



Kelington Group Berhad (501386-P)

Press Release

KELINGTON'S 9M2018 NET PROFIT RISES 73% Y-O-Y, SURPASSES FY2017 NET PROFIT

Increase in Ultra High Purity projects from China drove earnings growth.

Declared an interim dividend of 1 sen per ordinary share for FY2018.

Kuala Lumpur, 22 Nov 2018 – Integrated engineering solutions provider, Kelington Group Berhad (“Kelington” or “Group”) has reported a strong set of financial results for the third quarter (“3Q2018”) and nine months ended 30 September 2018 (“9M2018”). The Group has also declared an interim tax-exempt dividend of 1 sen per ordinary share for the financial year ending 31 December 2018, payable on 8 January 2019.

Kelington registered a net profit of RM13.3 million in 9M2018, rising 73% from RM7.7 million in 9M2017, and surpassing its record-breaking FY2017 net profit of RM11.8 million. Meanwhile, revenue grew to RM239.4 million in 9M2018 from RM213.4 million a year ago.

The strong growth was mainly attributable to the favourable project mix in 9M2018 as the Group undertook more Ultra High Purity (“UHP”) projects in China, which typically carry higher profit margins.

Revenue from the UHP division more than doubled to RM176.3 million in 9M2018 as compared to RM86.0 million in 9M2017. The Process Engineering division contributed RM40.0 million in 9M2018 as compared to RM45.8 million a year ago. Meanwhile, the Industrial Gases division grew almost five-fold to RM2.2 million as compared to RM0.4 million in 9M2017, following the commencement of Kelington’s first industrial gas supply contract involving the on-site supply of nitrogen gas to a photovoltaic cell manufacturer in Malaysia for a period of ten years.

The UHP division remains the largest revenue contributor in 9M2018 at 74% followed by Process Engineering (16%), General Contracting (9%) and Industrial Gases (1%). As a result, gross profit

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margin increased to 16% from 13% a year ago, as UHP projects typically carry higher profit margins.

In terms of geographical breakdown, revenue from China recorded the strongest growth, increasing almost three-fold to RM98.9 million from RM38.4 million in 9M2017. Revenue from Singapore rose 37% to RM65.5 million from RM47.7 million earlier.

During the nine-month period, China contributed the largest bulk, representing 41% of the Group's total revenue, followed by Singapore (27%), Malaysia (26%) and Taiwan (4%).

Commenting on the Group's financial performance, **Ir. Raymond Gan, Chief Executive Officer of Kelington Group Berhad** said, "We are on track for another record breaking year in 2018 as our 9M2018 net profit has already exceeded our FY2017 net profit."

"This positive financial performance is accompanied by strong orderbook replenishment across our Singapore, China and Malaysia operations. We grew our total orderbook to RM563 million, of which RM372 million worth of new orders were secured year-to-date and the remaining was carried forward projects from the previous year. Excluding the revenue recognized in 3Q2018, our outstanding orderbook now stands at RM323 million".

"Overall, we remain upbeat with the Group's growth prospects and outlook as we open a new chapter for our Industrial Gas division with the new liquid carbon dioxide manufacturing plant, which is expected to commence production in 3Q2019. At the same time, our UHP business has been gaining traction in China and we aim to further accelerate our market expansion there", he added further.

For 3Q2018, the Group's revenue stood at RM63.7 million against RM87.2 million in 3Q2017. The softer performance was mainly due to the absence of revenue recognition from a few projects in Malaysia which have been completed. Despite the lower revenue, the Group achieved a 43% rise in net profit to RM4.7 million from RM3.3 million a year ago, on the back of better project mix.

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As at 30 September 2018, the Group's financial position continued to strengthen as total borrowings pared down by 49% to RM15.4 million from RM30.3 million as at 31 December 2017. Subsequently, net cash improved to RM53.6 million as compared to RM31.9 million as at 31 December 2017. Net cash per share stood at 21 sen.

Shareholders' equity (excluding non-controlling interests) increased by 37% to RM107.5 million as at 30 September 2018 from RM78.2 million as at 31 December 2017, attributable to the proceeds injection from the private placement completed in early August 2018, exercise of convertible warrants, continuous quarterly profit, as well as from the employees shares option exercise.

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ABOUT KELINGTON GROUP BERHAD (“Kelington” or the “Group”)

Kelington is an integrated engineering solutions provider specializing in ultra-high purity (UHP) gas and chemical delivery systems, mechanical process engineering, mechanical systems and electrical systems. The Group provides end-to-end engineering solutions ranging from system design to fabrication and installation of equipment to testing and maintenance.

Established since 2000, the Group serves customers in the high technology industry across different sectors such as Industrial Gases, Wafer Fabrication, Solar Energy, TFT-LCT, Bioscience and Light Emitting Diode (LED). In line with its expansion plans, Kelington has also expanded its industry focus to include the pharmaceutical, healthcare and oil and gas sectors.

For more information, please log on to <http://kelington-group.com>

Released on behalf of Kelington Group Berhad by Capital Front Investor Relations.

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