

**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 2020

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the period ended 30 September 2020 are as follow:-

	Note	Unaudited		+	%	Unaudited		+	%
		Current Qtr Ended 30.9.2020 RM'000	Previous Qtr Ended 30.9.2019 RM'000			9-months Period up to 30.9.2020 RM'000	9-months Period up to 30.9.2019 RM'000		
Revenue		98,258	97,034	-	1	260,322	268,519	-	3
Cost of sales		(80,590)	(84,905)			(226,242)	(227,582)		
<b>Gross profit</b>		<b>17,668</b>	<b>12,129</b>	<b>+</b>	<b>46</b>	<b>34,080</b>	<b>40,937</b>	<b>-</b>	<b>17</b>
Other income		1,764	3,151			5,748	4,608		
Administrative expenses		(7,056)	(6,003)			(19,470)	(19,140)		
Selling and distribution expenses		(291)	(413)			(836)	(1,057)		
Other expenses		(4,223)	(951)			(4,305)	(3,181)		
<b>Results from operating activities</b>		<b>7,862</b>	<b>7,913</b>	<b>-</b>	<b>1</b>	<b>15,217</b>	<b>22,167</b>	<b>-</b>	<b>31</b>
Finance costs		(699)	(369)			(1,954)	(963)		
<b>Profit before taxation for the financial period</b>		<b>7,163</b>	<b>7,544</b>	<b>-</b>	<b>5</b>	<b>13,263</b>	<b>21,204</b>	<b>-</b>	<b>37</b>
Taxation	B5	(2,187)	(1,328)			(3,624)	(5,197)		
<b>Profit after taxation for the financial period</b>		<b>4,976</b>	<b>6,216</b>	<b>-</b>	<b>20</b>	<b>9,639</b>	<b>16,007</b>	<b>-</b>	<b>40</b>
<b>Other comprehensive income, net of tax</b>									
Foreign currency translation		9	(2,368)			(476)	(346)		
		9	(2,368)			(476)	(346)		
<b>Total comprehensive income for the period</b>		<b>4,985</b>	<b>3,848</b>			<b>9,163</b>	<b>15,661</b>		
<b>Profit attributable to:</b>									
Shareholders of the Company		4,905	6,264	-	22	9,583	16,205	-	41
Non-controlling interests		71	(48)			56	(198)		
<b>Profit after taxation for the financial period</b>		<b>4,976</b>	<b>6,216</b>	<b>-</b>	<b>20</b>	<b>9,639</b>	<b>16,007</b>	<b>-</b>	<b>40</b>
<b>Total comprehensive income attributable to:</b>									
Shareholders of the Company		4,917	3,898			9,107	15,860		
Non-controlling interests		68	(50)			56	(199)		
<b>Total comprehensive income for the period</b>		<b>4,985</b>	<b>3,848</b>			<b>9,163</b>	<b>15,661</b>		
<b>Basic earnings per ordinary share (sen):</b>									
Basic earnings per share (sen)	B11	1.53	2.01			3.04	5.40		
Diluted earnings per share (sen)	B11	NA	1.94			NA	5.20		

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 2019 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 2020

	Unaudited As At 30.9.2020 RM'000	Audited As At 31.12.2019 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	59,495	52,959
Goodwill on consolidation	6,344	6,360
Right of use	3,982	4,299
	<u>69,821</u>	<u>63,618</u>
<b>Current assets</b>		
Inventories	1,407	552
Contract assets	81,452	49,496
Trade receivables	59,087	90,915
Other receivables, prepayments and deposits	11,313	13,103
Current tax assets	571	303
Fixed deposits with licensed banks	29,265	28,088
Cash and bank balances	59,861	56,980
	<u>242,956</u>	<u>239,437</u>
	<u><b>312,777</b></u>	<u><b>303,055</b></u>
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	73,292	71,276
Retained earnings	75,942	69,571
Other reserve	12,875	14,948
Treasury share	(534)	(534)
	<u>161,575</u>	<u>155,261</u>
<b>Total Equity attributable to Shareholders of the Company</b>	<b>161,575</b>	<b>155,261</b>
Non-controlling interests	329	273
	<u>161,904</u>	<u>155,534</u>
<b>Total Equity</b>	<b>161,904</b>	<b>155,534</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	92	92
Lease liability	2,044	2,545
Long-term borrowings	30,055	23,327
	<u>32,191</u>	<u>25,964</u>
<b>Current liabilities</b>		
Contract liabilities	32,586	31,128
Trade payables	49,494	40,349
Other payables and accruals	14,420	32,268
Lease liability	779	738
Current tax liabilities	4,212	4,993
Short term borrowings	17,191	12,081
	<u>118,682</u>	<u>121,557</u>
<b>Total liabilities</b>	<b>150,873</b>	<b>147,521</b>
	<u><b>312,777</b></u>	<u><b>303,055</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>312,777</b>	<b>303,055</b>
<b>Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)</b>	<b>0.5018</b>	<b>0.4994</b>

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 2019 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 2020

	<----- Attributable to Equity Holders of the Company ----->					Distributable	Total	Non-Controlling Interest	Total Equity
	<----- Non Distributable ----->								
	Share Capital RM'000	Capital Reserve RM'000	Employee Share Scheme Reserve RM'000	Exchange Fluctuation Reserve RM'000	Treasury Share RM'000	Retained Earnings RM'000	Total RM'000	RM'000	RM'000
<b>As at 1 January 2020</b>	71,276	9,311	1,597	4,040	(534)	69,571	155,261	273	155,534
Profit after taxation for the financial period	-	-	-	-	-	9,583	9,583	56	9,639
Other comprehensive expense, net of tax:									
- Foreign currency translation	-	-	-	(476)	-	-	(476)	-	(476)
Total comprehensive (expense)/ income for the financial period	-	-	-	(476)	-	9,583	9,107	56	9,163
Contributions by and distribution to owners of the company:									
- Employees' share scheme reserve	-	-	419	-	-	-	419	-	419
- Employees' share scheme exercised	2,016	-	(2,016)	-	-	-	-	-	-
- Dividend paid for the period	-	-	-	-	-	(3,212)	(3,212)	-	(3,212)
Total recognised income and expense for the period	2,016	-	(1,597)	-	-	(3,212)	(2,793)	-	(2,793)
<b>As at 30 September 2020</b>	<b>73,292</b>	<b>9,311</b>	<b>-</b>	<b>3,564</b>	<b>(534)</b>	<b>75,942</b>	<b>161,575</b>	<b>329</b>	<b>161,904</b>
<b>As at 1 January 2019</b>	50,422	9,217	1,385	4,596	(534)	51,054	116,140	75	116,215
Profit after taxation for the financial year	-	-	-	-	-	16,205	16,205	(198)	16,007
Other comprehensive income, net of tax:									
- Foreign currency translation differences	-	-	-	(345)	-	-	(345)	(1)	(346)
Total comprehensive income/ (expenses) for the financial year	-	-	-	(345)	-	16,205	15,860	(199)	15,661
Contributions by and distribution to owners of the company:									
- Employees' share scheme reserve	-	-	628	-	-	-	628	-	628
- Employees' share scheme exercised	628	-	(628)	-	-	-	-	-	-
- Warrants exercised	20,226	-	-	-	-	-	20,226	-	20,226
- Investment in a subsidiary:									
- Ace Gases Sdn Bhd	-	-	-	-	-	-	-	267	267
- Ace Gases Marketing Sdn Bhd	-	-	-	-	-	-	-	80	80
- Dividends paid for the period	-	-	-	-	-	(2,353)	(2,353)	-	(2,353)
Total transactions with owners	20,854	-	-	-	-	(2,353)	18,501	347	18,848
<b>As at 30 September 2019</b>	<b>71,276</b>	<b>9,217</b>	<b>1,385</b>	<b>4,251</b>	<b>(534)</b>	<b>64,906</b>	<b>150,501</b>	<b>223</b>	<b>150,724</b>

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 2019 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 2020

	Unaudited 9-Months Ended 30.9.2020 RM'000	Unaudited 9-Months Ended 30.9.2019 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	13,263	21,204
Adjustments for:-		
Depreciation of property, plant and equipment	3,837	1,739
Equipment written off	17	5
Impairment loss on trade receivables	2,400	593
Interest expense	1,815	741
Interest income	(338)	(421)
Gain on disposal of equipment	(25)	(1)
Share-based payments	419	-
Writeback of impairment loss on trade receivables	(249)	(882)
Writeback of impairment loss on contract assets	(277)	(2,076)
Unrealised (loss)/gain on foreign exchange	(1,140)	374
Operating profit before working capital changes	19,722	21,276
Increase in inventory	(855)	(288)
Increase in contract assets /(contract liabilities)	(29,816)	(1,006)
Decrease in trade and other receivables	30,455	22,162
Decrease in trade and other payables	(8,133)	(16,714)
<b>CASH FROM OPERATIONS</b>	11,373	25,430
Income tax paid	(4,673)	(6,639)
Interest paid	(1,815)	(741)
Interest received	338	421
<b>NET CASH FROM OPERATING ACTIVITIES</b>	5,223	18,471
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Purchase of plant and equipments	(6,605)	(23,955)
Proceeds from disposal of equipment	94	-
Placement of fixed deposit pledged with licensed bank	(241)	(2,330)
Capital contribution from non-controlling interests	-	347
<b>NET CASH FOR INVESTING ACTIVITIES</b>	(6,752)	(25,938)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(3,212)	(5,009)
Repayment of revolving credit	-	(3,035)
Drawdown of bankers' acceptance	1,524	-
Net (repayment)/drawdown of lease liability	(460)	2,700
Net drawdown of term loan	8,652	14,543
Proceeds from exercise of employee's share options	-	627
Repayment of invoice financing	(87)	(2,268)
Proceeds from exercise of warrants	-	20,227
<b>NET CASH FROM FINANCING ACTIVITIES</b>	6,417	27,785
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	4,888	20,318
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	(1,270)	235
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	67,997	52,202
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	71,615	72,755

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

Cash and bank balances	59,861	62,434
Fixed deposits	29,265	27,560
	89,126	89,994
Less: Bank overdraft	(199)	-
Less: fixed deposits pledged with licensed banks	(17,312)	(17,239)
	71,615	72,755

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 2019 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 2019. 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 2019.

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 2019.

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 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase	1 January 2021
Amendments to MFRS 16: COVID-19-Related Rent Concessions	1 June 2020
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022

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 2019.

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 - involved in the manufacturing and trading of industrial gases and materials for contracts; and
- (iii) Construction segment - involved in the provision of engineering services and construction.

	Service Segment	Manufacturing and Trading Segment	Construction Segment	The Group
	RM'000	RM'000	RM'000	RM'000
<b>30.9.2020</b>				
Revenue				
External revenue	610	20,576	239,136	260,322
Inter-segment revenue	30	12,515	3,037	15,582
	<u>640</u>	<u>33,091</u>	<u>242,173</u>	<u>275,904</u>
Consolidated Adjustments				(15,582)
				<u>260,322</u>
	Service Segment	Manufacturing and Trading Segment	Construction Segment	The Group
	RM'000	RM'000	RM'000	RM'000
<b>30.9.2019</b>				
Revenue				
External revenue	430	4,022	264,067	268,519
Inter-segment revenue	-	68	7,982	8,050
	<u>430</u>	<u>4,090</u>	<u>272,049</u>	<u>276,569</u>
Consolidated Adjustments				(8,050)
				<u>268,519</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	
	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
Malaysia	70,154	66,440	56,465	41,625
China	80,033	76,712	4,026	1,743
Taiwan	11,138	6,830	176	214
Singapore	94,935	116,958	9,154	9,072
Indonesia	381	984	-	-
Philippines	78	-	-	-
Vietnam	3,603	595	-	-
	<u>260,322</u>	<u>268,519</u>	<u>69,821</u>	<u>52,654</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 2020.

### 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 3 Aug 2020, KGB paid the second interim tax-exempt dividend of 1 sen per ordinary share in respect of the FYE 31 December 2019 amounting to RM3,212,771.

### 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 2020, 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 18 Aug 2020, the Company increased its issued and paid up capital by the issuance of 226,500 ordinary shares at an issue price of RM0.18 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

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 end 30 September 2020:

	As at 30.9.2020 Unaudited RM'000	As at 30.9.2019 Unaudited RM'000
<b>Contingent liabilities</b>		
Bank guarantee and insurance bond given to third party as performance bond or warranty bond	<u>28,302</u>	<u>17,550</u>

**14. Material Subsequent Events**

Saved as disclosed as below, there has been no material subsequent events after the quarter ended 30 September 2020:

First Interim Tax-exempt Dividend for FYE 31 December 2020

On 23 September 2020, the Board of Directors of KGB proposed the payment of first interim tax-exempt dividend of 0.5 sen per ordinary share in respect of the FYE 31 December 2020 amounting to RM1,607,518. This was paid on 2 Nov 2020.

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

1 Review Of Performance

	Current Year Quarter 30.9.2020 RM'000	Preceding Year Corresponding Quarter 30.9.2019 RM'000	Changes		Current Year-to-date 30.9.2020 RM'000	Preceding Year Corresponding Period 30.9.2019 RM'000	Changes	
			Amount RM'000	%			Amount RM'000	%
Revenue	98,258	97,034	1,224	1%	260,322	268,519	(8,197)	-3%
Operating profit	7,862	7,913	(51)	-1%	15,217	22,167	(6,950)	-31%
Profit before tax	7,163	7,544	(381)	-5%	13,263	21,204	(7,941)	-37%
Profit after tax	4,976	6,216	(1,240)	-20%	9,639	16,007	(6,368)	-40%
Profit attributable to shareholders of the company	4,905	6,264	(1,359)	-22%	9,583	16,205	(6,622)	-41%

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Revenue 3Q2020 30.9.2020 RM'000	% of total	Revenue 3Q2019 30.9.2019 RM'000	% of total
Ultra High Purity	70,105	71%	73,136	75%
Process Engineering	9,339	10%	17,023	18%
General Contracting	11,602	12%	5,520	6%
Industrial Gases	7,212	7%	1,355	1%
Total	98,258		97,034	

The Group has recorded a strong recovery for the quarter ended 30 September 2020 ("3Q2020") following a soft performance in the preceding quarters arising from the various lockdown measures imposed to curb Covid-19 which affected our operations in Malaysia, China and Singapore.

Revenue in 3Q2020 grew to RM98.3 million, a marginal increase from RM97.0 million from the same quarter last year ("3Q2019"). Operations in China continued to be the largest revenue contributor at RM35.0 million or 36% of total revenue, and recorded a growth of 38% year-on-year (YoY) from RM25.3 million in 3Q2019. The better performance was on the back of higher Ultra High Purity ("UHP") projects completion.

Revenue from Malaysia market rebounded strongly and rose 52% YoY to RM31.5 million, or 32% of total revenue, in 3Q2020 from RM20.7 million in 3Q2019. Revenue from Taiwan grew 153% YoY to RM5.4 million as compared to RM2.1 million last year driven by higher revenue from UHP and solar projects.

Meanwhile, the Group recorded a moderate performance in Singapore as engineering activities were halted until July 2020 adhering to the lockdown measures. The Group has since gradually resumed operations in Singapore. In 3Q2020, revenue from Singapore stood at RM24.1 million against RM48.0 million in 3Q2019.

In terms of business segment, the UHP division remained the primary revenue contributor to the Group at RM70.1 million or 72% of total revenue. General Contracting segment was the second largest revenue contributor at RM11.6 million, up 110% YoY from RM5.5 million in 3Q2019, mainly driven by higher project orders in Malaysia. This was followed by Process Engineering segment which recorded a lower revenue of RM9.3 million in 3Q2020 due to lesser project completions in Singapore.

The Industrial Gases segment continued to contribute positively to the Group with a revenue of RM7.2 million in 3Q2020 as demand for liquid carbon dioxide ("LCO2") normalised on the back of resumption of economic activities.

During the quarter under review, gross profit increased 46% YoY to RM17.7 million with an improved gross profit margin of 18.0% against 12.5% in 3Q2019. Profit before tax ("PBT") was at RM7.2 million in 3Q2020, surpassing PBT performance of RM6.1 million in the first half of financial year 2020 ("1H2020").

Included in the PBT was a one-off impairment on trade receivable of RM2.4 million. For illustration purposes, excluding the one-off expenses, PBT would have been higher at RM9.6 million.

Profit after tax ("PAT") in 3Q2020 was at RM5.0 million versus RM6.2 million in 3Q2019.

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

	Revenue 9M2020 9M'000	% of total	Revenue 9M2019 9M'000	% of total
Ultra High Purity	196,326	75%	172,742	64%
Process Engineering	26,601	10%	75,663	29%
General Contracting	22,135	9%	16,238	6%
Industrial Gases	15,260	6%	3,876	1%
Total	260,322		268,519	

For the nine-month period ended 30 September 2020 ("9M2020"), the Group's revenue decreased marginally to RM260.3 million as compared to RM268.5 million in the previous year's corresponding period ("9M2019"), mainly due to lacklustre performance in 1H2020 amidst the lockdown measures across China, Malaysia and Singapore.

In 9M2020, the Group's revenue portfolio was mainly derived from the UHP segment (75%), followed by Process Engineering (10%), General Contracting (9%) and Industrial Gases (6%).

The UHP division grew 14% YoY or RM23.6 million to RM196.3 million in 9M2020 from RM172.7 million in 9M2019 due to higher UHP projects completion in China. Meanwhile, the Process Engineering division was impacted by the various lockdown measures, particularly in Malaysia and Singapore, throughout 9M2020. Consequently, revenue from Process Engineering decreased to RM26.6 million in 9M2020 from RM75.7 million a year ago. Meanwhile, General Contracting and Industrial Gases have recorded notable improvements, increasing 36% YoY and 294% YoY respectively.

In terms of geographical breakdown in 9M2020, revenue contribution was led by Singapore at 36% or RM94.9 million. Revenue from China was the second largest at 31% followed by Malaysia (27%) and Taiwan (4%).

The Group recorded a gross profit margin of 13.1% in 9M2020, a decrease from 15.2% in 9M2019. Gross profit stood lower at RM34.1 million, as compared to RM40.9 million in the previous year.

PBT reduced by 37% YoY to RM13.3 million as compared to RM21.2 million in 9M2019. PAT stood at RM9.6 million in 9M2020 from RM16.0 million in 9M2019.



## 1 Review Of Performance (Cont'd)

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

	Current Quarter	Immediate Preceding Quarter	Changes	
	30.9.2020 RM'000	30.6.2020 RM'000	Amount RM'000	%
Revenue	98,258	77,333	20,925	27%
Operating profit	7,862	1,758	6,104	347%
Profit before tax	7,163	1,198	5,965	498%
Profit after tax	4,976	640	4,336	678%
Profit attributable to shareholders of the company	4,905	623	4,282	687%

As compared to the preceding quarter (2Q2020), the Group has rebounded strongly in 3Q2020 across the top and bottom line as operations are back on track.

Revenue increased 27% quarter-on-quarter ("QoQ") to RM98.3 million in 3Q2020 from RM77.3 million in 2Q2020. Meanwhile, PBT grew almost five-fold to RM7.2 million from RM1.2 million 2Q2020.

The Group's PAT surged to RM5.0 million in 3Q2020 versus RM0.6 million in 2Q2020.

### (d) Statement of Financial Position

Financial Indicators	As at 30.9.2020	As at 31.12.2019	As at 30.9.2019
	Unaudited RM'000	Audited RM'000	Unaudited RM'000
Total assets	312,777	303,055	275,722
Total equity	161,904	155,534	150,724
Debt	50,069	38,691	29,060
Fixed deposits, cash & bank balances	89,126	85,068	89,994
Net cash	39,057	46,377	60,934
Debt-to-Equity	0.31	0.25	0.19

As at 30 September 2020, the Group's shareholder equity (excluding non-controlling interests) increased to RM161.6 million from RM155.3 million as at 31 December 2019, on the back of consecutive quarterly profit.

During the period under review, the Group's total debt grew to RM50.1 million against RM38.7 million as at 31 December 2019, mainly attributed to the drawdown of term loan for the liquid CO2 plant and dry ice plant operating under the industrial gas division. Majority of the Group's debt are used for project financing purposes and capital expenditure for new industrial gas business division.

Overall, the Group's financial position remains healthy in a net cash position of RM39.1 million with total gross cash in hand of RM89.1 million exceeding the total debt of RM50.1 million as at 30 September 2020. Net cash per share stood at 12 sen.

## 2 Commentary Of Prospects

FY2020 is expected to remain challenging on the back of the on-going global pandemic outbreak. As we embrace the "new normal", we expect the preventative measures in site activities to continue in the near term, and these may lead to longer project delivery periods and additional direct costs.

Meanwhile, we are encouraged by the recovery momentum across our key operating markets as we continue to see increase in tender invitations. In 3Q2020, we managed to clinch an additional RM142 million worth of projects which then boosted our total new orders secured to approximately RM372 million in the nine-month period of 2020. This also translates to a growth of 27% as compared to RM294 million new orders secured throughout the first nine-month of 2019. Majority of the new orders clinched were from China, Malaysia and Singapore.

Inclusive of the carried forward projects from FY2019 and new orders in FY2020, Kelington's total orderbook grew to RM630 million, of which RM370 million remains outstanding as at 30 September 2020.

Looking ahead, we will continue to participate in project tenders and work hard to execute the outstanding orders. Meanwhile, the Industrial Gases division continues to record positive performance and is back on track for growth. While our operations in China and Malaysia are reverting to full operations, we remain cautiously optimistic on the near-term outlook as our operations in Singapore is gradually recovering.

Barring any unforeseen circumstances, we are confident that we will be back on track for growth in the next fiscal year, underpinned by our healthy replenishment of orders and backed by a strong financial position.

## 3 Profit Forecast and Profit Guarantee

The Company did not announce any profit forecast or profit estimate for the FYE 31 December 2020 in any public document and hence this information is not applicable.

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**4 Profit for the Period**

	Quarter ended		Year-to-date ended	
	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income *	(27)	284	338	421
Interest expense	(642)	(233)	(1,815)	(741)
Impairment loss on trade receivables:				
- specified	(2,400)	(262)	(2,400)	(262)
- in accordance to MFRS 9	-	-	-	(331)
Depreciation and amortisation	(1,329)	(596)	(3,837)	(1,739)
Equipment written off	(5)	-	(17)	(5)
Unrealised Foreign exchange gain/(loss)	(840)	18	1,140	(374)
Realised Foreign exchange gain/(loss)	(23)	(84)	(113)	(275)
(Loss)/gain on disposal of equipment	26	-	25	1
Writeback on impairment loss on contract assets	277	2,076	277	2,076
Writeback on impairment loss on trade receivables	-	179	249	882

Note:

\* - The interest income for the quarter under review was RM228,424 of which include a reclassification to other income of RM255,634 for prior quarter. 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 30.9.2020 RM'000	Cumulative Year to date ended 30.9.2020 RM'000
Current tax:		
- for the financial period	2,187	3,624

The effective tax rate of the Group for the current financial period under review is higher than the statutory tax rate mainly due to certain expenses being disallowed for taxation purposes and profits in certain subsidiaries operating in different tax jurisdictions.

**6 Corporate Proposal**

There were no outstanding corporate proposals announced but not completed as at the date of this quarterly report.

**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 2020 versus 30 September 2019 were as follows:

	30.9.2020 RM'000	30.9.2019 RM'000
Non-current	2,044	3,244
Current	779	1,032
Total	2,823	4,276

The hire purchase payables had been represented as 'lease liability' in the current quarter following the application of MFRS 16 Leases. The comparative information had been restated. The lease liability mainly comprises the hire purchase agreements of motor vehicles under finance leases.

(b) Group Borrowings

The borrowings as at 30 September 2020 versus 30 September 2019 were as follows. The comparative information had been restated with the application of MFRS 16 Leases.

	As At 30 September 2020					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
<b>Secured</b>						
Term Loan	NTD28,588, RMI,537	5,639	NTD 1,250, RM29,876	30,055	NTD 29,838, RM31,413	35,694
Import Loan/Invoice financing	RMB15,413, RM429	9,829		-	RMB15,413, RM429	9,829
Overdraft	RM199	199		-	RM199	199
Bankers' acceptance	RM1,524	1,524		-	RM1,524	1,524
<b>Unsecured</b>						
Nil	-	-	-	-	-	-
		17,191		30,055		47,246
Weighted average interest rate of borrowings						4.55%
Proportion of borrowings between fixed interest rate and floating interest rate						8%:92%

The increase in borrowing during the period ended 30 September 2020 is mainly due to the drawdown of borrowings for the capital expenditure and working capital for the industrial gas business division.

8 Lease Liability and Group Borrowings (Cont'd)

	As At 30 September 2019					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
<b>Secured</b>						
Term Loan	NTD4,746, RM675	1,315	NTD4,838, RM15,004	15,657	NTD9,584, RM15,679	16,972
Import Loan/Invoice financing	RMB13,315	7,812	-	-	RMB13,315	7,812
<b>Unsecured</b>						
Nil	-	-	-	-	-	-
		9,127		15,657		24,784
Weighted average interest rate of borrowings						5.86%
Proportion of borrowings between fixed interest rate and floating interest rate						25%:75%

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

9 Material Litigation

Save as disclosed below, as at the date of this quarterly report, neither KGB nor any of its subsidiaries is engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board has no knowledge of any proceedings pending or threatened against the Company and/or its subsidiaries or of any fact likely to give rise to any proceedings, which may materially or adversely affect the financial position or business of the Group:-

(1) Updates on legal proceeding against Hui Neng Mechanical & Electrical Engineering Co. ("Hui Neng")(27518963)

On 29 June 2016, the Judge has decided in favour of Kelington Taiwan and allowed Kelington Taiwan's claim of NTD34,234,442 (equivalent to RM4,279,305) being the net amount after deducting Hui Neng's progress claim of NTD1,765,558, plus all interest thereon since 13 March 2015 until full and final settlement and that all litigation cost shall be borne by Hui Neng.

On 25 July 2016, Hui Neng has submitted an appeal to the Court.

On 14 October 2016, Hui Neng has submitted a written plea to the High Court, Taiwan. On 9 December 2016, Kelington Taiwan answered to the plea submitted by Hui Neng to the High Court.

On 19 January 2017, High court decided to call the witnesses to Court to give evidence on the next hearing. On 24 February 2017, 7 April 2017, 18 May 2017, 6 July 2017, 25 August 2017, 28 September 2017, 16 November 2017, 21 December 2017, 2 February 2018, 15 March 2018, 22 June 2018, 5 July 2018, 1 August and 29 August, High court had heard the evidences given by the witnesses and fixed the final hearing on 12 September 2018.

On 12 September 2018, High Court Taiwan has delivered its court decision and ordered that Hui Neng shall pay Kelington Taiwan the sum of NTD 29,328,814 (equivalent to RM3,946,129) plus interest of 5% per annum thereon since 10 October 2015.

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

(2) Mutiara (FE) Pte Ltd, a subcontractor, against Kelington Engineering (S) Pte Ltd ("KESG"), a wholly-owned subsidiary of Kelington Group Berhad

On 2 March 2020, KESG has lodged with Singapore Mediation Centre a response under section 15(1) of the Building and Construction Industry Security of Payment Act ("SOP Act"), to each of the adjudication applications lodged by Mutiara (FE) Pte Ltd ("Mutiara"), a subcontractor engaged by KESG under two separate sub-contracts for a project in Singapore, for a total adjudication claims amounted to SGD4,140,325.

On 16 March 2020, KESG served a Notice of Arbitration dated 18 March 2020 as the Claimant on Mutiara to refer KESG'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 KESG 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 KESG arising out of Mutiara's breached of sub contracts and/or disputes in relation to the valuation of work done (including variations) by KESG and/or such other losses to be assessed; and
- 5 Interest, costs, and other relief that the arbitrator shall deemed fit.

KESG had received the following adjudication determination in for both adjudication application no. SOP/AA51 and SOP/AA52 from the Singapore Mediation Centre:-

- 1 SOP/AA51
  - i On 31 March 2020, the adjudicator determined that KESG shall pay Mutiara the sum of SGD1,051,245 (inclusive of GST) within 7 days after the service of the adjudication determination and shall bear 70% of adjudication expenses at SGD27,279
  - ii On 1 April 2020, KESG had make payment of SGD 1,051,245 to Mutiara
  - iii On 3 April 2020, KESG has filed an Adjudication Review Application ("ARA") in support of KESG application for an adjudication review of an adjudication determination. KESG submitted that the Adjudicator had erred in law and on the facts in that he had failed to discharge his independent duty to adjudicate the claim and had:
    - a. over-valued the Mutiara's claim for original sub-contract works by SGD86,570;
    - b. over-valued the Mutiara's claim for variations by SGD371,231; and
    - c. erroneously allowed the Claimant to amend its adjudication application.

**9 Material Litigation (Cont'd)**

**(2) Mutiara (FE) Pte Ltd, a subcontractor, against Kelington Engineering (S) Pte Ltd ("KESG"), a wholly-owned subsidiary of Kelington Group Berhad (Cont'd)**

**2 SOP/AA52**

- i On 3 April 2020, the adjudicator determined that KESG shall pay Mutiara the sum of SGD1,745,080 (inclusive of GST) within 7 days after the service of the adjudication determination and shall bear 60% of the adjudication expenses at SGD13,617.
- ii KESG's solicitor is of the opinion that KESG shall file an ARA as well as seek a consolidation of the claims.

KESG had on 8 May 2020 received the Adjudication Review Determination for Adjudication Review Application SOP/ARA02 in relation to Adjudication Application SOP/AA51, from the Singapore Mediation Centre ("SMC"). Pursuant to Section 19(4)(a) of the Building and Construction Industry Security of Payment Act, the Adjudicator substitutes the adjudicate amount determined in SOP/AA51 with the review adjudicated amount of SGD 969,367.84.

On 13 April 2020, SMC had via its Addendum to the Adjudication Determination revised the adjudicated amount from SGD1,745,079.51 to SGD1,739,893.22.

Subsequently, KES had on 4 May 2020 filed a Summons to the High Court of the Republic of Singapore and made an application for set aside the Adjudication Determination dated 3 April 2020 and the Addendum to the Adjudication Determination (Collectively, "the AD") in relation to Adjudication Application SOP/AA 52 or the execution or enforcement of the AD be stayed, pending the disposal of the action in an arbitration commenced by the KES against Mutiara (FE) Pte Ltd which is currently ongoing.

On 22 July 2020, KES had lodged an amount of SGD 1,739,893.22 in the high court of the Republic of Singapore, being the funds and securities for unpaid portion of adjudicated amount that KES is required to pay in consequence of the AD in relation to the SOP/AA52.

On 16 September 2020, KESG 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.

The Company will make the necessary announcements on material development in respect of this matter from time to time.

**(3) Adjudication proceeding between Kelington Technologies Sdn. Bhd., a wholly owned subsidiary of KGB, against JCT Industries Group Sdn. Bhd.**

On 14 August 2020, Kelington Technologies Sdn. Bhd. (Company No.: 562280-U) ("KTSB"), a wholly-owned subsidiary of KGB served a Notice of Adjudication to JCT Industries Group Sdn. Bhd. (Company No. 1215578-P) ("JCT") in accordance with Section 7 and 8 of Construction Industry Payment & Adjudication Act 2012 ("CIPAA") to seek following reliefs or remedies from JCT:-

- i Payment Certificates issued and unpaid - RM7,134,518.81;
- ii Variation works not certified and unpaid - RM244,800.00;
- iii Interest due to late payment – RM417,624.67;
- iv Interest on the unpaid amounts from 15 February 2020 to the date full payment is received at the rate of 7.40% per annum; and
- v Interest on the unpaid amounts from 15 February 2020 to the date full payment is received at the rate of 7.40% per annum; and
- vi All costs incurred by KTSB in referring the dispute to adjudication, including but not limited to our claim consultant's cost, the registration and administrative fee of Asian International Arbitration Centre, and the adjudicator's fee.

KTSB was appointed by JCT as the Contractor pursuant to a letter of award dated 25 April 2018 ("Contract") to construct the main factory, warehouses, TNB Sub Station and infrastructural work in Kuala Muda, Kedah Darul Aman ("Works"). The Works were completed on 30 August 2019.

As JCT had failed to make payment to KTSB, KTSB had on 18 February 2020 served a Payment Claim to JCT in accordance with Section 5 of CIPAA for the sum of RM8,226,943.48 together with interest on the sum from 14 February 2020 to the date full payment is received at the interest rate of 7.4% per annum

On 5 August 2020 and after the service of Payment Response, JCT made a further payment of RM430,000.00. Therefore, the total unpaid amount for the payment certificates issued is now reduced to RM7,134,518.81.

The Company will make the necessary announcement on further development of this matter in due course.

**10 Dividends Payable**

On 23 September 2020, the Board of Directors of KGB proposed the payment of first interim tax-exempt dividend of 0.5 sen per ordinary share in respect of the FYE 31 December 2020 amounting to RM1,607,518. This was paid on 2 Nov 2020.

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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	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
Profit After Taxation attributable to owners of the company (RM'000)	4,905	6,264	9,583	16,205
Weighted average number of ordinary shares in issue ('000)	321,385	311,292	315,530	300,162
Basic Earnings Per Share (Sen)	1.53	2.01	3.04	5.40
Diluted Earnings Per Share (Sen) #	NA	1.94	NA	5.20

Note :

# - All shares of Employee Shares Scheme had been fully exercised on 18 Aug 2020.

**12 TRADE RECEIVABLES**

The ageing analysis of the Group's gross trade receivables is as follows:

	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
<b>30.9.2020</b>			
Not past due	48,013	(839)	47,174
Past due:			
- less than 3 months	7,044	(385)	6,659
- 3 to 6 months	1,053	(104)	949
- over 6 months	2,869	(64)	2,805
- over 1 year	1,652	(152)	1,500
Credit impaired	7,391	(7,391)	-
	<u>68,022</u>	<u>(8,335)</u>	<u>59,087</u>

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

	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
<b>30.9.2019</b>			
Not past due	34,686	(111)	34,575
Past due:			
- less than 3 months	9,632	(150)	9,482
- 3 to 6 months	7,374	(127)	7,247
- over 6 months	3,677	(137)	3,540
- over 1 year	5,260	(673)	4,587
Credit impaired	5,523	(5,523)	-
	<u>66,152</u>	<u>(6,721)</u>	<u>59,431</u>

**13 DISCLOSURE OF REALISED AND UNREALISED PROFITS/ (LOSSES)**

	Cumulative Year to date ended 30.9.2020 RM'000	Cumulative Year to date ended 30.9.2019 RM'000
Total retained profits of KGB:		
- Realised	74,894	65,372
- Unrealised	1,048	(466)
Total group retained profits as per consolidated accounts	<u>75,942</u>	<u>64,906</u>