

KELINGTON GROUP BERHAD ("KGB")
(Company No. 199901026486)
Statement of Profit or Loss and Other Comprehensive Income
For The 4th Quarter Ended 31 December 2019

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the period ended 31 December 2019 are as follow:-

Note	Unaudited Current Qtr Ended 31/12/2019 RM'000	Unaudited Previous Qtr Ended 31/12/2018 RM'000	+	-	%	Unaudited 12-months Period up to 31/12/2019 RM'000	Audited 12-months Period up to 31/12/2018 RM'000	+	-	%
Revenue	111,342	110,590	+		1	379,861	350,023	+		9
Cost of sales	(88,901)	(90,408)				(316,483)	(291,185)			
Gross profit	22,441	20,182	+		11	63,378	58,838	+		8
Other income	2,149	2				6,757	909			
Administrative expenses	(10,881)	(10,280)				(30,021)	(27,097)			
Selling and distribution expenses	(484)	(324)				(1,541)	(1,150)			
Other expenses	(2,534)	(1,944)				(5,715)	(5,583)			
Results from operating activities	10,691	7,636	+		40	32,858	25,917	+		27
Finance costs	(530)	(167)				(1,493)	(913)			
Profit before taxation for the financial period	10,161	7,469	+		36	31,365	25,004	+		25
Taxation	(2,621)	(2,297)				(7,818)	(6,689)			
Profit after taxation for the financial period	7,540	5,172	+		46	23,547	18,315	+		29
Other comprehensive income, net of tax										
Foreign currency translation	(31)	1,395				(377)	160			
	(31)	1,395				(377)	160			
Total comprehensive income for the period	7,509	6,567				23,170	18,475			
Profit attributable to:										
Shareholders of the Company	7,782	5,394	+		44	23,987	18,649	+		29
Non-controlling interests	(242)	(222)				(440)	(334)			
Profit after taxation for the financial period	7,540	5,172	+		46	23,547	18,315	+		29
Total comprehensive income attributable to:										
Shareholders of the Company	7,750	4,344				23,610	18,813			
Non-controlling interests	(241)	(247)				(440)	(338)			
Total comprehensive income for the period	7,509	4,097				23,170	18,475			
Basic earnings per ordinary share (sen):										
Basic earnings per share (sen)	2.51	2.06				8.02	7.60			
Diluted earnings per share (sen)	2.42	1.83				7.73	6.70			

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 2018 and the accompanying explanatory notes enclosed to the interim financial statements.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 199901026486)
Statement of Financial Position
As at 31 December 2019

	Unaudited As At 31/12/2019 RM'000	Audited As At 31/12/2018 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	57,034	24,676
Goodwill on consolidation	6,360	6,348
Right of use	223	-
	<u>63,617</u>	<u>31,024</u>
Current assets		
Inventories	552	177
Contract assets	50,068	46,390
Trade receivables	90,912	81,410
Other receivables, prepayments and deposits	18,240	16,913
Current tax assets	673	452
Fixed deposits with licensed banks	30,088	24,196
Cash and cash equivalents	52,336	42,914
	<u>242,869</u>	<u>212,452</u>
TOTAL ASSETS	<u>306,486</u>	<u>243,476</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	71,276	50,422
Retained earnings	69,585	51,054
Other reserve	15,033	15,198
Treasury share	(534)	(534)
Total Equity attributable to Shareholders of the Company	<u>155,360</u>	<u>116,140</u>
Non-controlling interests	(18)	75
Total Equity	<u>155,342</u>	<u>116,215</u>
Non-current liabilities		
Deferred tax liabilities	92	92
Provision for lease liability	65	-
Long-term borrowings	26,379	1,506
	<u>26,536</u>	<u>1,598</u>
Current liabilities		
Contract liabilities	31,386	22,247
Trade payables	41,768	60,321
Other payables and accruals	34,547	19,419
Provision for lease liability	160	-
Current tax liabilities	4,612	5,407
Short term borrowings	12,135	15,614
Dividend payable	-	2,655
	<u>124,608</u>	<u>125,663</u>
Total liabilities	<u>151,144</u>	<u>127,261</u>
TOTAL EQUITY AND LIABILITIES	<u>306,486</u>	<u>243,476</u>
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.4988	0.4345

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 2018 and the accompanying explanatory notes enclosed to the interim financial statements.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 199901026486)
Condensed Consolidated Statements of Changes in Equity
For The 4th Quarter Ended 31 December 2019

	Attributable to Equity Holders of the Company					Distributable	Non-Controlling Interest	Total Equity	
	Non Distributable		Employee	Exchange	Treasury				
	Share Capital RM'000	Capital Reserve RM'000	Share Scheme Reserve RM'000	Fluctuation Reserve RM'000	Share RM'000	Retained Earnings RM'000	Total RM'000	RM'000	
As at 1 January 2019	50,422	9,217	1,385	4,596	(534)	51,054	116,140	75	116,215
Profit after taxation for the financial period	-	-	-	-	-	23,987	23,987	(440)	23,547
Other comprehensive expense, net of tax:									
- Foreign currency translation	-	-	-	(377)	-	-	(377)	-	(377)
Total comprehensive (expense)/ income for the financial period	-	-	-	(377)	-	23,987	23,610	(440)	23,170
Contributions by and distribution to owners of the company:									
- Investment in subsidiaries:									
- Ace Gases Sdn Bhd	-	-	-	-	-	-	-	267	267
- Ace Gases Marketing Sdn Bhd	-	-	-	-	-	-	-	80	80
- Warrants exercised	20,226	-	-	-	-	-	20,226	-	20,226
- Employees' share scheme reserve	-	-	840	-	-	-	840	-	840
- Employees' share scheme offered	628	-	(628)	-	-	-	-	-	-
- Dividend paid for the period	-	-	-	-	-	(5,456)	(5,456)	-	(5,456)
Total recognised income and expense for the period	20,854	-	212	-	-	(5,456)	15,610	347	15,957
As at 31 December 2019	71,276	9,217	1,597	4,219	(534)	69,585	155,360	(18)	155,342
As at 1 January 2018	25,826	8,985	696	4,432	(534)	38,839	78,244	231	78,475
Profit after taxation for the financial year	-	-	-	-	-	18,649	18,649	(334)	18,315
Other comprehensive income, net of tax:									
- Foreign currency translation differences	-	-	-	164	-	-	164	(4)	160
Total comprehensive income/ (expenses) for the financial year	-	-	-	164	-	18,649	18,813	(338)	18,475
Contributions by and distribution to owners of the company:									
- Employees' share scheme reserve	-	-	1,073	-	-	-	1,073	-	1,073
- Employees' share scheme offered	384	-	(384)	-	-	-	-	-	-
- Warrants exercised	6,733	-	-	-	-	-	6,733	-	6,733
- Investment in a subsidiary:									
- Ace Gases Sdn Bhd	-	-	-	-	-	-	-	300	300
- Issuance of shares pursuant to private placement	17,840	-	-	-	-	-	17,840	-	17,840
- Expenses incurred pursuant to issuance of ordinary shares	(361)	-	-	-	-	-	(361)	-	(361)
- Dividends	-	-	-	-	-	(6,320)	(6,320)	-	(6,320)
- Transfer of non-distributable reserve funds by a subsidiary	-	232	-	-	-	(232)	-	-	-
- Changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	-	-	-	118	118	(118)	-
Total transactions with owners	24,596	232	689	-	-	(6,434)	19,083	182	19,265
As at 31 December 2018	50,422	9,217	1,385	4,596	(534)	51,054	116,140	75	116,215

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 2018 and the accompanying explanatory notes enclosed to the interim financial statements.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 199901026486)
Condensed Consolidated Statement of Cash Flow
For The Year Ended 31 December 2019

	Unaudited 12-Months Ended 31/12/2019 RM'000	Audited 12-Months Ended 31/12/2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	31,365	25,004
Adjustments for:-		
Bad debts written off	-	1
Contract assets written off	-	794
Depreciation of property, plant and equipment	3,002	2,082
Equipment written off	5	347
Impairment loss on trade receivables	2,424	-
Impairment loss on other receivables	43	-
Impairment loss on contract assets	256	1,089
Interest expense	1,316	913
Interest income	(882)	(675)
Gain on disposal of equipment	(1)	(21)
Provision for foreseeable loss	-	644
Provision for warranty costs	161	699
Provision for unutilised leaves	59	23
Share-based payments	212	1,073
Writeback of impairment loss on trade receivables	(1,501)	-
Writeback of impairment loss on contract assets	(2,080)	(487)
Reversal of provision of warranty costs	(107)	(5)
Reversal of provision of foreseeable losses	(114)	(213)
Reversal of provision of unutilised leave	(28)	(3)
Right of use	2	-
Unrealised loss on foreign exchange	464	15
Operating profit before working capital changes	34,596	31,280
(Increase)/ Decrease in inventory	(375)	770
Decrease in amounts owing by/to contract customers	7,285	6,158
Increase in trade and other receivables	(10,679)	(8,666)
Decrease in trade and other payables	(3,395)	(14,983)
CASH FROM OPERATIONS	27,432	14,559
Income tax paid	(8,834)	(5,946)
Interest paid	(1,316)	(913)
Interest received	882	675
NET CASH FROM OPERATING ACTIVITIES	18,164	8,375
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(35,388)	(10,622)
Proceeds from disposal of equipment	-	49
Proceeds from issuance of shares to non-controlling interest	-	300
Placement of fixed deposit pledged with licensed bank	(2,750)	(2,279)
Withdrawal of fixed deposits more than 3 months	-	500
Capital contribution from non-controlling interests	347	-
NET CASH FOR INVESTING ACTIVITIES	(37,791)	(12,052)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(8,111)	(3,665)
Repayment of revolving credit	(3,035)	(10,465)
Net drawdown/ (repayment) of hire purchase obligations	4,249	(291)
Net drawdown/ (repayment) of term loan	19,447	(1,275)
Proceeds from exercise of employee's share options	627	-
Repayment of invoice financing	(848)	(1,834)
Proceeds from private placement	-	17,479
Proceeds from exercise of warrants	20,227	6,733
NET CASH FROM FINANCING ACTIVITIES	32,556	6,682
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,929	3,005
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(365)	164
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	52,202	49,033
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	64,766	52,202
Cash and cash equivalents at the end of financial period comprise the following:		
Cash and bank balances	52,336	24,196
Fixed deposits	30,088	42,914
	82,424	67,110
Less: fixed deposits pledged with licensed banks	(17,658)	(14,908)
	64,766	52,202

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 2018 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 2018. 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 2018.

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 2018.

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 2021
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

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 2018.

3. Segmental Information

The operating segments reporting is not presented as the Group principally involved in the business of providing engineering services and general trading specifically in the provision of ultra-high purity gas and chemical delivery systems solutions.

Geographical information

In presenting information on the basis of geographical segments, segment revenue and results are based on the geographical location of customers. The carrying value of segment assets are based on the geographical location of the assets.

	Revenue		Non-current Assets	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Malaysia	89,267	114,452	50,115	19,995
China	99,553	111,204	3,988	1,820
Taiwan	8,546	12,634	210	239
Singapore	177,573	111,504	9,304	8,970
Indonesia	1,426	260	-	-
Other	3,496	(31)	-	-
	379,861	350,023	63,617	31,024

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 31 December 2019.

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 16 October 2019, KGB paid the first interim tax-exempt dividend of 1 sen per ordinary share in respect of the FYE 31 December 2019 amounting to RM3,103,392.

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 December 2019, all the property, plant and equipment were stated at cost less accumulated depreciation.

9. Movement of Debt And Equity Securities

There were no issuance, cancellation, resale and repayment of debt and equity securities during the current quarter under review.

10. Changes in Composition of the Group

Saved as disclosed in the following, there has been no change in the composition of the Group during the current quarter under review.

On 27 November 2019, KGB's 97.2% owned subsidiary, Ace Gases Sdn Bhd. has incorporated an 90% owned subsidiary known as Ace Gases Marketing (S) Pte Ltd (Registration No. 201940131M) ("AGMS") in Singapore with an issued share capital of SGD30,000. The intended principal activities of AGMS are wholesales of chemical products and manufacture of industrial gases and dry ice.

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
	31/12/2019
	RM'000
Purchase of building	<u>3,132</u>

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 31 December 2019:

	As at	As at
	31/12/2019	31/12/2018
	Unaudited	Unaudited
	RM'000	RM'000
Contingent liabilities		
Bank guarantee and insurance bond given to third party as performance bond or warranty bond	<u>36,370</u>	<u>22,958</u>

14. Material Subsequent Events

There has been no material subsequent events after the year ended 31 December 2019.

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

1 Review Of Performance

	Current Year Quarter 31/12/2019 RM'000	Preceding Year Corresponding Quarter 31/12/2018 RM'000	Changes		Current Year-to-date 31/12/2019 RM'000	Preceding Year Corresponding Period 31/12/2018 RM'000	Changes	
			Amount RM'000	%			Amount RM'000	%
Revenue	111,342	110,590	752	1%	379,861	350,023	29,838	9%
Operating profit	10,691	7,636	3,055	40%	32,858	25,917	6,941	27%
Profit before tax	10,161	7,469	2,692	36%	31,365	25,004	6,361	25%
Profit after tax	7,540	5,172	2,368	46%	23,547	18,315	5,232	29%
Profit attributable to shareholders of the company	7,782	5,394	2,388	44%	23,987	18,649	5,338	29%

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Revenue 4Q2019 31/12/2019 RM'000	% of total	Revenue 4Q2018 31/12/2018 RM'000	% of total
Ultra High Purity	90,160	81%	50,186	45%
Process Engineering	14,697	13%	35,959	33%
General Contracting	2,407	2%	23,059	21%
Industrial Gases	4,078	4%	1,386	1%
Total	111,342		110,590	

The Group's revenue for the quarter ended 31 December 2019 ("4Q2019") increased marginally to RM111.3 million from RM110.6 million from the same period last year ("4Q2018").

During the quarter under review, the Singapore operations was the largest revenue contributor at RM60.6 million or 54% of total revenue, rising 32% year-on-year ("YoY") from RM46.0 million in 4Q2018, on the back of higher projects completion in the Ultra High Purity ("UHP") division. Revenue from China came in second at RM22.8 million or 21% of total revenue in 4Q2019, followed by Malaysia (20%), Taiwan (2%) and others (3%).

In terms of business segment, the UHP division remained as the primary revenue contributor at RM90.2 million, representing 81% of total revenue, and recorded a strong growth of 80% YoY in 4Q2019 against RM50.2 million in 4Q2018, driven by higher projects completion in Singapore and China. The improvement was offset by softer performance in the Process Engineering and General Contracting divisions. Revenue from the Process Engineering division was at RM14.7 million in 4Q2019 as compared to RM36.0 million last year, while revenue from General Contracting division stood at RM2.4 million against RM23.1 million in 4Q2018. Meanwhile, revenue from Industrial Gases has improved to RM4.1 million in 4Q2019 from RM1.4 million in 4Q2018 as it registered maiden contribution from the new liquid carbon dioxide plant, which was completed in October 2019.

Despite the relatively flat revenue in 4Q2019, gross profit grew 11% YoY to RM22.4 million from RM20.2 million in 4Q2018, with higher gross profit margins of 20.2% as compared with 18.2% from a year ago. This was mainly due to higher profit margins from the projects from the UHP segments.

Profit before tax ("PBT") increased by 36% YoY to RM10.2 million in 4Q2019 from RM7.5 million in 4Q2018, with PBT margins of 9%. The Group's profit after tax ("PAT") rose 46% to RM7.5 million versus RM5.2 million in 4Q2018.

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

	Revenue 12M2019 RM'000	% of total	Revenue 12M2018 RM'000	% of total
Ultra High Purity	262,902	69%	226,438	65%
Process Engineering	90,360	24%	75,554	21%
General Contracting	18,645	5%	44,467	13%
Industrial Gases	7,954	2%	3,564	1%
Total	379,861		350,023	

For the year ended 31 December 2019 ("FY2019"), the Group's revenue increased by 9% YoY to RM379.9 million as compared to RM350.0 million in the previous year's corresponding period ("FY2018"), on the back of higher revenue contribution from UHP and Project Engineering division.

Revenue from the UHP division remains as the anchor revenue contributor to the Group at RM262.9 million or 69% of total revenue in FY2019. Revenue from UHP saw an increase of 16% YoY or RM36 million in 4Q2019 from RM226.4 million in FY2018 due to higher projects completion in Singapore. Meanwhile, revenue from Process Engineering grew 20% YoY to RM90.4 million in FY2019 from RM75.6 million a year ago, representing the second largest revenue contributor at 24%. Revenue from the Industrial Gases division also improved to RM7.9 million in FY2019 against RM3.6 million a year ago, as it starts to recognize revenue from the new liquid carbon dioxide plant completed in October 2019.

In FY2019, revenue contribution by geographical segments were led by Singapore at 47% or RM177.6 million, up 59% YoY from RM111.5 million a year ago. Revenue from China was the second largest at 26% followed by Malaysia (23%), Taiwan (2%) and Others (2%).

Gross profit improved by 8% YoY to RM63.4 million in FY2019 against RM58.8 million from same period last year. PBT grew 25% YoY to RM31.4 million as compared to RM25.0 million in FY2018, resulting in PBT margin rising to 8% in FY2019. PAT rose 29% to RM23.5 million in FY2019 from RM18.3 million in FY2018.

1 Review Of Performance (Cont'd)

(c) Variation of Results Against Preceding Quarter

	Current Quarter 31/12/2019 RM'000	Immediate Preceding Quarter 30/09/2019 RM'000	Changes	
			Amount RM'000	%
Revenue	111,342	97,034	14,308	15%
Operating profit	10,691	7,913	2,778	35%
Profit before tax	10,161	7,544	2,617	35%
Profit after tax	7,540	6,216	1,324	21%
Profit attributable to shareholders of the company	7,782	6,264	1,518	24%

The Group's revenue increased 15% to RM111.3 million in 4Q2019 as compared to RM97.0 million in the preceding quarter ended 30 September 2019 ("3Q2019"), mainly due to higher contribution from China and Singapore operations.

In comparison with 3Q2019, revenue from Singapore grew 26% quarter-on-quarter ("QoQ") in 4Q2019 while revenue from China rose 10% QoQ in 4Q2019, on the back of higher projects completion in the UHP division in both countries.

Gross profit was up 85% QoQ to RM22.0 million in 4Q2019 from RM12.1 million in 3Q2019, with improved gross profit margins of 20.2% against 12.5% in 3Q2019.

PBT increased by 35% QoQ in 4Q2019 to RM10.2 million as compared to RM7.5 million in 3Q2019. The Group's PAT stood at RM7.5 million in 4Q2019 versus RM5.2 million in 3Q2019.

(d) Statement of Financial Position

Financial Indicators	As at 31/12/2019	As at 31/12/2018
	Unaudited RM'000	Audited RM'000
Total assets	306,486	243,476
Total equity	155,342	116,215
Debt	38,514	17,120
Deposits, cash & bank balance	82,424	67,110
Net cash	43,910	49,990
Debt-to-Equity	0.25	0.15

As at 31 December 2019, the Group's shareholder equity (excluding non-controlling interests) rose 34% to RM155.4 million from RM116.1 million. The increase was mainly attributable to the exercise of convertible warrants, exercise of employee's share scheme and continuous quarterly profit.

During the period under review, the Group's total debt grew to RM38.5 million against RM17.1 million same period last year, mainly attributed to the drawdown of term loan for the new liquid carbon dioxide plant operating under the industrial gas division. The majority of the Group's debt are used for project financing purposes and capital expenditure for new industrial gas business division.

Meanwhile, the total gross cash in hand grew to RM82.4 million as at 31 December 2019, exceeding the total debt of RM38.5 million, as a result the Group remained in a net cash position. Net cash per share stood at 14 sen.

2 Commentary Of Prospects

Kelington's FY2019 performance has been satisfactory, with double-digit growth in earnings, amidst the challenging operating landscape. The UHP and Process Engineering divisions were the key growth drivers to the Group, and we expect to sustain the momentum going forward.

In 4Q2019, we continue to receive strong replenishment of orders from the UHP and Process Engineering divisions originating from Singapore and China. We clinched an additional RM92 million worth of projects in 4Q2019 which then boosted our total new project orders to RM386 million in FY2019.

We started FY2020 on a positive note as we received approximately RM105 million worth of new orders in the first 2 months of the year, despite the soft operating environment today.

Inclusive of the carried forward projects from FY2018 and new orders in FY2019, Kelington's total orderbook grew to RM646 million, of which RM258 million remains outstanding as at 31 December 2019.

The Group is optimistic on our growth prospects as we continue to work hard to clinch for more projects across our key markets.

In addition to that, the Group has made positive developments in its foray into the Industrial Gas business. The construction of the new liquid carbon dioxide plant has been completed and registered maiden revenue contribution as it commenced operations since late October 2019. Kelington expects production to ramp up progressively as orders increase, and we anticipate better contribution from this new business from FY2020 onwards.

The Group's key operations outside Malaysia, which are Taiwan, China and Singapore are carried out in the respective local currencies of those countries. Hence, the Group enjoys a natural currency hedge, and this minimizes the Group's exposure to the fluctuations in the currency markets.

3 Profit Forecast and Profit Guarantee

The Company did not announce any profit forecast or profit estimate for the FYE 31 December 2019 in any public document and hence this information is not applicable.

KELINGTON GROUP BERHAD ("KGB")
(Company No. 501386-P)
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

4 Profit for the Period

	Quarter ended		Year-to-date ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Profit for the period is arrived at after crediting/ (charging):				
Bad debts written off	-	(1)	-	(1)
Contract assets written off	-	-	-	(794)
Interest income	461	384	882	675
Interest expense	(575)	(275)	(1,316)	(913)
Impairment loss on trade receivables:				
- specified	(1,512)	(80)	(1,774)	(80)
- in accordance to MFRS 9	(321)	(68)	(652)	(893)
Impairment loss on contract assets	(256)	(113)	(256)	(116)
Impairment loss on other receivables	(43)	-	(43)	-
Depreciation and amortisation	(1,263)	(608)	(3,002)	(2,082)
Equipment written off	-	(319)	(5)	(347)
Unrealised Foreign exchange (loss)/gain	(90)	1,088	(464)	(15)
Realised Foreign exchange (loss)/gain	(43)	(1,617)	(318)	(1,660)
Provision for foreseeable loss	-	(644)	-	(644)
Provision for warranty costs	(161)	(699)	(161)	(699)
Provision for unutilised leaves	(59)	(23)	(59)	(23)
Gain on disposal of equipment	-	(2)	1	21
Writeback on impairment loss on contract assets	4	487	2,080	487
Writeback on impairment loss on trade receivables	619	-	1,501	-
Reversal of provision of warranty costs	107	5	107	5
Reversal of provision of foreseeable losses	114	213	114	213
Reversal of provision of unutilised leave	28	3	28	3

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 31/12/19 RM'000	Cumulative Year to date ended 31/12/19 RM'000
Current tax: - for the financial period	2,621	7,818

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 subsidiary companies are separately assessed for tax and not relieved by losses in other companies within the Group as well as 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.

The status of utilisation of proceeds derived from the private placement as below:

Utilisation Purposes	Timeframe for Utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000	Deviation	
					RM'000	%
To part finance the acquiring of carbon dioxide gas purification plant	Within 24 months from the date of listing	2,854	(2,854)	-	-	-
To part finance the subsequent phase of the construction of carbon dioxide gas purification plant, gas manufacturing facilities and gas delivery systems	Within 24 months from the date of listing	3,805	(3,805)	-	-	-
To part finance the acquisition of assets for the operations of the industrial gas business division	Within 24 months from the date of listing	6,522	(6,165)	357	357	2.0%
General working capital	Within 24 months from the date of listing	4,279	(4,654)	(375)	(375)	-2.1%
Expenses relating to the Proposed Private Placement	Upon completion	380	(362)	18	18	0.1%
		17,840	(17,840)	-		

The surplus from the proceeds had been utilised for general working capital.

7 Derivative Financial Instruments

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

8 Group Borrowings

The borrowings as at 31 December 2019 versus 31 December 2018 are as follows:

	As At 31 December 2019					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
Secured						
Hire purchase	SGD42, RM 1,237	1,363	SGD225, RM3,777	4,462	SGD267, RM5,014 NTD 13,336, RM21,632	5,825
Term Loan	NTD9,500, RM240	1,540	NTD 3,836, RM21,392	21,917		23,457
Import Loan/Invoice financing	RMB 15,054, RM 382	9,232		-	RMB 15,054	9,232
Unsecured						
Nil	-	-	-	-	-	-
		12,135		26,379		38,514
Weighted average interest rate of borrowings						5.35%
Proportion of borrowings between fixed interest rate and floating interest rate						24%:76%

The increase in borrowing during the year ended 31 December 2019 is mainly due to the drawdown of borrowings for the capital expenditure on industrial gas business division.

	As At 31 December 2018					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
Secured						
Hire purchase	SGD 42, RM189	317	SGD 267, RM 449	1,259	SGD 309, RM 638	1,576
Term Loan	NTD 15,584, RM69	2,182	NTD 1,819	247	NTD 17,403, RM 69	2,429
Revolving loan	SGD 1,000	3,035		-	SGD 1,000	3,035
Import Loan/Invoice financing	RMB 16,763	10,080		-	RMB 16,763	10,080
Unsecured						
Nil	-	-	-	-	-	-
		15,614		1,506		17,120
Weighted average interest rate of borrowings						4.89%
Proportion of borrowings between fixed interest rate and floating interest rate						19%:81%

The decrease in borrowing during the year ended 31 December 2018 is mainly due to repayment of revolving credit and completion of few major projects in 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.

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

(2) Updates of legal proceeding between Kelington Technologies Sdn Bhd ("KTSB"), a wholly owned subsidiary of Kelington, against Australian Marine Technology (License No.:631371, DCCI No.:184436) and Eric Robert Bowra (Passport No.:E4011930), one of the guarantors for the works performed for Australian Marine Technology (Collectively referred as the "Defendants")

On 5 October 2016, KTSB filed a Writ and Statement of Claim at the High Court of Kuala Lumpur against Australian Marine Technology ["AMT"], a company incorporated in Dubai, United Arab Emirates; and Eric Robert Bowra one of the guarantors in the project undertaken by KTSB for AMT, to claim for the sum of USD702,206.13 or equivalent to RM 2,893,089.26 (based on exchange rate of RM4.12 to USD1) together with interest and foreign exchange loss thereon ["Claimed Sum"].

KTSB was appointed by AMT to perform projects works in Dubai, United Arab Emirates and an invoice was issued to AMT on 19 August 2015 for the works done. KTSB had issued a letter of demand dated 23 May 2016 to AMT and two (2) guarantors in the project, namely, Mr Koh Chen Tien (NRIC No.:551002-04-5095) and Eric Robert Bowra (Passport No.:E4011930) to demand for the payment from AMT but to no avail from the defendants.

9 Material Litigation (cont'd)

(2) Updates of legal proceeding between Kelington Technologies Sdn Bhd ("KTSB"), a wholly owned subsidiary of Kelington, against Australian Marine Technology (License No.:631371, DCCI No.:184436) and Eric Robert Bowra (Passport No.:E4011930), one of the guarantors for the works performed for Australian Marine Technology (Collectively referred as the "Defendants") (Cont'd)

The Company has engaged a lawyer to file a Writ and Statement of Claim against the defendants by virtue of the defendants' obligation as principal debtor / guarantor in the said project for the Claimed Sum. In addition, the Company will pursue the matter separately with Mr Koh Chen Tien via a Settlement Agreement entered between KTSB and Mr Koh Chen Tien on 25 July 2016.

On 5 December 2016, the Court has fixed the action for further case management on 27 February 2017 for completing the service of the court papers on the Defendants. Further, the Court has set down the action for trial on 29 May 2017.

On 27 February 2017, the Court has fixed the action for further case management on 21 March 2017 to update the Court on service of the Writ and Statement of Claim on the Defendants.

On 21 March 2017, the Court allowed the Company's application to extend the validity of the Writ until 4 October 2017 pending service of the same by Ministry of Foreign Affairs of Malaysia. The trial date originally fixed on 29 May 2017 was vacated and re-fixed on 8 November 2017. The Court has fixed the action for the next case management on 29 May 2017.

On 29 May 2017, the Court has fixed the action for the final case management on 6 July 2017 to update the Court on the service of the Writ and Statement of Claim on the Defendants.

On 6 July 2017, the Court has fixed the action for the final case management on 17 July 2017 to effect service of the Writ and Statement of Claim on the Defendants.

On 17 July 2017, the Court refused to grant further extension of time for Ministry of Foreign Affairs of Malaysia to attempt service of the cause papers on the Defendants and struck off the Writ with liberty to file afresh.

The timeframe to attempt service of the cause papers by the Consulate General of Malaysia is out of the Company's control and the Company will make further announcement if the next cause of action is decided, including the possibility of file afresh.

10 Dividends Payable

There were no dividends proposed during the current quarter ended 31 December 2019.

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	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Profit After Taxation attributable to owners of the company (RM'000)	7,782	5,394	23,987	18,649
Weighted average number of ordinary shares in issue ('000)	310,339	262,135	299,042	246,771
Basic Earnings Per Share (Sen)	2.51	2.06	8.02	7.60
Diluted Earnings Per Share (Sen) #	2.42	1.83	7.73	6.70

Note :

- Assuming the full exercise of 11,252,742 shares of Employee Shares Scheme.

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
31/12/2019			
Not past due	60,375	(186)	60,189
Past due:			
- less than 3 months	20,699	(544)	20,155
- 3 to 6 months	4,747	(312)	4,435
- over 6 months	7,692	(1,757)	5,935
- over 1 year	3,890	(3,692)	198
	97,403	(6,491)	90,912

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
31/12/2018			
Not past due	66,384	(135)	66,249
Past due:			
- less than 3 months	7,825	(181)	7,644
- 3 to 6 months	1,088	(82)	1,006
- over 6 months	567	(27)	540
- over 1 year	12,903	(6,932)	5,971
	88,767	(7,357)	81,410

13 DISCLOSURE OF REALISED AND UNREALISED PROFITS/ (LOSSES)

	Cumulative Year to date ended 31/12/19 RM'000	Cumulative Year to date ended 31/12/18 RM'000
Total retained profits of KGB:		
- Realised	70,141	51,161
- Unrealised	(556)	(107)
Total group retained profits as per consolidated accounts	69,585	51,054