

KELINGTON GROUP BERHAD ("KGB")
[Company No. 199901026486 (501386-P)]
Statement of Profit or Loss and Other Comprehensive Income
For The 1st Quarter Ended 31 March 2022

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the period ended 31 March 2022 are as follow:-

	Unaudited	Unaudited			Unaudited	Unaudited		
	Current	Previous	+		3-months	3-months	-	
Note	Qtr Ended	Qtr Ended	-	%	Period	Period	%	%
	31.3.2022	31.3.2021			up to	up to		
	RM'000	RM'000			31.3.2022	31.3.2021		
					RM'000	RM'000		
Revenue	173,328	104,820	+	65	173,328	104,820	+	65
Cost of sales	(149,601)	(90,214)			(149,601)	(90,214)		
Gross profit	<u>23,727</u>	<u>14,606</u>	+	62	<u>23,727</u>	<u>14,606</u>	+	62
Other income	661	1,649			661	1,649		
Administrative expenses	(10,235)	(6,685)			(10,235)	(6,685)		
Selling and distribution expenses	(480)	(402)			(480)	(402)		
Other expenses	(1,966)	(1,676)			(1,966)	(1,676)		
Results from operating activities	<u>11,707</u>	<u>7,492</u>	+	56	<u>11,707</u>	<u>7,492</u>	+	56
Finance costs	(594)	(754)			(594)	(754)		
Profit before taxation for the financial period	<u>11,113</u>	<u>6,738</u>	+	65	<u>11,113</u>	<u>6,738</u>	+	65
Taxation	(2,599)	(1,029)			(2,599)	(1,029)		
Profit after taxation for the financial period	<u>8,514</u>	<u>5,709</u>	+	49	<u>8,514</u>	<u>5,709</u>	+	49
Other comprehensive income, net of tax								
Foreign currency translation	1,511	1,022			1,511	1,022		
	<u>1,511</u>	<u>1,022</u>			<u>1,511</u>	<u>1,022</u>		
Total comprehensive income for the period	<u>10,025</u>	<u>6,731</u>			<u>10,025</u>	<u>6,731</u>		
Profit attributable to:								
Shareholders of the Company	8,302	5,544	+	50	8,302	5,544	+	50
Non-controlling interests	212	165			212	165		
Profit after taxation for the financial period	<u>8,514</u>	<u>5,709</u>	+	49	<u>8,514</u>	<u>5,709</u>	+	49
Total comprehensive income attributable to:								
Shareholders of the Company	9,813	6,563			9,813	6,563		
Non-controlling interests	212	168			212	168		
Total comprehensive income for the period	<u>10,025</u>	<u>6,731</u>			<u>10,025</u>	<u>6,731</u>		
Basic earnings per ordinary share (sen):								
Basic earnings per share (sen)	B11	1.29	1.72		1.29	1.72		
Diluted earnings per share (sen)	B11	1.27	NA		1.27	NA		

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 2021 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 March 2022

	Unaudited As At 31.3.2022 RM'000	Audited As At 31.12.2021 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	67,650	64,358
Goodwill on consolidation	6,491	6,449
Deferred tax assets	-	272
Right-of-use assets	5,245	5,655
	<u>79,386</u>	<u>76,734</u>
Current assets		
Inventories	9,741	6,856
Contract assets	108,925	111,111
Trade receivables	154,783	92,136
Other receivables, prepayments and deposits	27,062	10,186
Current tax assets	612	448
Fixed deposits with licensed banks	26,686	25,410
Cash and bank balances	81,287	81,087
	<u>409,096</u>	<u>327,234</u>
	<u>488,482</u>	<u>403,968</u>
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity		
Share capital	73,292	73,292
Retained earnings	111,871	103,569
Other reserve	16,876	15,365
Treasury share	(534)	(534)
Total Equity attributable to Shareholders of the Company	<u>201,505</u>	<u>191,692</u>
Non-controlling interests	1,267	1,055
Total Equity	<u>202,772</u>	<u>192,747</u>
Non-current liabilities		
Deferred tax liabilities	1,356	777
Lease liability	2,310	2,679
Long-term borrowings	24,825	23,168
	<u>28,491</u>	<u>26,624</u>
Current liabilities		
Contract liabilities	68,155	30,854
Trade payables	87,552	94,042
Other payables and accruals	29,461	25,271
Lease liability	1,481	1,495
Current tax liabilities	3,162	3,756
Short term borrowings	66,763	29,019
Bank overdraft	645	160
	<u>257,219</u>	<u>184,597</u>
Total liabilities	<u>285,710</u>	<u>211,221</u>
	<u>488,482</u>	<u>403,968</u>
TOTAL EQUITY AND LIABILITIES		
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.3143	0.2987

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 2021 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 1st Quarter Ended 31 March 2022

	<----- Attributable to Equity Holders of the Company ----->						Non-Controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Treasury Share RM'000	Capital Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Earnings RM'000	Total RM'000		
As at 1 January 2022	73,292	(534)	10,518	4,847	103,569	191,692	1,055	192,747
Profit after taxation for the financial period	-	-	-	-	8,302	8,302	212	8,514
Other comprehensive expense, net of tax: - Foreign currency translation	-	-	-	1,511	-	1,511	-	1,511
Total comprehensive (expense)/ income for the financial period	-	-	-	1,511	8,302	9,813	212	10,025
As at 31 March 2022	73,292	(534)	10,518	6,358	111,871	201,505	1,267	202,772
As at 1 January 2021	73,292	(534)	9,734	3,702	81,825	168,019	310	168,329
Profit after taxation for the financial year	-	-	-	-	5,544	5,544	165	5,709
Other comprehensive income, net of tax: - Foreign currency translation differences	-	-	-	1,019	-	1,019	3	1,022
Total comprehensive income/ (expenses) for the financial year	-	-	-	1,019	5,544	6,563	168	6,731
As at 31 March 2021	73,292	(534)	9,734	4,721	87,369	174,582	478	175,060

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 2021 and the accompanying explanatory notes enclosed to the interim financial statements.

KELINGTON GROUP BERHAD ("KGB")
[Company No. 199901026486 (501386-P)]
Condensed Consolidated Statement of Cash Flow
For The Period Ended 31 March 2022

	Unaudited 3-Months Ended 31.3.2022 RM'000	Unaudited 3-Months Ended 31.3.2021 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	11,113	6,738
Adjustments for:-		
Depreciation of property, plant and equipment	1,220	1,055
Depreciation of right-of-use assets	325	345
Impairment loss on trade receivables	72	
Interest expense	596	850
Interest income	(37)	(159)
Loss on disposal of equipment	18	193
Reversal of provision of warranty costs	-	(46)
Unrealised loss/(gain) on foreign exchange	483	(658)
Operating profit before working capital changes	13,790	8,318
Increase in inventory	(2,885)	(658)
Changes in net of contract assets /contract liabilities	39,487	(3,618)
(Increase)/Decrease in trade and other receivables	(79,838)	(39,741)
Increase in trade and other payables	(2,541)	(24,022)
CASH FROM OPERATIONS	(31,987)	(59,721)
Income tax paid	(2,506)	(2,419)
Interest paid	(596)	(850)
Interest received	37	159
NET CASH FOR OPERATING ACTIVITIES	(35,052)	(62,831)
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(4,494)	(1,219)
Addition of right-of-use assets	-	(619)
Proceeds from disposal of equipment	83	143
Increase in pledged fixed deposits and bank balances with licensed bank	(1,262)	(321)
NET CASH FOR INVESTING ACTIVITIES	(5,673)	(2,016)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of revolving credit	8,387	6,010
Repayment of bankers' acceptance	-	(169)
Repayment of lease liability	(383)	(205)
Net drawdown/(Repayment) of term loan	46	(1,045)
Drawdown of trust receipts	293	538
Drawdown of invoice financing	30,675	1,004
NET CASH FROM FINANCING ACTIVITIES	39,018	6,133
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,707)	(58,714)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,436	749
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	85,046	113,787
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	84,775	55,822

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

Cash and bank balances	81,287	43,234
Fixed deposits	26,686	31,115
	107,973	74,349
Less: bank overdraft	(645)	(202)
Less: fixed deposits pledged to licensed banks	(19,205)	(15,635)
Less: bank balance pledged to licensed banks	(3,348)	(2,690)
	84,775	55,822

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 2021 and the accompanying explanatory notes enclosed to the interim financial statements.

KELINGTON GROUP BERHAD ("KGB")
[Company No. 199901026486 (501386-P)]
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2022

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 2021. 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 2021.

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 2021.

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 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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 2021.

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 - (1) industrial gases and
- (2) equipments 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
	Industrial Gases	Equipments & Materials		
RM'000	RM'000	RM'000	RM'000	RM'000
31.3.2022				
Revenue				
External revenue	299	9,858	221	162,950
Inter-segment revenue	39	6	4,353	100
	<u>338</u>	<u>9,864</u>	<u>4,574</u>	<u>163,050</u>
Consolidated Adjustments				(4,498)
				<u>173,328</u>

Service Segment	Manufacturing and Trading Segment:		Construction Segment	The Group
	Industrial Gases	Equipments & Materials		
RM'000	RM'000	RM'000	RM'000	RM'000
31.3.2021				
Revenue				
External revenue	293	8,798	898	94,831
Inter-segment revenue	26	3	2,075	710
	<u>319</u>	<u>8,801</u>	<u>2,973</u>	<u>95,541</u>
Consolidated Adjustments				(2,814)
				<u>104,820</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	
	31.3.2022 RM'000	31.3.2021 RM'000	31.3.2022 RM'000	31.3.2021 RM'000
Malaysia	77,905	43,911	64,470	57,101
China	26,958	19,025	3,250	4,046
Taiwan	4,860	3,073	83	117
Singapore	62,257	38,726	11,583	10,284
Philippines	1,348	85	-	-
	<u>173,328</u>	<u>104,820</u>	<u>79,386</u>	<u>71,548</u>

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 31 March 2022.

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

There were no dividend paid during the current quarter under review.

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 March 2022, 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

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

13. Changes in Contingent Liabilities and Contingent Assets

Saved as disclosed in the following, there is no other contingent liabilities and contingent assets as at quarter end 31 March 2022:

	As at 31.3.2022 Unaudited RM'000	As at 31.3.21 Unaudited RM'000
Contingent liabilities		
Bank guarantee and insurance bond given to third party as performance bond or warranty bond	<u>193,950</u>	<u>27,238</u>

The increase in number of bonds as compared to same period of previous year is mainly due to the projects undertaken in Malaysia and Singapore.

14. Material Subsequent Events

Saved as disclosed as below, there has been no material subsequent events after the quarter ended 31 March 2022:

On 6 April 2022, KGB had paid the second interim tax-exempt dividend of 1 sen per ordinary share in respect of the FYE 31 December 2021 amounting to RM6,430,072.

KELINGTON GROUP BERHAD ("KGB")
[Company No. 199901026486 (501386-P)]
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2022

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

1 Review Of Performance

	Current Year Quarter 31.3.2022 RM'000	Preceding Year Corresponding Quarter 31.3.2021 RM'000	Changes	
			Amount RM'000	%
Revenue	173,328	104,820	68,508	65%
Operating profit	11,707	7,492	4,215	56%
Profit before tax	11,113	6,738	4,375	65%
Profit after tax	8,514	5,709	2,805	49%
Profit attributable to shareholders of the company	8,302	5,544	2,758	50%

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Revenue 1Q2022 31.3.2022 RM'000	% of total		Revenue 1Q2021 31.3.2021 RM'000	% of total	Changes
						%
Service segment:	299	0%		293	0%	2%
Manufacturing & trading segment:	9,858	6%		8,798	8%	12%
Construction segment:	221	0%		898	1%	-75%
- Industrial gases	112,640	65%		68,936	66%	63%
- Ultra High Purity ("UHP")	11,950	7%		9,646	9%	24%
- Process Engineering	38,360	22%		16,249	16%	136%
- General Contracting						
Total	173,328			104,820		65%

Kelington's revenue in 1Q2022 rose 65% year-on-year (YoY) to RM173.3 million from RM104.8 million, on the back of higher projects completion in Malaysia, Singapore and China.

Revenue from Malaysia which represented 45% of total revenue in the quarter under review, increased 77% to RM77.9 million as compared to RM43.9 million in 1Q2021. This was mainly due to contribution from a major general contracting job awarded in Q32021.

Meanwhile, revenue contribution from Singapore increased to RM62.3 million in 1Q2022, constituting 36% of total revenue, from RM38.7 million in the previous year's corresponding quarter, driven by higher revenue recognition from UHP projects awarded during 2nd half of FY2021.

During the quarter, revenue from China rose by 42% to RM27.0 million from RM19.0 million in 1Q2021, mainly attributable to higher recognition from current project mix.

In terms of business segment, the UHP division remained the primary revenue contributor, representing 65% of total revenue to the Group in 1Q2022. Revenue from this segment climbed 63% to RM112.6 million as compared to RM68.9 million in 1Q2021, spurred by growth in contribution across China, Singapore and Malaysia as compared to the previous year corresponding quarter.

Process Engineering segment contributed RM12.0 million revenue, up 24% YoY from RM9.6 million in 1Q2021 due to higher contribution from process engineering projects in Malaysia.

Revenue from the General Contracting segment more than doubled to RM38.4 million as compared to RM16.2 million in 1Q2021.

The Industrial Gases segment continued an upward performance in 1Q2022 with higher production output. Revenue grew to RM9.9 million in 1Q2022, an increase of 12% YoY as compared to RM8.8 million in 1Q2021.

In line with higher revenue performance, gross profit grew 62% YoY to RM23.7 million which resulted in a gross profit margin of 13.7%. The administrative expenses had increased 53% to RM10.2 million in 1Q2022 compared to RM6.7 million in 1Q2021 due to increasing business activities as well as bonus provision in 1Q2022.

On a YoY comparison, profit before tax ("PBT") rose by 65% to RM11.1 million in 1Q2022 while profit after tax ("PAT") increased by 49% to RM8.5 million versus RM5.7 million in 1Q2021. The effective tax rate is higher than the same quarter last year (Q12021) due to a provision of deferred taxation during the quarter.

(b) Variation of Results Against Preceding Quarter

	Current Quarter 1Q2022 Unaudited 31.3.2022 RM'000	Immediate Preceding Quarter 4Q2021 Audited 31.12.2021 RM'000	Changes	
			Amount RM'000	%
Revenue	173,328	176,976	(3,648)	-2%
Operating profit	11,707	10,904	803	7%
Profit before tax	11,113	10,460	653	6%
Profit after tax	8,514	8,320	194	2%
Profit attributable to shareholders of the company	8,302	8,102	200	2%

The Group's revenue reduced to RM173.3 million in 1Q2022 against RM177.0 million in 4Q2021, mainly due to first quarter of the year is traditionally a weaker quarter as compared to the rest of the year.

Meanwhile, PBT increased by RM0.7 million to RM11.1 million from RM10.5 million in 4Q2021 and PAT marginally increased by 2% to RM8.5 million from RM8.3 million. This is mainly due to a provision of liquidated damages in 4Q2021.

1 Review Of Performance (Cont'd)

(c) Statement of Financial Position

Financial Indicators	As at 31.3.2021	As at 31.12.2021
	Unaudited RM'000	Audited RM'000
Total assets	488,482	403,968
Total equity	202,772	192,747
Debt	96,024	56,521
Fixed deposits, cash & bank balances	107,973	106,497
Net cash	11,949	49,976
Debt-to-Equity (Gearing)	0.47	0.29

As at 31 March 2021, the Group's shareholder equity (excluding non-controlling interests) increased to RM201.5 million from RM191.7 million as at 31 December 2021, on the back of consecutive quarterly profit.

The Group's total debt stood at RM95.4 million as at 31 March 2022 against RM56.5 million as at 31 December 2021. The increase in drawdown of borrowings was mainly due to the financing for projects undertaken in Malaysia and Singapore. And hence the reduction in net cash as at 31 March 2022.

However, the Group's financial position remained healthy in a net cash position of RM11.9 million with total gross cash in hand of RM107.3 million exceeding the total debt of RM95.4 million as at 31 December 2021. Net cash per share stood at 2 sen.

2 Commentary Of Prospects

The chips shortage extended into 2022 in view of the continuous growth in demand for chips alongside a stretched lead time in building wafer fabrication plants. Hence, expansion activities of semiconductor leaders remain active across our operating markets and continue to spur the demand for our UHP solutions, especially in China and Singapore.

In tandem, our order flows remain robust as the Group has thus far secured RM347 million worth of contracts as at 31 March 2022. Inclusive of the carried forward projects from prior years, Kelington's total orderbook rose to RM1.4 billion, of which RM1.2 billion remains outstanding as at 31 March 2022.

In addition to that, we recently clinched a new UHP contract worth approximately RM80 million from the largest semiconductor foundry company in China to perform gas hook up works in Beijing, China.

Our Industrial Gases segment continued to see increasing demand as economic activities across sectors recover, alongside the impending transition to endemicity which will continue to spur the demand for liquid carbon dioxide (LCO2).

Barring unforeseen circumstances, we are upbeat on our financial performance for the rest of FY2022, driven by our elevated outstanding orderbook in hand. We expect to see more projects coming on stream throughout the year which will continue to bolster our earnings growth momentum. Despite the prevailing macroeconomic challenges, the semiconductor industry remains promising, propelled by advancement of 5G technology, Internet of Things, and emergence of electric vehicles, among others. These factors will continue driving the demand for semiconductor chips which augur well for Kelington.

3 Profit Forecast and Profit Guarantee

The Company did not announce any profit forecast or profit estimate for the FYE 31 December 2022 in any public document and hence this information is not applicable.

4 Profit for the Period

	Quarter ended		Year-to-date ended	
	31.3.2022 RM'000	31.3.2021 RM'000	31.3.2022 RM'000	31.3.2021 RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	37	159	37	159
Interest expense #	(596)	(850)	(596)	(850)
Impairment loss on trade receivables:				
- specified	(72)	-	(72)	-
Depreciation and amortisation	(1,220)	(1,055)	(1,220)	(1,055)
Depreciation of right-of-use assets	(325)	(345)	(325)	(345)
Unrealised Foreign exchange gain/(loss)	(483)	658	(483)	658
Realised Foreign exchange gain/(loss)	*	(33)	*	(33)
(Loss)/gain on disposal of equipment	(18)	(193)	(18)	(193)

Note:

- RM2,000 of the interest expense are included in cost of sales

* - amount less than RM1,000

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 31.3.2022 RM'000	Cumulative Year to date ended 31.3.2022 RM'000
Current tax: - for the financial period	2,599	2,599

The effective tax rate of the Group for the current financial period under review is lower than the statutory tax rate due to the tax rate in Singapore is relatively lower.

6 Corporate Proposal

Save as disclosed in the following, there were no outstanding corporate proposals announced but not completed as at the current quarter under review.

On 2 March 2022, Board of Directors of Kelington announce that Kelington proposes to undertake the following:

(i) Proposed Employee Shares Scheme ("ESS") Termination

Termination of the Company's existing ESS;

(ii) Proposed ESS

Establishment and implementation an employee share which entails a share grant scheme of up to 4% of the issued shares of the Company (excluding treasury shares of Kelington, if any) at any point in time during the duration of the Proposed ESS for the eligible employees and Directors (including Non-Executive Directors) of Kelington and its subsidiary companies, which are not dormant, who fulfil the eligibility criteria as set out in the by-laws of the employee share scheme.

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 March 2022 versus 31 March 2021 were as follows:

	31.3.2022 RM'000	31.3.2021 RM'000
Non-current	2,310	2,461
Current	1,481	855
Total	<u>3,791</u>	<u>3,316</u>

The lease liability comprises the hire purchase agreements of motor vehicles, prime mover under finance leases and tenancy agreements of more than one year.

(b) Group Borrowings

The borrowings as at 31 March 2022 versus 31 March 2021 were as follows.

	As At 31 March 2022					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
Secured						
Term Loan	NTD16,000, RM4,914	7,263	RM24,825	24,825	NTD 16,000, RM32,087	32,088
Revolving loan	SGD2,700, RM1,500	9,887		-	SGD2,700, RM1,500	9,887
Post buyer Loan/Invoice financing	RMB8,310, SGD7,470, RM20,899	49,613		-	RMB8,310, SGD7,470,	49,613
Bank overdraft	RM645	645		-	RM645	645
Unsecured						
Nil	-	-	-	-	-	-
		67,408		24,825		92,233
Weighted average interest rate of borrowings						3.39%
Proportion of borrowings between fixed interest rate and floating interest rate						1%:99%

The increase in borrowing during the period ended 31 March 2022 is mainly due to the financing for the projects undertaken in Singapore and Malaysia.

8 Lease Liability and Group Borrowings (Cont'd)

(b) Group Borrowings (Cont'd)

	As At 31 March 2021					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
Secured						
Term Loan	NTD16,614, RM1,538	3,956	29,071	29,071	NTD 16,614, RM30,609	33,027
Revolving loan	SGD1,300, RM2,000	6,010	-	-	SGD1,300, RM2,000	6,010
Bills discounting	NTD3,700	538	-	-	NTD3,700	538
Import Loan/Invoice financing	RMB31,713	20,062	-	-	RMB31,713	20,062
Overdraft	RM202	202	-	-	RM202	202
Bankers' acceptance	RM1,971	1,971	-	-	RM1,971	1,971
Unsecured						
Nil	-	-	-	-	-	-
		32,739		29,071		61,810
Weighted average interest rate of borrowings						4.52%
Proportion of borrowings between fixed interest rate and floating interest rate						7%:93%

The increase in borrowing during the period ended 31 March 2021 is mainly due to the working capital for the industrial gas business division as well as project financing.

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.

9 Material Litigation (Cont'd)

(2) 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.

On 18 June 2021, KES had replied to the Respondent's request dated 3 May 2021 for further and better particulars ("F&BP") of KES's Statement of Reply and Defence to Counterclaim dated 3 February 2021. The Respondent has provided KES with F&BP in respect of their Defence and Counterclaim on 13 April 2021 and filed and served its Statement of Reply on 23 April 2021

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) 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

On 25 February 2022, the Board of Directors of KGB proposed the payment of second interim tax-exempt dividend of 1 sen per ordinary share in respect of the FYE 31 December 2021 amounting to RM6,430,072. This was paid on 6 April 2022.

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	
	31.3.2022	31.3.2021	31.3.2022	31.3.2021
Profit After Taxation attributable to owners of the company (RM'000)	8,302	5,544	8,302	5,544
Weighted average number of ordinary shares in issue ('000)	643,007	321,504	643,007	321,504
Basic Earnings Per Share (Sen)	1.29	1.72	1.29	1.72
Diluted Earnings Per Share (Sen)#	1.27	NA	1.27	NA

Note :

- Assuming the full exercise of 214,333,821 convertible warrants.

12 Trade Receivables

At each reporting date, the Group assess whether any of the trade receivables are credit impaired. The Group consider trade receivables having financial difficulty are deemed credit impaired and assesses for their risk of loss individually. 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
31.3.2022			
Not past due	128,586	(493)	128,093
Past due:			
- less than 3 months	24,820	(1,120)	23,700
- 3 to 6 months	163	(163)	-
- over 6 months to 1 year	1,010	(250)	760
- over 1 year	5,020	(2,790)	2,230
Credit impaired	9,564	(9,564)	-
	<u>169,163</u>	<u>(14,380)</u>	<u>154,783</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
31.3.2021			
Not past due	90,589	(290)	90,299
Past due:			
- less than 3 months	12,992	(444)	12,548
- 3 to 6 months	4,720	(355)	4,365
- over 6 months to 1 year	38	(24)	14
- over 1 year	800	(103)	697
Credit impaired	9,671	(9,671)	-
	<u>118,810</u>	<u>(10,887)</u>	<u>107,923</u>

13 Disclosure Of Realised And Unrealised Profits/ (Losses)

	Cumulative Year to date ended 31.3.2022 RM'000	Cumulative Year to date ended 31.3.2021 RM'000
Total retained profits of KGB:		
- Realised	113,710	86,486
- Unrealised	(1,839)	883
Total group retained profits as per consolidated accounts	<u>111,871</u>	<u>87,369</u>