Appendix A

KELINGTON GROUP BERHAD
Registration No. 199901026486 (501386-P)
(Incorporated in Malaysia)

Resume of discussion at the Twenty First Annual General Meeting held on 15 June 2021

Mr Muhammad Farhan Bin Muhammad Idris raised the following questions:-

Q1) The prospects of the Company in the next 3 to 5 years.

Q2) The targeted date to receive the Halal Certificate for the Company to supply industrial gas to the food and beverage ("F&B") industry.

Q3) Whether the Company would invest in Air Separation Unit ("**ASU**") in order to produce gas other than liquid carbon dioxide ("**LCO2**").

Q4) The Company's plan to improve profit margin.

Q5) The Company's plan to improve cash flow.

Mr Ong Weng Leong ("**Mr Ong**"), the Chief Operating Officer of the Company replied that:-

A1) The Company's business has been growing over the past 20 years and the the growth momentum shall continue in the next 3 to 5 years with the exception of year 2020 due to the unprecedented COVID 19 pandemics.

A2) JAKIM has already conducted the onsite audit. The Company was awaiting the issuance of the Halal Certificate by JAKIM.

A3) The Company would continue exploring opportunities in other gases and consider investing in ASU plant

A4) The Company would endeavour to control cost and increase operational efficiency. In addition, with the contribution from industrial gas business, the profit margin of the Company was expected to be improved.

A5) In order to improve the free cash flow, the Company has put in place the strategy for better cash management including account receivables and payables. In addition, the Company would monitor the working capital requirement and make the necessary arrangement (bank loan or equity financing)

Ms Foong Kao Ling, raised the following questions:-

Q6) How do the Company maintain or improve profit margin?

Q7) What are those things that the Company are doing that the competitors are not doing?

Q8) Which competitor the Company want to eliminate the most? Please provide the reason.

Q9) What percentage of manpower required for operation? What percentage of jobs have been automated?

Q10) What is the biggest mistake made last year and how did Management handle it?

Q11) What products/services do you have in the pipeline?

Mr Ong replied that:-

A6) The Company would keep control over the elements of cost and increase operational efficiency as well as embark into industrial gas business which could generate better profit margin as compared to engineering business.

A7) There is a team of good and experience engineers in the Company where the clients could tap on their expertise and this provides the Company competitive edge over the competitors. The industrial gas business is led by experienced personnel from the industry.

A8) The Company could not eliminate any competitor in the market but would make sure that the Company is doing better than the competitors.

A9) The total workforce made up of around 400 across regional offices in Malaysia, Singapore, China and Taiwan, mostly involved in the engineering business as it was rather difficult to automate the construction works. For the industrial gas business, the process has been fully automated and thus it only required minimum manpower to run the operation.

A10) The Company do make mistake but would learn from it and never makes that mistake again.

A11) As the global semiconductor players have been ramping up its capacities and capabilities to race against the rising demand in the chips due to the global chip shortage, this augurs well for the Company as every expansion in a wafer fabrication facility requires UHP solutions, be it a new facility or an upgrade in equipment for existing fabrication facility. On the industrial gas, the business has been growing well and the Company hoped that the momentum could be continued.

Mr Siah Kim Meng raised the following questions:-

Q12) What is the Company's internal revenue target for the financial year 2021?

Q13) What led to the sudden reduction in cash balance in the 2Q 2021 as compared to the 4Q 2020?

Q14) What is the status of application of certification to supply of LCO2 to F&B industry?

Q15) Is KGB facing any operational disturbance in Malaysia and Taiwan?

Q16) Do KGB get any new contracts in the Q2 2021?

Q17) What is the Company's short term and long term plans?

Mr Ong replied that:-

A12) It is not the Company's practice to provide earnings and revenue guidance for future performance.

A13) The reduction in the cash balance was mainly due to the timing issue of collection of debts and payments to the suppliers. The Company had achieved a higher collection in the 4Q2020 and paid the suppliers in the 1Q2021. It was noted that there were subsequent collections in April 2021 and May 2021.

A14) This was addressed in Q2 above.

A15) The operation in Malaysia was impacted by the lockdown as the works at the project sites was put hold to meet the government requirement. While for operation in Taiwan, it was partly impacted due to the tight Standard Operating Procedures even though Taiwan did not implement a full lockdown.

A16) The Company could not disclose the new contracts at the moment and would make the necessary announcement in due course.

A17) The long-term and short-term plans of the Company were to diversify and expand the industrial gas business in order to enhance the Group's financial contribution and to grow the UHP business riding on the global chip shortage.

Mr Tan Chin Ghee raised the following questions:-

Q18) What is the LCO2 plant utilisation rate?

Q19) What is the profit margin for the LCO2 gas business?

Q20) What is the projected profit amount for LCO2 gas business in 2021?

Mr Ong replied that:-

A18) The current utilisation rate of LCO2 plant was at the range of 40% to 60%.

A19) The profit margin of LCO2 gas business could not be disclosed due to the commercial reason. However, the profit margin was better than the engineering services.

A20) The Company could not disclose the projected profit for industrial gas business for year 2021. The revenue generated from the industrial gas business for year 2020 was RM22 million and that the Company expected the revenue to continue to grow in year 2021.

Mr Lau Chuan Hooi raised the following questions:-

Q21) The Company's prospect in the next few years and the expansion plan

Q22) The cost of this virtual meeting as compared to the physical meeting

Q23) Whether Management consider giving e-voucher for those attended the AGM?

Mr Ong replied that:-

A21) This was addressed in Q1 and Q17.

A22) The cost of conducting virtual meeting was about 3 to 4 times higher than that of physical meeting.

A23) No e-voucher would be given to the Shareholders.

Mr Yap Shong Whay raised the following questions:-

Q24) Whether KGB manufacture/fabricate equipment for UHP industrial. If yes, whether this is only in China.

Q25) The capital expenditure ("CAPEX") incurred in China Shanghai.

Q26) KGB's competitive advantage and how to keep on getting new revenue from this segment.

Mr Ong replied that:-

A24) The Company had set up a fabrication facility in Suzhou-Chuzhou Modern Industrial Park, China which was operated under the Company's indirect subsidiary namely, KE System Integration (CuZhou) Co., Ltd for manufacturing and fabricating the UHP equipment in China.

A25) The Company had incurred a total capital expenditure of RM6 million to set up the facility of KE System Integration (CuZhou) Co., Ltd. and would continue to expand the capabilities.

A26) The technical know-how and project management skill have been giving the Company competitive advantage over its rivals. Due to the global chip shortage, the Company would actively engage in tendering the UHP projects from the semiconductor industry in the next 2 to 3 years.

Ms Lee Ya Yun, a shareholder raised the following question:-

Q27) Would KGB benefit from the ventures of AT & S Austria Technologie & Systemtechnik Aktiengesellschaft (“AT&S”) to Malaysia? The Austria Company had recently announced that it would invest RM8.5 billion to set up plant in Malaysia.

Mr Ong replied that:-

A27) The AT&S venture to Malaysia would benefit the Company and that the Company would monitor closely the venture.

Mr Ong Wei Chang, raised the following question:-

Q28) Whether Management has plan to increase the dividend payout

Mr Ong replied that:-

A28) There is a dividend policy of distributing 25% of the profit after tax (“PAT”) to the Shareholders. The Company has no intention to increase the dividend policy as the Company would need to conserve sufficient funds for business expansion.

Mr Lew Tuck Wai, a shareholder, raised the following questions:

Q29) The independent Auditors reported under the Key Audit Matters on the balance of trade receivables amounted to approximately RM74.2 million of which approximately RM15.6 million exceeded the credit terms.

What type of receivables had exceeded the credit terms?

Q30) Are there collection since the issuance of Auditors’ Report?

Q31) How much trade receivables have been provided as bad debts in the financial year 2020?

Q32) On 8 June 2021, the Company announced in respect of the material litigation involving JCT Industries Group Sdn Bhd (“**JCT**”) that the Adjudicator has determined that JCT as the Respondent shall pay KTSB a sum of RM1.292 million and interest payment.

Please provide more details on this award. Are there amount written back into the FY 2021 accounts? It yes, please provide the details.

Q33) What is the outcome of the long litigation matter between Kelington Engineering (S) Pte Ltd, a wholly-owned subsidiary of the Company and Mutiara (FE) Ptd Ltd as disclosed on pages 204 – 208 of the Annual Report? Has the Company provided for any contingent liabilities arising from this litigation?

Q34) One of the risk factors to KGB is listed as lack of long-term contractual agreements (Page 15 of Annual Report). What are the strategies taken going forward to increase recurrent income of the Group?

Mr Ong and Mr Jong Yu Huat ("**Mr Jong**"), the Chief Financial Officer of the Company replied that:-

A29) The receivables which exceeded the credit terms were those normal progress payment term. The higher amounts of receivables as at 31 December 2020 was mainly due to timing of collection of the receivables.

A30) The Company had collected more than RM10 million by March 2021 from the receivables.

A31) The Company had provided net impairment losses of RM4.98 million as disclosed in the Statement of Profit and Loss of the Audited Financial Statements for the financial year ended 31 December 2020. Out of which, RM4.7 million was in relation to the impairment loss on the Trade Receivables by JCT, which was currently under the litigation process.

A32) The award of interest payment from JCT would not have any impact on the Company for the financial year ending 31 December 2021 as the relevant provision for impairment on trade receivables for JCT had been made in the financial years ended 31 December 2019 and 31 December 2020.

A33) The arbitration proceeding between Kelington Engineering (S) Pte. Ltd. ("KESG") and Mutiara (FE) Ptd Ltd was ongoing and the Company was targeted to receive the outcome by December 2021. The Company had made the relevant provision for impairment loss.

A34) The Company would be diversifying the business into industrial gas as it would generate long term recurring income to the Group.

Mr Lim San Kim raised the following questions:-

Q35) What is the meeting cost and whether this is cheaper than engaging registrars like Boardroom, or Tricor, etc.

Q36) Whether the Company could give e-wallet to senior citizen.

Q37) How much is the Directors' Fee for the year 2020?

Mr Ong replied that:-

A35) The cost of conducting virtual meeting was about 3 to 4 times higher than that of physical meeting. However, the exact amount could be disclosed due to the price sensitivity.

A36) No e-voucher would be given to the Shareholders.

A37) The details of the Directors' Remuneration for year 2020 was disclosed in the Annual Report 2020.

Mr Toh Zhe Han, a shareholder enquired on the following:-

Q38) Whether the Company could get more high purity gaseous projects in future.

Q39) How do the Company control the cost and further improve profit after tax?

Q40) What is the current demand for LCO2?

Q41) Whether the Company has confidence to beat FY2019 new high record of PAT?

Mr Ong replied that:-

A38) As explained earlier, the Company was expected to secure more UHP projects in the next 2 to 3 years.

A39) This was addressed in A4 above.

A40) This was addressed in A18 above.

A41) The Company would endeavour to work towards better profit after tax than year 2019, subject to the lockdown situation in Malaysia.

Mr Tan Ze Chien raised the following question:-

Q42) How do KGB benefit from the current semiconductor booming situation.

Mr Ong replied that:-

A42) There are opportunities lie ahead amid the global chip shortage where the Company would capitalise on the semiconductor boom and to clinch more UHP projects as semiconductor firm were ramping up its capacities and capabilities to race against the rising demand in the chips.

The Company has been actively engaging in tendering UHP projects in China, Taiwan and Singapore and would make the necessary announcements should there be any projects secured by the Company.

Mr Tan Khay Yong, raised the following question:-

Q43) The current outstanding order book of the Company.

Mr Ong replied that:

A43) The outstanding order book of the Company amounted to RM360 million as of March 2021.

Mr Pek Fong Cheng raised the following questions:-

Q44) As a CEO, which areas or aspects of the Company keep you awake at night?

Q45) To provide some insight into the level of competition within and outside of Malaysia in your revenue generating localities.

The Chairman and Mr Ong replied that:-

A44) Safety would be the main area of concern due to the business nature of the Company dealing with the gas and chemical. The relevant safety measures have been put in place, however, workplace accidents could happen due to the negligence of workers. Thus far, there was no serious incident reported and that Management hoped that the workers would stay vigilant at all times.

A45) The level of competition in Malaysia and Singapore was lower as compared to that in China and Taiwan, mainly due to less UHP business in Malaysia and Singapore. On the market size, China and Taiwan was much bigger than Malaysia and Singapore.

Mr Chen Jenn Cieng, raised the following question:-

Q46) KGB had recorded an all time high RM490 million new orders in FY 2020. What is the expected new order to be clinched in FY2021?

Mr Ong replied that:

A46) The Company would endeavour to achieve better financial performance. However, the Company was unable to disclose any information at this juncture.

Mr Song Wai Khong raised the following questions :-

Q47) The prospect of the Company in the next 3 years.

Q48) Whether the Company would consider merger and acquisition (“M&A”) in the future.

Mr Ong replied that:

A47) The Company was expected to continue to grow in the next 3 years in light of the semiconductor boom and venture into industrial gas business.

A48) There is no plan for M&A. However, the Company would explore the matter if there is suitable target or opportunity.

Mr Chua Mun Jun raised the following question:-

Q49) Whether the Company would venture into medical oxygen business

Mr Ong replied that:

A49) The Company does not have ASU plant to produce medical oxygen. However, this would be an opportunity to the Company once it has invested into ASU.

Ms Wong Yeou Yi raised the following question:-

Q50) Whether this year total order book would exceed the previous year. What is the target order book for this year?

Mr Ong replied that:

A50) The Company would endeavour to achieve a better profit after tax, subject to the lockdown situation in Malaysia.

Mr Pua Kok Cheong raised the following questions:-

Q51) How do KGB carry out engineering works locally and overseas ?

Q52) Whether the works at overseas are done in-house or subcontract to third parties

Q53) How do KGB ensure quality of works?

Mr Ong replied that:-

A51) The Group has in place its own modus operandi across the countries whereby the engineering works in each country would be carried out by in-house Project Manager, Quality Assurance and Quality Control team.

A52) The Company would outsource the fabrication works to a third party which required a lower level of skill.

A53) The in-house Quality Assurance and Quality Control team would control the quality of works done.