract assets	162,939	196,558
Trade receivables	380,369	385,507
Other receivables, prepayments and deposits	81,409	63,712
Current tax assets	12,392	10,163
Fixed deposits with licensed banks	30,793	25,586
Cash and bank balances	190,062	234,381
	899,928	937,778
TOTAL ASSETS	1,065,868	1,055,641
EQUITY AND LIABILITIES		
Equity		
Share capital	73,774	73,292
Retained earnings	202,538	145,785
Other reserve	25,291	20,756
Treasury share	(534)	(534)
Total Equity attributable to Shareholders of the Company	301,069	239,299
Non-controlling interests	6,011	3,816
Total Equity	307,080	243,115
Non-current liabilities		
Deferred tax liabilities	3,864	2,675
Lease liability	B8 (a) 279	1,423
Hire purchase payables	B8 (b) 4,319	2,186
Long-term borrowings	B8 (b) 56,160	31,863
	64,622	38,147
Current liabilities		
Contract liabilities	255,820	283,566
Trade payables	188,949	201,469
Other payables and accruals	62,426	62,070
Derivative liabilities	B7 90	2,962
Lease liability	B8 (a) 1,899	2,018
Current tax liabilities	22,670	14,745
Short term borrowings	B8 (b) 160,071	206,296
Bank overdraft	B8 (b) 2,241	1,253
	694,166	774,379
Total liabilities	758,788	812,526
TOTAL EQUITY AND LIABILITIES	1,065,868	1,055,641
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.4746	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 3rd Quarter Ended 30 September 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 Option 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	-	-	-	-	-	66,920	66,920	2,009	68,929
Other comprehensive expense, net of tax:									
- Foreign currency translation	-	-	-	-	4,177	-	4,177	(86)	4,091
Total comprehensive income for the financial period	-	-	-	-	4,177	66,920	71,097	1,923	73,020
Contributions by and distribution to owners of the company:									
- Employee's share options reserve	-	-	-	590	-	-	590	-	590
- Changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	-	-	-	(272)	(272)	272	-
- Employees' share scheme exercised	482	-	-	(482)	-	-	-	-	-
- Bonus shares issued by a subsidiary	-	-	250	-	-	(250)	-	-	-
- Dividend paid for the period	-	-	-	-	-	(9,645)	(9,645)	-	(9,645)
Total recognised income and expense for the period	482	-	250	108	-	(10,167)	(9,327)	272	(9,055)
As at 30 September 2023	73,774	(534)	11,444	742	13,105	202,538	301,069	6,011	307,080
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	-	-	-	-	-	37,567	37,567	1,214	38,781
Other comprehensive income, net of tax:									
- Foreign currency translation differences	-	-	-	-	3,632	-	3,632	1	3,633
Total comprehensive income/ (expenses) for the financial year	-	-	-	-	3,632	37,567	41,199	1,215	42,414
Contributions by and distribution to owners of the company:									
- Employees' share option reserve	-	-	-	317	-	-	317	-	317
- Dividends paid for the period	-	-	-	-	-	(12,860)	(12,860)	-	(12,860)
Total transactions with owners	-	-	-	317	-	(12,860)	(12,543)	-	(12,543)
As at 30 September 2022	73,292	(534)	10,518	317	8,479	128,276	220,348	2,270	222,618

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 30 September 2023

	Unaudited 9-Months Ended 30.9.2023 RM'000	Unaudited 9-Months Ended 30.9.2022 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	86,107	47,466
Adjustments for:-		
Depreciation of property, plant and equipment	5,194	4,353
Depreciation of right-of-use assets	1,712	922
Loss on lease termination	151	-
Property, plant and equipment written off	3	-
Impairment loss on trade receivables	124	1,722
Impairment loss on contract assets	-	1,130
Interest expense	8,317	3,126
Interest income	(1,345)	(139)
Loss on disposal of equipment	210	36
Net fair value adjustments of financial derivatives	(2,872)	-
Provision for warranty costs	-	28
Share-based payments	590	317
Reversal of provision of warranty costs	(117)	-
Unrealised loss on foreign exchange	24	764
	98,098	59,725
Operating profit before working capital changes	98,098	59,725
Increase in inventory	(20,093)	(14,775)
Changes in net of contract assets /contract liabilities	5,873	103,228
Increase in trade and other receivables	(12,694)	(311,310)
(Decrease)/ Increase in trade and other payables	(11,559)	90,326
	59,625	(72,806)
CASH FROM/ (FOR) OPERATIONS	59,625	(72,806)
Income tax paid	(9,718)	(4,820)
Interest paid	(20)	(47)
Interest received	1,345	139
	51,232	(77,534)
NET CASH FROM/(FOR) OPERATING ACTIVITIES	51,232	(77,534)
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(52,851)	(26,329)
Proceeds from disposal of equipments	1,370	83
Increase in pledged fixed deposits and bank balances with licensed bank	(2,406)	(4,336)
	(53,887)	(30,582)
NET CASH FOR INVESTING ACTIVITIES	(53,887)	(30,582)
CASH FLOWS (FOR)/ FROM FINANCING ACTIVITIES		
Dividend paid	(9,645)	(12,860)
Interest paid	(8,297)	(3,079)
Drawdown of revolving credit	19,797	19,097
Repayment of hire purchase	(817)	(137)
Repayment of lease liability	(1,729)	(1,396)
Net drawdown/ (repayment) of term loan	15,445	(4,888)
Repayment of trust receipts	-	(3,339)
Net (repayment)/ drawdown of invoice financing	(57,559)	108,957
	(42,805)	102,355
NET CASH (FOR)/FROM FINANCING ACTIVITIES	(42,805)	102,355
NET DECREASE IN CASH AND CASH EQUIVALENTS	(45,460)	(5,761)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,953	3,166
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	230,685	85,046
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	188,178	82,451

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

Cash and bank balances	190,062	84,257
Fixed deposits	30,793	25,627
	220,855	109,884
Less: bank overdraft	(2,241)	(1,806)
Less: fixed deposits pledged to licensed banks	(26,491)	(22,037)
Less: bank balance pledged to licensed banks	(3,945)	(3,590)
	188,178	82,451

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.

KELINGTON GROUP BERHAD ("KGB")
[Company No. 199901026486 (501386-P)]
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

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.

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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

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

30.9.2023

Revenue					
External revenue	921	82,935	5,578	1,046,228	1,135,662
Inter-segment revenue	843	175	44,913	25,403	71,334
	1,764	83,110	50,491	1,071,631	1,206,996
Consolidated Adjustments					(71,334)
					<u>1,135,662</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

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>

(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	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	RM'000	RM'000	RM'000	RM'000
Malaysia	491,871	399,081	145,016	81,746
China	188,067	129,570	3,668	3,903
Taiwan	26,259	23,203	43	69
Singapore	402,196	291,921	17,213	15,303
Indonesia	5,125	632	-	-
Philippines	7,079	4,540	-	-
Australia	5,763	691	-	-
Fiji	3,928	887	-	-
New Zealand	4,689	976	-	-
Others	685	618	-	-
	<u>1,135,662</u>	<u>852,119</u>	<u>165,940</u>	<u>101,021</u>

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 30 September 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 30 September 2023, 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.

Employee Shares Scheme ("ESS")

On 7 July 2023, the Company increased its issued and paid up capital by the issuance of 1,776,200 ordinary shares at an issue price of RM0.2715 per ordinary share, subsequent to the vesting of ESS shares to the eligible employees.

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
	30.9.2023
	RM'000
Purchase of plant & equipment	<u>54,342</u>

13. Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities and contingent assets as at 30 September 2023.

14. Material Subsequent Events

There has been no material subsequent events after the quarter ended 30 September 2023.

KELINGTON GROUP BERHAD ("KGB")
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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

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

1 Review Of Performance

	Current Year Quarter 30.9.2023 RM'000	Preceding Year Corresponding Quarter 30.9.2022 RM'000	Changes		Current Year-to-date 30.9.2023 RM'000	Preceding Year Corresponding Period 30.9.2022 RM'000	Changes	
			Amount RM'000	%			Amount RM'000	%
Revenue	401,824	366,394	35,430	10%	1,135,662	852,119	283,543	33%
Operating profit	41,958	20,042	21,916	109%	94,114	50,254	43,860	87%
Profit before tax ("PBT")	39,142	18,849	20,293	108%	86,107	47,466	38,641	81%
Profit after tax ("PAT")	32,009	16,335	15,674	96%	68,929	38,781	30,148	78%
Profit attributable to shareholders of the company	31,668	15,706	15,962	102%	66,920	37,567	29,353	78%

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Revenue 3Q2023 30.9.2023 RM'000	% of total	Revenue 3Q2022 30.9.2022 RM'000	% of total	Changes %
Service segment:	327	0%	317	0%	3%
Manufacturing & trading segment:	30,084	7%	20,496	6%	47%
- Industrial gases					
- Equipments and materials	84	0%	3,267	1%	-97%
Construction segment	239,048	59%	206,585	56%	16%
- Ultra High Purity ("UHP")					
- Process Engineering	30,264	8%	14,131	4%	114%
- General Contracting	102,017	25%	121,598	33%	-16%
Total	401,824		366,394		10%

Kelington's revenue grew 10% YoY to RM401.8 million in 3Q2023 compared to 3Q2022, as the Group recorded a rise in contribution from its key operating markets of Malaysia, Singapore and China.

In terms of geographical breakdown, revenue contribution was led by Malaysia (46%), followed by Singapore (33%), China (16%), and Taiwan (3%).

Revenue generated from Malaysia rose 6% to RM183.6 million from RM173.2 million in 3Q2022. This growth primarily resulted from increased revenue recognition attributed to the successful execution of one UHP project and one process engineering project, both of which were awarded in the second half of FY2022. Additionally, the industrial gases division in Malaysian market has made a positive contribution to the revenue increase.

Meanwhile, revenue from Singapore increased by 7% YoY to RM134.1 million compared to RM125.0 million in 3Q2022. The growth was credited to the input from General Contracting projects currently in progress.

Due to the heightened recognition of ongoing UHP projects, China contributed RM64.5 million in revenue, marking a 26% increase as compared to RM51.0 million in the same period last year.

Revenue from Taiwan reduced by 8% to RM10.8 million from RM11.7 million in 3Q2022 mainly due to the completion of certain projects.

In terms of business segment, the UHP division remained the leading contributor to revenue, representing 59% of the Group's total revenue in 3Q2023.

Revenue from UHP division climbed 16% YoY to RM239.0 million, spurred by growth in contribution from Malaysia and China.

The revenue contribution from the Process Engineering division experienced a significant increase of 114%, reaching RM30.3 million in 3Q2023, primarily due to a process engineering project awarded in Malaysia during 4Q2022.

The General Contracting division reduced by 16% in revenue to RM102.0 million from RM121.6 million in 3Q2022, mainly because a significant job in Malaysia reached its completion stage.

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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

1 Review Of Performance (Cont'd)

(a) Current Quarter vs. Previous Year Corresponding Quarter (cont'd)

The Industrial Gases division continued its upward performance in 3Q2023, driven by elevated demand for liquid carbon dioxide from both local and export markets. Consequently, revenue surged by 47% to RM30.1 million, compared to RM20.5 million in 3Q2022.

In light of the strong revenue performance during 3Q2023, the gross profit demonstrated a notable YoY increase of 46%, reaching RM59.3 million, up from RM40.7 million in the 3Q2022. This remarkable improvement in the gross profit margin, which rose to 14.8% from 11.1% in 3Q2022, was primarily attributed to shifts in the composition of revenue. Additionally, the PBT and PAT for the current quarter exhibited robust growth, expanding by 108% and 96% respectively when compared to the 3Q2022.

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

	Revenue 9M2023 RM'000	% of total		Revenue 9M2022 RM'000	% of total	Changes
Service segment:	921	0%		937	0%	-2%
Manufacturing & trading segment:	82,935	7%		42,007	5%	97%
- Industrial gases						
- Equipments and materials	5,578	0%		3,493	0%	60%
Construction segment - Ultra High Purity ("UHP")	710,303	63%		511,001	60%	39%
- Process Engineering	91,534	8%		37,614	4%	143%
- General Contracting	244,391	22%		257,067	30%	-5%
Total	1,135,662			852,119		33%

The Group's revenue increased by 33% to RM1,135.8 million in 9M2023 as compared to RM852.1 million in the previous year's corresponding period ("9M2022"). This was mainly driven by the contribution from UHP and Process Engineering divisions as well as increase in demand in the Industrial Gases division.

The revenue from the UHP division experienced a significant 39% YoY growth, totalling RM710.3 million in the 9M2023 in comparison to RM511.0 million in the same period of 2022. This substantial growth was primarily attributed to increased project recognition across all of Kelington's key operating markets.

The improved performance of the Process Engineering division was due to a significant project in Malaysia, resulting in a remarkable 143% increase in revenue to RM91.5 million in 9M2023 from RM37.6 million in 9M2022.

Furthermore, revenue from the Industrial Gases division rose 97% YoY to RM82.9 million in 9M2023, mainly driven by elevated sales of liquid carbon dioxide and other gases.

In terms of geographical breakdown in 9M2023, revenue contribution was led by Malaysia (43%) followed by Singapore (35%), China (17%), and Taiwan (2%).

In line with the overall revenue growth, the gross profit, PBT, and PAT exhibited substantial YoY gains of 48% to RM143.3 million, 81% to RM86.1 million, and 78% to RM68.9 million, respectively.

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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023
1 Review Of Performance (Cont'd)

(c) Variation of Results Against Preceding Quarter

	Current Quarter 3Q2023 Unaudited 30.9.2023 RM'000	Immediate Preceding Quarter 2Q2023 Unaudited 30.6.2023 RM'000	Changes	
			Amount RM'000	%
Revenue	401,824	424,913	(23,089)	-5%
Operating profit	41,958	27,947	14,011	50%
Profit before tax ("PBT")	39,142	25,948	13,194	51%
Profit after tax ("PAT")	32,009	20,304	11,705	58%
Profit attributable to shareholders of the company	31,668	19,064	12,604	66%

Despite the fall in revenue of 3Q2023, there was a 51% improvement in PBT and 58% increase in PAT along with an enhanced gross profit. This growth can be attributed to the current mix of projects.

(d) Statement of Financial Position

Financial Indicators	As at 30.9.2023 Unaudited RM'000	As at 31.12.2022 Audited RM'000
Total assets	1,065,868	1,055,641
Total equity	307,080	243,115
Debt	224,969	245,039
Fixed deposits, cash & bank balances	220,855	259,967
Net cash	(4,114)	14,928
Debt-to-Equity (Gearing)	0.73	1.01

As at 30 September 2023, the Group's shareholder equity (excluding non-controlling interests) experienced growth, reaching RM301.1 million from RM239.3 million as at 31 December 2022, on the back of consistent quarterly profits. Throughout the financial period, the Group distributed dividends of RM9.6 million to its shareholders.

The Group's total debt reduced to RM225.0 million as at 30 September 2023 against RM245.0 million as at 31 December 2022. The reduction in debt was mainly due to the repayment of borrowing in Malaysia. The shift from a positive net cash balance of RM14.9 million in 2022 to a negative balance of RM4.1 million in Q32023 attributed primarily to both debt repayment and the active utilisation of working capital.

Consequently, the gearing ratio was recorded at 0.73 times. However, the Group's financial position remains strong, backed by a cash reserve of RM220.9 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. During the 9-month ended 30 September 2023, the Group has secured new contracts amounting to RM858 million in 2023. Including the projects carried forward from the previous years, our total orderbook stood at RM2.56 billion of which RM1.51 billion remains outstanding.

Prospects in the Industrial Gases division remain positive as demand for liquid carbon dioxide (LCO2) increases in tandem with the recovery in economic activities. We are also experiencing growing export demand for LCO2 from Oceania countries. To cater this increased demand, our second LCO2 plant in Kerteh will more than double the production capacity, further enhancing the industrial gas division's financial performance starting from 4Q2023.

Additionally, the commencement of our second on-site gas supply scheme in 1Q2024, 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 FY2023 as we execute our existing orderbook across our key operating markets.

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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	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	653	48	1,345	139
Interest expense #	(2,815)	(1,409)	(8,317)	(3,126)
Impairment loss on trade receivables:				
- specified	-	(8)	(124)	(1,422)
- in accordance to MFRS 9	-	(300)	-	(300)
Impairment loss on contract assets:				
- specified	-	(930)	-	(930)
- in accordance to MFRS 9	-	(200)	-	(200)
Depreciation and amortisation	(1,817)	(1,556)	(5,194)	(4,353)
Depreciation of right-of-use assets	(566)	(463)	(1,712)	(922)
Equipment written off	-	-	(3)	-
Unrealised Foreign exchange gain/(loss)	(355)	(819)	(24)	(764)
Realised Foreign exchange gain/(loss)	(745)	(199)	(568)	(119)
Provision for gratuity	-	-	(5,466)	-
Provision for warranty costs	-	(28)	-	(28)
Reversal of provision of warranty costs	-	-	117	-
(Loss)/ gain on disposal of equipment	(33)	2	(210)	(36)
Loss on lease termination	(151)	-	(151)	-
Net fair value adjustments of financial derivatives	(90)	-	2,872	-

Note:

- RM310,384 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	Cumulative
	ended 30.9.2023	Year to date
	ended 30.9.2023	ended 30.9.2023
	RM'000	RM'000
Company taxation	6,333	15,977
Deferred taxation	800	1,201
	<u>7,133</u>	<u>17,178</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.

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7 Derivative Financial Instruments

As at 30 September 2023, the Group has entered into the short-term foreign currency forward contracts, to hedge its purchases denominated in foreign currency so as to limit the exposure to fluctuations in foreign exchange rates. The details of the foreign currency forward contracts are as follows:

	30.9.2023 RM'000
Type of Derivatives	
Forward Contract (US Dollar)	
Contract (Notional Value)	6,652
Less: Fair value	(6,562)
Total derivatives liabilities	<u>90</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

8 Lease Liability and Group Borrowings

(a) Lease liability

The lease liability as at 30 September 2023 versus 30 September 2022 were as follows:

	30.9.2023 RM'000	30.9.2022 RM'000
Non-current	279	2,058
Current	1,899	1,104
Total	<u>2,178</u>	<u>3,162</u>

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

(b) Group Borrowings

The borrowings as at 30 September 2023 versus 30 September 2022 were as follows.

	As At 30 September 2023					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
Secured						
Term Loan	<i>RM14,054</i>	14,054	<i>RM53,160</i>	53,160	<i>RM67,214</i>	67,214
Revolving loan	<i>SGD2,990, RM18,500</i>	28,797	<i>RM3,000</i>	3,000	<i>SGD2,990, RM21,500</i>	31,797
Post buyer Loan/ Invoice financing	<i>RMB84,086, SGD16,059, RM6,427</i>	115,766			<i>RMB84,086, SGD16,059, RM6,427</i>	115,766
Bank overdraft	<i>RM2,241</i>	2,241			<i>RM2,241</i>	2,241
Hire Purchase Payable	<i>SGD43, RM1,307</i>	1,454	<i>SGD335, RM3,166</i>	4,319	<i>SGD378, RM4,473</i>	5,773
Unsecured						
Nil	-	-	-	-	-	-
		<u>162,312</u>		<u>60,479</u>		<u>222,791</u>
Weighted average interest rate of borrowings						5.70%
Proportion of borrowings between fixed interest rate and floating interest rate						3%:97%

The growth in borrowing during the period ended 30 September 2023 compared to the same period last year was mainly due to the capital expenditure for industrial gases division and the project financing for the projects undertaken in Singapore and China. This rise was partially net-off by reduced project financing in Malaysia.

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8 Lease Liability and Group Borrowings (Cont'd)

(b) Group Borrowings (Cont'd)

	As At 30 September 2022					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
<u>Secured</u>						
Term Loan	<i>RM8,058</i>	8,058	<i>RM19,096</i>	19,096	<i>RM27,154</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>RM1,806</i>	1,806
Hire Purchase Payable	<i>SGD42, RM701</i>	837	<i>SGD96, RM1,306</i>	1,616	<i>SGD138, RM2,007</i>	2,453
<u>Unsecured</u>						
Nil	-	-	-	-	-	-
		155,561		20,712		176,273
Weighted average interest rate of borrowings						4.33%
Proportion of borrowings between fixed interest rate and floating interest rate						2%:98%

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.

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

There were no dividends proposed during the current quarter ended 30 September 2023.

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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	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
Profit After Taxation attributable to owners of the company (RM'000)	31,668	15,706	66,920	37,567
Weighted average number of ordinary shares in issue ('000)	644,648	643,007	643,868	643,007
Basic Earnings Per Share (Sen)	4.91	2.44	10.39	5.84
Diluted Earnings Per Share (Sen) # ^	4.81	2.38	10.16	5.70

Note :

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

^ - Assuming the exercise of 795,800 shares, which is the 3% 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:

	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
30.9.2023			
Not past due	354,835	(449)	354,386
Past due:			
- less than 3 months	18,962	(1,558)	17,404
- 3 to 6 months	6,530	(407)	6,123
- over 6 months	2,794	(338)	2,456
Credit impaired	12,156	(12,156)	-
	<u>395,277</u>	<u>(14,908)</u>	<u>380,369</u>

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

	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
30.9.2022			
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	2,492	(833)	1,659
Credit impaired	9,608	(9,608)	-
	<u>358,141</u>	<u>(14,688)</u>	<u>343,453</u>

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13 Comparative Figures

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

	As Restated	As Previously
	30.9.2023	Reported
	RM'000	30.9.2022
		RM'000
Condensed Consolidated Statement of Cash Flow (Extract):-		
Depreciation of property, plant and equipment	4,353	3,933
Depreciation of right-of-use assets	922	1,342
	<u> </u>	<u> </u>
Repayment of hire purchase	(137)	-
Repayment of lease liability	(1,396)	(1,533)
	<u> </u>	<u> </u>
Profit for the period is arrived at after charging (Extract):-		
Depreciation and amortisation	(4,353)	(3,933)
Depreciation of right-of-use assets	(922)	(1,342)
	<u> </u>	<u> </u>
Lease liability (Extract):-		
Non-current	2,058	3,675
Current	1,104	1,940
	<u> </u>	<u> </u>
Group Borrowings (Extract):-		
Hire purchase payable	2,453	-
Weighted average interest rate of borrowings	4.33%	4.35%
	<u> </u>	<u> </u>