

KELINGTON GROUP BERHAD ("KGB")
[Company No. 199901026486 (501386-P)]
Statement of Profit or Loss and Other Comprehensive Income
For The 4th Quarter Ended 31 December 2020

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the period ended 31 December 2020 are as follow:-

	Unaudited	Unaudited		Unaudited	Audited	
Note	Current Qtr Ended 31.12.2020 RM'000	Previous Qtr Ended 31.12.2019 RM'000	+ - %	12-months Period up to 31.12.2020 RM'000	12-months Period up to 31.12.2019 RM'000	+ - %
Revenue	129,492	111,249	+ 16	389,814	379,768	+ 3
Cost of sales	(109,395)	(88,581)		(335,637)	(316,163)	
Gross profit	<u>20,097</u>	<u>22,668</u>	- 11	<u>54,177</u>	<u>63,605</u>	- 15
Other income	1,956	649		7,704	5,257	
Administrative expenses	(10,805)	(12,310)		(30,275)	(31,450)	
Selling and distribution expenses	(468)	(265)		(1,304)	(1,322)	
Other expenses	(3,324)	(18)		(7,629)	(3,199)	
Results from operating activities	<u>7,456</u>	<u>10,724</u>	- 30	<u>22,673</u>	<u>32,891</u>	- 31
Finance costs	(658)	(349)		(2,612)	(1,312)	
Profit before taxation for the financial period	<u>6,798</u>	<u>10,375</u>	- 34	<u>20,061</u>	<u>31,579</u>	- 36
Taxation	781	(2,462)		(2,843)	(7,659)	
Profit after taxation for the financial period	<u>7,579</u>	<u>7,913</u>	- 4	<u>17,218</u>	<u>23,920</u>	- 28
Other comprehensive income, net of tax						
Foreign currency translation	340	(212)		(136)	(558)	
	<u>340</u>	<u>(212)</u>		<u>(136)</u>	<u>(558)</u>	
Total comprehensive income for the period	<u>7,919</u>	<u>7,701</u>		<u>17,082</u>	<u>23,362</u>	
Profit attributable to:						
Shareholders of the Company	7,527	8,213	- 8	17,110	24,418	- 30
Non-controlling interests	52	(300)		108	(498)	
Profit after taxation for the financial period	<u>7,579</u>	<u>7,913</u>	- 4	<u>17,218</u>	<u>23,920</u>	- 28
Total comprehensive income attributable to:						
Shareholders of the Company	7,863	8,002		16,970	23,862	
Non-controlling interests	56	(301)		112	(500)	
Total comprehensive income for the period	<u>7,919</u>	<u>7,701</u>		<u>17,082</u>	<u>23,362</u>	
Basic earnings per ordinary share (sen):						
Basic earnings per share (sen)	2.39	2.65		5.42	8.20	
Diluted earnings per share (sen)	NA	2.55		NA	7.90	

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 31 December 2020

	Unaudited As At 31.12.2020 RM'000	Audited As At 31.12.2019 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	59,680	52,959
Goodwill on consolidation	6,356	6,360
Right of use	4,366	4,299
	<u>70,402</u>	<u>63,618</u>
Current assets		
Inventories	2,719	552
Contract assets	59,534	49,496
Trade receivables	75,185	90,915
Other receivables, prepayments and deposits	10,525	13,103
Current tax assets	384	303
Fixed deposits with licensed banks	28,234	28,088
Cash and bank balances	103,744	56,980
	<u>280,325</u>	<u>239,437</u>
TOTAL ASSETS	<u>350,727</u>	<u>303,055</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	73,292	71,276
Retained earnings	81,861	69,571
Other reserve	13,211	14,948
Treasury share	(534)	(534)
Total Equity attributable to Shareholders of the Company	<u>167,830</u>	<u>155,261</u>
Non-controlling interests	327	273
Total Equity	<u>168,157</u>	<u>155,534</u>
Non-current liabilities		
Deferred tax liabilities	92	92
Lease liability	2,273	2,545
Long-term borrowings	30,038	23,327
	<u>32,403</u>	<u>25,964</u>
Current liabilities		
Contract liabilities	33,128	31,128
Trade payables	67,905	40,349
Other payables and accruals	20,093	32,268
Lease liability	783	738
Current tax liabilities	2,818	4,993
Short term borrowings	25,252	12,081
Bank overdraft	188	-
	<u>150,167</u>	<u>121,557</u>
Total liabilities	<u>182,570</u>	<u>147,521</u>
TOTAL EQUITY AND LIABILITIES	<u>350,727</u>	<u>303,055</u>
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.5212	0.4994

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 4th Quarter Ended 31 December 2020

	----- Attributable to Equity Holders of the Company -----					Distributable	Total	Non-Controlling Interest	Total Equity
	Share Capital RM'000	Capital Reserve RM'000	Employee Share Scheme Reserve RM'000	Exchange Fluctuation Reserve RM'000	Treasury Share RM'000				
As at 1 January 2020	71,276	9,311	1,597	4,040	(534)	69,571	155,261	273	155,534
Profit after taxation for the financial period	-	-	-	-	-	17,110	17,110	108	17,218
Other comprehensive expense, net of tax:									
- Foreign currency translation	-	-	-	(140)	-	-	(140)	4	(136)
Total comprehensive (expense)/ income for the financial period	-	-	-	(140)	-	17,110	16,970	112	17,082
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	-	-	-	-	-	(4,820)	(4,820)	-	(4,820)
- Liquidation of a subsidiary	-	-	-	-	-	-	-	(58)	(58)
Total recognised income and expense for the period	2,016	-	(1,597)	-	-	(4,820)	(4,401)	(58)	(4,459)
As at 31 December 2020	73,292	9,311	-	3,900	(534)	81,861	167,830	327	168,157
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 year	-	-	-	-	-	24,418	24,418	(498)	23,920
Other comprehensive income, net of tax:									
- Foreign currency translation differences	-	-	-	(556)	-	-	(556)	(2)	(558)
Total comprehensive income/ (expenses) for the financial year	-	-	-	(556)	-	24,418	23,862	(500)	23,362
Contributions by and distribution to owners of the company:									
- Share-based payment	-	-	840	-	-	-	840	-	840
- Employees' share scheme exercised	628	-	(628)	-	-	-	-	-	-
- Warrants exercised	20,226	-	-	-	-	-	20,226	-	20,226
- Issuance of shares to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	347	347
- Dividends paid for the period	-	-	-	-	-	(5,456)	(5,456)	-	(5,456)
- Transfer of non-distributable reserve funds by a subsidiary	-	94	-	-	-	(94)	-	-	-
- Changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	-	-	-	(351)	(351)	351	-
Total transactions with owners	20,854	94	212	-	-	(5,901)	15,259	698	15,957
As at 31 December 2019	71,276	9,311	1,597	4,040	(534)	69,571	155,261	273	155,534

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 Year Ended 31 December 2020

	Unaudited 12-Months Ended 31.12.2020 RM'000	Audited 12-Months Ended 31.12.2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	20,061	31,579
Adjustments for:-		
Bad debts written off	-	80
Depreciation of property, plant and equipment	4,718	2,637
Depreciation of right-of-use assets	437	426
Deposit written off	-	312
Equipment written off	297	5
Impairment losses on financial assets and contract assets	4,700	2,889
Interest expense	2,455	1,312
Interest income	(707)	(969)
Loss/ (Gain) on disposal of equipment	23	(1)
Provision for warranty costs	236	173
Provision for unutilised leaves	-	59
Share-based payments	419	840
Reversal of impairment losses on financial assets	(279)	(1,843)
Reversal of provision of warranty costs	(323)	-
Reversal of provision of foreseeable losses	-	(749)
Reversal of provision of unutilised leave	(29)	(28)
Unrealised (gain)/loss on foreign exchange	(826)	85
Operating profit before working capital changes	31,182	36,807
Increase in inventory	(2,167)	(382)
Increase/(Decrease) in contract assets /(contract liabilities)	(7,760)	5,587
Decrease/(Decrease) in trade and other receivables	12,440	(7,375)
Increase/(Decrease) in trade and other payables	15,910	(6,300)
CASH FROM OPERATIONS	49,605	28,337
Income tax paid	(5,722)	(8,242)
Interest paid	(2,455)	(1,355)
Interest received	707	969
Income tax refunded	-	318
NET CASH FROM OPERATING ACTIVITIES	42,135	20,027
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(7,734)	(33,506)
Proceeds from disposal of equipment	89	80
Placement of fixed deposit pledged with licensed bank	(241)	(1,859)
Placement of fixed deposits with maturity of more than 3 months	-	(304)
Proceeds from issuance of shares to non-controlling interest	-	347
NET CASH FOR INVESTING ACTIVITIES	(7,886)	(35,242)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(4,820)	(8,111)
Repayment of revolving credit	-	(3,038)
Drawdown of bankers' acceptance	2,140	-
Net repayment of lease liability	(727)	(498)
Drawdown of term loan	7,122	23,114
Repayment of invoice financing	9,070	27
Proceeds from exercise of warrants	-	20,226
NET CASH FROM FINANCING ACTIVITIES	12,785	31,720
NET INCREASE IN CASH AND CASH EQUIVALENTS	47,034	16,505
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(553)	(710)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	67,997	52,202
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	114,478	67,997

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

Cash and bank balances	103,744	56,980
Fixed deposits	28,234	28,088
	131,978	85,068
Less: Bank overdraft	(188)	-
Less: fixed deposits and bank balance pledged to licensed banks	(17,312)	(16,767)
Less: fixed deposit with original maturity with more than 3 months	-	(304)
	114,478	67,997

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
31.12.2020				
Revenue				
External revenue	848	23,888	365,078	389,814
Inter-segment revenue	38	16,372	4,541	20,951
	<u>886</u>	<u>40,260</u>	<u>369,619</u>	<u>410,765</u>
Consolidated Adjustments				(20,951)
				<u>389,814</u>

	Service Segment	Manufacturing and Trading Segment	Construction Segment	The Group
	RM'000	RM'000	RM'000	RM'000
31.12.2019				
Revenue				
External revenue	534	8,476	370,758	379,768
Inter-segment revenue	-	545	9,186	9,731
	<u>534</u>	<u>9,021</u>	<u>379,944</u>	<u>389,499</u>
Consolidated Adjustments				(9,731)
				<u>379,768</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	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Malaysia	118,167	89,295	57,281	50,115
China	124,706	100,807	3,830	3,989
Taiwan	14,816	8,546	133	210
Singapore	127,413	176,199	9,158	9,304
Indonesia	729	1,425	-	-
Philippines	382	8	-	-
Vietnam	3,601	3,488	-	-
	<u>389,814</u>	<u>379,768</u>	<u>70,402</u>	<u>63,618</u>

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 31 December 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 2 November 2020, KGB paid the 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.

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 2020, 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

There were no change in the composition of the Group during the current quarter under review.

11. Discontinued Operation

There were no discontinued operations within the activities of the Group for the quarter under review.

12. Capital Commitments

Saved as disclosed in the following, there were no capital commitments for the purchase of any property, plant and equipment or any other expenses that were not accounted for in the financial statements of the current quarter under review.

	As at 31.12.2020 RM'000
Purchase of motor vehicle	<u>513</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 2020:

	As at 31.12.2020 Unaudited RM'000	As at 31.12.2019 Audited RM'000
Contingent liabilities		
Bank guarantee and insurance bond given to third party as performance bond or warranty bond	<u>35,402</u>	<u>36,370</u>

14. Material Subsequent Events

Saved as disclosed as below, there has been no material subsequent events after the quarter ended 31 December 2020.

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

1 Review Of Performance

	Current Year Quarter 31.12.2020 RM'000	Preceding Year Corresponding Quarter 31.12.2019 RM'000	Changes		Current Year-to-date 31.12.2020 RM'000	Preceding Year Corresponding Period 31.12.2019 RM'000	Changes	
			Amount RM'000	%			Amount RM'000	%
Revenue	129,492	111,249	18,243	16%	389,814	379,768	10,046	3%
Operating profit	7,456	10,724	(3,268)	-30%	22,673	32,891	(10,218)	-31%
Profit before tax	6,798	10,375	(3,577)	-34%	20,061	31,579	(11,518)	-36%
Profit after tax	7,579	7,913	(334)	-4%	17,218	23,920	(6,702)	-28%
Profit attributable to shareholders of the company	7,527	8,213	(686)	-8%	17,110	24,418	(7,308)	-30%

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Revenue 4Q2020 31.12.2020 RM'000	% of total		Revenue 4Q2019 31.12.2019 RM'000	% of total
Ultra High Purity	81,819	63%		89,979	81%
Process Engineering	18,454	14%		14,697	13%
General Contracting	22,343	17%		2,408	2%
Industrial Gases	6,876	6%		4,165	4%
Total	129,492			111,249	

Revenue in 4Q2020 grew to RM129.49 million from RM111.25 million in the same quarter last year ("4Q2019"). During the quarter, strong growth was recorded across Malaysia, China and Taiwan operations.

Revenue from Malaysia grew 110% year-on-year (YoY) to RM48.0 million from RM22.9 million, surpassing China as the largest revenue contributor, representing 37% of total revenue. The better performance was driven by higher revenue recognition from projects secured in 2020.

The China operations too recorded a robust growth and revenue rose 85% YoY to RM44.7 million, or 35% of total revenue, in 4Q2020 from RM24.1 million in 4Q2019 drive by higher contribution from UHP projects. During the quarter, Taiwan recorded higher contribution from UHP and solar projects, which resulted an increase of 114% YoY in revenue to RM3.7 million against RM1.7 million last year.

Meanwhile, Singapore recorded steady recovery as engineering activities resumes. Revenue from Singapore stood at RM32.5 million in 4Q2020.

In terms of business segment, the UHP division remained the primary revenue contributor to the Group at RM81.8 million or 63% of total revenue. General Contracting segment was the second largest revenue contributor at RM22.3 million, up 828% YoY from RM2.4 million in 4Q2019, mainly driven by higher project orders in Malaysia.

The Industrial Gases segment continued to contribute positively to the Group with a revenue of RM6.9 million in 4Q2020 as demand for liquid carbon dioxide ("LCO2") normalised on the back of resumption of economic activities.

During the quarter under review, gross profit decreased 11% YoY to RM20.1 million mainly due to delay of certain projects arisen from pandemic which has incurred higher cost. Profit before tax ("PBT") was at RM6.8 million in 4Q2020.

Included in the PBT was a one-off impairment on trade receivable of RM2.3 million. For illustration purposes, excluding the one-off expenses, PBT would have been higher at RM9.1 million.

In 4Q2020, the Group received a refund of taxation due to research and development incentive in China. As a result, the Group's effective tax rate was below the statutory tax rate.

Profit after tax ("PAT") in 4Q2020 was at RM7.6 million versus RM7.9 million in 4Q2019.

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

	Revenue 12M2020 RM'000	% of total		Revenue 12M2019 RM'000	% of total
Ultra High Purity	278,145	71%		262,721	69%
Process Engineering	45,055	12%		90,360	24%
General Contracting	44,478	11%		18,646	5%
Industrial Gases	22,136	6%		8,041	2%
Total	389,814			379,768	

The Group recorded a notable recovery despite the setbacks in the first half of the fiscal year. Revenue performance rebounded and surpassed last year's record of RM379.8 million to RM389.8 million for the year ended 31 December 2020 ("FY2020"). This is mainly driven by higher contribution across the UHP, General Contracting and Industrial Gases business.

Revenue from UHP division grew RM15.4 million to RM278.1 million in FY2020 against RM262.7 million in FY2019 due to higher projects completion in China.

The better performance in General Contracting division was mainly attributed to the increase in project orders in FY2020, which boosted the revenue by 139% YoY to RM44.5 million from RM18.7 million in FY2019.

Revenue from the Industrial Gases division more than doubled to RM22.1 million in FY2020 as compared to RM8.0 million last year mainly driven by higher sales of liquid carbon dioxide.

Meanwhile, Process Engineering division experienced a slower recovery due to the spill-over effects from the various lockdown measures particularly in Malaysia and Singapore in FY2020. As such, revenue from Process Engineering decreased to RM45.1 million in FY2020 from RM90.4 million a year ago.

In terms of geographical breakdown in FY2020, revenue contribution was led by Singapore at 33% or RM127.4 million, followed by China at 32%, Malaysia (30%) and Taiwan (4%).

During the year under review, the Group has incurred some unavoidable direct costs and faced with longer project timeline due to the additional standard operating procedure (SOP) across all the key markets. Consequently, the Group's gross profit stood lower at RM54.2 million, as compared to RM63.6 million in the previous year.

PBT reduced by 36% YoY to RM20.1 million as compared to RM31.6 million in FY2019. PAT stood at RM17.2 million in FY2020 from RM23.9 million in FY2019.

1 Review Of Performance (Cont'd)

(c) Variation of Results Against Preceding Quarter

	Current Quarter 31.12.2020 RM'000	Immediate Preceding Quarter 30.9.2020 RM'000	Changes	
			Amount RM'000	%
Revenue	129,492	98,258	31,234	32%
Operating profit	7,456	7,862	(406)	-5%
Profit before tax	6,798	7,163	(365)	-5%
Profit after tax	7,579	4,976	2,603	52%
Profit attributable to shareholders of the company	7,527	4,905	2,622	53%

As compared to the preceding quarter (3Q2020), the Group's revenue increased by 32% to RM129.5 million as compared to RM98.3 million as a result of higher contribution from Malaysia operation.

Meanwhile, PBT dropped by 5% to RM6.8 million from RM7.2 million 3Q2020. However, PAT increased by 52% to RM7.6 million from RM5.0 million due to certain over provision of taxation in prior year.

(d) Statement of Financial Position

Financial Indicators	As at 31.12.2020 Unaudited RM'000	As at 31.12.2019 Audited RM'000
Total assets	350,727	303,055
Total equity	168,157	155,534
Debt	58,346	38,691
Fixed deposits, cash & bank balances	131,978	85,068
Net cash	73,632	46,377
Debt-to-Equity (Gearing)	0.35	0.25

As at 31 December 2020, the Group's shareholder equity (excluding non-controlling interests) increased to RM167.8 million from RM155.3 million as at 31 December 2019, on the back of consecutive quarterly profit.

During the year under review, the Group's total debt grew to RM58.3 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 the industrial gases division.

Overall, the Group's financial position remains healthy in a net cash position of RM73.6 million with total gross cash in hand of RM132.0 million exceeding the total debt of RM58.3 million as at 31 December 2020. Net cash per share stood at 23 sen.

2 Commentary Of Prospects

The Group is pleased to deliver a set of satisfactory financial results in FY2020 amidst the challenging operating landscape. While project deliveries were impacted by the additional SOPs and lockdown measures, Kelington continues to achieve strong replenishment of orders.

In 4Q2020, the Group managed to clinch an additional RM118 million worth of projects which then boosted our total new orders secured to approximately RM490 million in the financial year 2020. This also translates to a growth of 27% as compared to RM386 million new orders secured throughout the year 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 RM748 million, of which RM358 million remains outstanding as at 31 December 2020.

We believe the recovery momentum will follow through in FY2021 as economic activities normalise in majority of our key operating markets. It will be a busy year ahead for the Group as we work towards fulfilling our orders in hand as well as participating in the upcoming project tenders for the engineering businesses.

We are also seeing increasing demand for our liquid carbon dioxide product as more and more businesses resume business activities.

Barring any unforeseen circumstances, we are confident that we will be on track for growth in FY2021, 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.

4 Profit for the Period

	Quarter ended		Year-to-date ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	369	548	707	969
Interest expense	(640)	(614)	(2,455)	(1,355)
Impairment loss on trade receivables:				
- specified	(2,300)	(1,728)	(4,700)	(1,990)
- in accordance to MFRS 9	-	(318)	-	(649)
Impairment loss on contract assets:				
- in accordance to MFRS 9	(544)	(250)	(544)	(250)
Depreciation and amortisation	(881)	(898)	(4,718)	(2,637)
Equipment written off	(280)	-	(297)	(5)
Unrealised Foreign exchange gain/(loss)	(314)	289	826	(85)
Realised Foreign exchange gain/(loss)	(20)	326	(133)	51
(Loss)/gain on disposal of equipment	(48)	-	(23)	1
Writeback on impairment loss on contract assets:				
- specified	2	-	279	-
Writeback on impairment loss on trade receivables:				
- specified	-	666	-	1,548
- in accordance to MFRS 9	167	295	416	295

Note:

Save as disclosed above, the other items as required under Appendix 9B, Part A(16) of the Bursa Listing Requirements are not applicable.

KELINGTON GROUP BERHAD ("KGB")
[Company No. 199901026486 (501386-P)]
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020

5 Taxation

	Current quarter ended 31.12.2020 RM'000	Cumulative Year to date ended 31.12.2020 RM'000
Current tax: - for the financial period	(781)	2,843

The effective tax rate of the Group for the current financial period under review is lower than the statutory tax rate mainly due to refund and over provision of taxation in certain countries for prior year.

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 31 December 2020 versus 31 December 2019 were as follows:

	31.12.2020 RM'000	31.12.2019 RM'000
Non-current	2,273	2,545
Current	783	738
Total	3,056	3,283

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 to follow the audited financial statement for financial year ended 2019. The lease liability mainly comprises the hire purchase agreements of motor vehicles under finance leases.

(b) Group Borrowings

The borrowings as at 31 December 2020 versus 30 December 2019 were as follows. The comparative information had been restated to follow the audited financial statement.

	As At 31 December 2020					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
Secured						
Term Loan	<i>NTD18,098, RM1,538</i>	4,126	<i>NTD500, RM29,967</i>	30,038	<i>NTD 18,598, RM31,505</i>	34,164
Import Loan/Invoice financing	<i>RMB25,695, RM3,207</i>	18,986			<i>RMB25,695, RM3,207</i>	18,986
Overdraft	<i>RM188</i>	188		-	<i>RM188</i>	188
Bankers' acceptance	<i>RM2,140</i>	2,140		-	<i>RM2,140</i>	2,140
Unsecured						
Nil	-	-	-	-	-	-
		25,440		30,038		55,478
Weighted average interest rate of borrowings						4.57%
Proportion of borrowings between fixed interest rate and floating interest rate						9%:91%

The increase in borrowing during the year ended 31 December 2020 is mainly due to the drawdown of borrowings for the capital expenditure and working capital for the industrial gas business division as well as project financing.

	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						
Term Loan	<i>NTD4,281, RM1,579 NTD5,000</i>	2,165	<i>NTD3,698, RM22,821</i>	23,327	<i>NTD7,979, RM24,400</i>	25,492
Import Loan/Invoice financing	<i>RMB15,054, RM382</i>	9,916		-	<i>NTD5,000, RMB15,054, RM382</i>	9,916
Unsecured						
Nil	-	-	-	-	-	-
		12,081		23,327		35,408
Weighted average interest rate of borrowings						5.86%
Proportion of borrowings between fixed interest rate and floating interest rate						15%:85%

The increase in borrowing during the period ended 31 December 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.

On 11 January 2021, Kelington Taiwan received a judgement from the Supreme Court of Taiwan which in response to Hui Neng's petition made on 23 October 2018 that the original court judgment made on 12 September 2018 was set aside except for the provisional execution, and the case shall re-submit to the Taiwan High Court in Kaohsiung.

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

(2) Adjudication proceeding between Mutiara (FE) Pte Ltd against Kelington Engineering (S) Pte Ltd ("KESG"), a wholly owned subsidiary of Kelington

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.

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.

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 it's 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.

In the matter of Adjudication Application No. SOP/AA 52/2020 between Mutiara as the Claimant and KESG as the Respondent, KESG had on 19 January 2021 submitted its written submissions pursuant to the directions of the learned Adjudicator given on 14 January 2021.

The Honourable Court had on 5 January 2021 rendered its judgement and ordered that the Remitted Questions to be remitted to the Adjudicator. The Court's Decision on KES' prayers as stated in the announcement made on 28 August 2020 are held over pending the Adjudicator Determination of the Remitted Questions. By way of summary, KES submits that the Claimant's Adjudication's Application ("AA") was lodged prematurely and that the AA is therefore invalid, with the costs to be borne by the Claimant. For avoidance of doubt, the written submissions herein relate only to Package 2 Subcontract.

On 28 January 2021, KESG had received the Adjudicator Determination dated 27 January 2021 for the Remission Application. Based on the timelines in the Building and Construction Industry Security of Payment Act, the Adjudicator determined that the Claimant's adjudication application SOP/AA 52/2020 was not lodged prematurely and the Respondent shall bear 100% of the costs of the Remission Application amounting to SGD 4,840.68.

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

9 Material Litigation (Cont'd)

(3) Arbitration Proceeding commenced by Kelington Engineering (S) Pte Ltd ("KESG"), a wholly-owned subsidiary of Kelington, against Mutiara (FE) Pte Ltd

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.

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.

On 3 February 2021, KESG as Claimant had filed a Statement of Reply and Defence to Counterclaim under the Arbitration Rules of the Singapore International Arbitration Centre. The following claims against KES as stated in the Respondent's Statement of Defence and Counterclaim dated 25 November 2020 was denied:

- 1 The sum of S\$5,845,018.31 (excluding GST) being the balance value of work (including variations) done under the terms of the Subcontracts or under general law or on a quantum meruit to be assessed and determined by the Tribunal;
- 2 Loss and expense to be assessed arising from the prolongation of the Subcontracts;
- 3 Costs and expenses of S\$195,725.05 (excluding GST) incurred by the Respondent in SOP process;
- 4 The Guaranteed Sum paid under the Performance Bond (S\$679,070);
- 5 The additional costs and expenses incurred by the Respondent to procure workers without man-year entitlement under the terms of the Subcontracts or under general law or on a quantum meruit to be assessed and determined by the Tribunal;
- 6 Financing and/or interest charges as special damages;
- 7 GST on all amounts to be found due to the Respondent;
- 8 Costs on an indemnity basis;
- 9 Interest; and
- 10 Such further or other relief as this Tribunal may deem fit or appropriate.

In addition, KES as Claimant has provided particulars of the Respondent's failure, refusal and/or negligence to carry out and/or complete the works satisfactorily, on a timely basis and/or with due diligence, as well as the Claimant's responses to the Respondent's allegations in respect of the Claimant's alleged delay and/or acts of prevention and/or omissions. Accordingly, the Claimant avers that the Respondent has no basis to claim for the claims set out above.

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

(4) 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.

9 Material Litigation (Cont'd)

(5) Commencement of arbitration proceeding by JCT Industries Group Sdn. Bhd against Kelington Technologies Sdn. Bhd ("KTSB"), a wholly owned subsidiary of Kelington

On 30 November 2020, KTSB received a Notice of Arbitration dated 27 November 2020 served on behalf of JCT. The Arbitration proceedings commenced under the Notice of Arbitration filed pursuant to the Arbitration Act 2005 and the PAM Arbitration Rules. The Claimant had alleged that KTSB had failed to complete the Works within the stipulated completion timeframe as stipulated in the Contract and failed, refused and/or neglected to make good of its defects despite demand from the Claimant. The Claimant will be seeking against KTSB in the arbitration for the following reliefs:

- 1 Liquidated damages to be ascertained by the tribunal;
- 2 Damages for defects to be ascertained by the tribunal;
- 3 Such other claims as may be raised in due course in the Statement of Claim;
- 4 Interest;
- 5 Costs; and
- 6 Such further and/or other reliefs.

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

10 Dividends Payable

There were no dividends proposed during the current quarter ended 31 December 2020.

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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Profit After Taxation attributable to owners of the company (RM'000)	7,527	8,213	17,110	24,418
Weighted average number of ordinary shares in issue ('000)	315,530	310,339	315,530	310,207
Basic Earnings Per Share (Sen)	2.39	2.65	5.42	8.20
Diluted Earnings Per Share (Sen) #	NA	2.56	NA	7.90

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
31.12.2020			
Not past due	57,875	(102)	57,773
Past due:			
- less than 3 months	15,490	(577)	14,913
- 3 to 6 months	1,132	(233)	899
- over 6 months	324	(39)	285
- over 1 year	1,498	(183)	1,315
Credit impaired	9,690	(9,690)	-
	<u>86,009</u>	<u>(10,824)</u>	<u>75,185</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
31.12.2019			
Not past due	60,393	(219)	60,174
Past due:			
- less than 3 months	20,699	(549)	20,150
- 3 to 6 months	4,748	(297)	4,451
- over 6 months	6,184	(246)	5,938
- over 1 year	426	(224)	202
Credit impaired	5,125	(5,125)	-
	<u>97,575</u>	<u>(6,660)</u>	<u>90,915</u>

13 DISCLOSURE OF REALISED AND UNREALISED PROFITS/ (LOSSES)

	Cumulative Year to date ended 31.12.2020 RM'000	Cumulative Year to date ended 31.12.2019 RM'000
Total retained profits of KGB:		
- Realised	81,127	69,748
- Unrealised	734	(177)
Total group retained profits as per consolidated accounts	<u>81,861</u>	<u>69,571</u>