

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

Resume of discussion at the Twenty Second Annual General Meeting held on 31 May 2022

Mr Toh Zhe Han raised the following questions:

- Q1) What is the target profit after tax (“PAT”) for this year especially during high inflation period?
- Q2) Why the PAT of recent quarter dropped significantly? What is the major reason? How to maintain the high profit margin?
- Q3) Noted that there was RM420 Million order obtained during last year and resulted in historically high order book. What is the target order book for this year and what is the tendering value currently?
- Q4) Since the worldwide was impacted by high inflation even though semiconductor industry still in booming situation, do the Company face or foresee any slowdown in factory expansion from the respective customers of the Company?
- Q5) During the recent quarter, the generated revenue from China was significantly dropped, is the order book from China’s customers dropping? How the Company benefit from them again?
- Q6) Since the Company had obtained the halal certificate of food and beverage (“F&B”) industry, what is the target for industrial gas department and currently how’s the utilisation rate for the plant?
- Q7) There is a total RM347 million of order secured during Q1 2022, what is the reason of not receiving any announcement from the group during Q1? What is the breakdown for the RM347 million?

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

- A1) The Company did not have any profit guidance and therefore it would not disclose any profit amount at this juncture. In spite of that, the Company had experienced double-digit growth for the past 10 years and was confident in its growth trend. Hence, shareholders may determine the PAT based on past records.
- A2) Due to the festive season and winter in China, revenue for the first and second quarters was typically lower than the third and fourth quarters. Additionally, Mr. Ong informed that the first quarter of 2022 was better than the first quarter of 2021.

In order to maintain a high profit margin, the Company would control costs and focus on projects with high margins. In addition, the Company would also venture into the industrial gas business in order to improve the profit margin of the Company.

- A3) The Company continues to aim for a robust order book for current year, with a tender book of around RM1.4 billion. Even if the Company's order book may not be as high as previous year's, the current year's order book was anticipated to produce positive outcomes.

- A4) The Company currently has a large number of tender contracts to pursue. As a result, the management did not anticipate any delay in manufacturing expansion from the customers. Mr. Ong also stated that a slowdown in plant development was unlikely in the next two to three years due to the worldwide chip shortage, which would not be rectified anytime soon.
- A5) As previously stated, revenue from China decreased in the first quarter, owing to the Chinese winter season.
- Furthermore, the project's timing had resulted in a decrease in revenue from China. Mr. Ong stated that several projects were completed in the first quarter, and that new projects had yet to commence. As a result, income earned in China was expected to rise in the future quarters.
- A6) The Company had been pursuing a F&B client with Halal Certificate. The average utilisation rate for the previous year was 60%. For the current year, the Company's average utilisation rate was 80%, with 70% in the first quarter.
- A7) The threshold limit for transaction with contract values of more than RM50 million would be announced on the Bursa Securities platform. Hence, no announcement would be made if the transaction contract value was lower than RM50 million. Nevertheless, the total order for the current quarter would be disclosed in the Company's quarterly report.

Mr Chua Mun Jun, raised the following questions:

- Q8) Commodity and material price increasing and maintain at high price, how does this affect the business especially construction segment? Does the contract award with Variation of Price ("VOP") term?
- Q9) What is the current liquid carbon dioxide ("LCO2") plant production utilisation rate? Any expansion plan for LCO2 plant?
- Q10) Receivables increasing fast due to a lot of contracts awarded last year and working in progress this year, and the net cash position reducing, will the receivables keep increasing for coming 1 to 2 quarters. How the management handle and improved this?

Mr Ong replied that:

- A8) The advantage of the Company's projects, especially Ultra High Purity ("UHP") projects, was that the execution and tender period were short. Hence, the Company may capture the latest price of material during the tender stage and pass on the updated price to the customer. While certain projects require VOP, the Company would consult with the customer before implementing the change.
- A9) The Company achieved 70% in quarter 1 and the targeted average utilisation rate for this year was 80%. As for the expansion of the plant, the Company was currently awaiting a utilisation rate of 80%. Following that, the management would source materials for the second plant.
- A10) The uptrend in Trade Receivables and Contract Assets was mainly due to timing differences between project revenue recognition and receiving of cash. Mr Ong informed that the Company did not encounter any collection issues and most of the Trade Receivables' amount reported at the end of last year had been collected.

Ms Lee Ya Yun, raised the following questions:

- Q11) What is the impact of China lockdown on the Company?
- Q12) Does the Company face any labour shortage issue?
- Q13) What has KGB done to increase the female representative in the board? Currently, it has only one female out of ten Directors.
- Q14) The Company has recorded a low profit margin in the Q1 2022. What is the reason? Do the Company foresee the trend to be continues in the coming quarters?

Mr Ong replied that:

- A11) The China lockdown had a minimum impact on the Company as it was not fully affected by the lockdown. Mr Ong informed that the Company's projects were still able to be executed continuously. The Company's employees have formed their own isolation group that remains on site to perform the work.
- A12) Management has taken proactive measures to rectify the labour shortage issue, and foreign workers were managed well. In addition, the Government Authorities had allowed the entry of foreign workers. Hence, the Company was handling the shortage of workers properly.
- A13) The Board was aware of this and was actively seeking more female directors. The Company would have more female representatives on the board in the future.
- A14) This was addressed in Q2.

Ms Ngee Geok Choo, raised the following questions:

- Q15) Please send a print copy of the Annual Report.
- Q16) Whether Management consider giving e-voucher for those attended the AGM?

Mr Ong replied that:

- A15) The Company has taken note of the request and will make the necessary arrangements.
- A16) There was no policy in place to distribute e-vouchers to shareholders. Nevertheless, the Company has taken note of the request and would consider distributing e-vouchers in the future.

Mr Lew Tuck Wai, raised the following questions:

- Q17) A few industry experts are predicting an oversupply situation for the semiconductor industry due to massive capex by the key semiconductor players. What is the Board's view on this?
- Q18) How will the Company position itself to minimise the impact of a semiconductor industry slump if the predictions came true?
- Q19) Can the Company explain the reason(s) for the double-digit allowance for impairment losses in the last 2 years?

Q20) What was the actual trade receivable impaired for financial year ended 31 December 2021 ("FY 2021")?

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

A17) There were numerous semiconductor projects in the pipeline. However, those projects were taking longer than usual to complete due to supply chain time issues.

In addition, the current global chip shortage issue was serious. The management anticipated the global chip shortage issue would not be resolved until the end of next year, considering the current project and the timing of its completion. Hence, the Company anticipated more opportunities for tenders.

A18) The Company has diversified its business into non-semiconductor related businesses, including process engineering and general contracting.

Nevertheless, the Company has come across semiconductor slump cycles over the past 20 years and managed to overcome them safely and continue with expansion growth. Consequently, the Company was well prepared and confident of overcoming the semiconductor industry slump if it occurred again.

A19) The amount of allowance for impairment losses disclosed in the Audited Financial Statement for FY 2021 was the cumulative impairment losses. It was a general provision for trade receivables in accordance with MFRS 9. There were some factors that contributed to it, such as debtor days, country risk, etc.

A20) The actual trade receivable impairment was approximately RM600,000.00 for FY2021.

Mr Chan Fung Han, raised the following questions:

Q21) Could the Service Provider please get the registration session for the general meeting ready for the shareholders to act on as early as possible?

Q22) Could the Company explain why the growth rate used in assessing the recoverable amount had decreased while the discount rate had increased. Does the future outlook is not optimistic?

Q23) Roles of Chairman and Chief Executive Officer ("CEO") is held by Ir. Gan Hung Keng, departure from MCCG Practice 1.3. Why the separation of roles will only be implemented in year 2025 i.e. three more years later?

Mr Samuel, the Poll Administrator and Ms Elvina, the Auditors of the Company and Mr Ong replied that:

A21) The Poll Administrator required to obtain the Record of Depositors ("ROD") from the Bursa Malaysia Depository. Bhd. in order to verify the shareholdings of the shareholders who are entitled to attend the general meeting.

A22) The growth rate was determined based on the forecast versus the previous year's actual results. Although the growth rate was slightly lower, the absolute amount grew due to the growth of the base amount. While the discount rate was determined based on the weighted average cost of capital, which involved various factors such as cost of equity, cost of debt, and risk-free risk.

A23) The Board opined that the CEO has an imperative role for the Company. Thus, it should be held by an experienced person who understands the industry and has been able to execute strategies accordingly. However, the Board also understands the importance of the separate roles of the Chairman and CEO.

Hence, the Company was in the process of identifying the right candidate to fill the role. A process has been put in place to ensure that the transition takes place smoothly. As a result, the timing up to year 2025 ensures that the identified candidate may be able to take up the role in a smooth and controlled manner.

Mr Cheong Seng Tin, raised the following question:

Q24) Please send a print copy of the Annual Report.

Mr Ong replied that:

A24) The Company noted the request and would make the necessary arrangement.

Ms Chow Sok Chin, raised the following question:

Q25) What is the market outlook for the Company given the current tech market headwinds and higher interest rate?

Mr Ong replied that:

A25) The Company was optimistic about the outlook of the Company for the current year and next year as the semiconductor expansion has not yet ended. Global shortages of chips continue, and semiconductor manufacturers were expanding their capacity aggressively.

At present, the Company did not have a high gearing ratio in terms of interest rates and did not anticipate an increase in financing costs.

Mr Lau Chu Lee, raised the following question:

Q26) In view of press reports, Intel going to invest USD7 billion at Penang and TSMC new investment in Singapore. Will the Company bid for respective projects and what is the prospect to win contracts?

Mr Ong replied that:

A26) The Company had been awarded some contracts from Intel. However, there were no announcements made as the value of awarded contracts was within the threshold limit.

While there was no firm confirmation that TSMC plans to expand in Singapore. Management would, however, closely monitor the progress. As a result of the strong position of Company's subsidiary in Singapore, the subsidiary of the Company in favourable position to explore the possibilities of a new investment in Singapore.

Mr Ho Xi Wen, raised the following question:

Q27) What is the future outlook for the front-end semiconductor, given that there are raw material constraints in the market?

Mr Ong replied that:

A27) The same question was addressed in question 25.

Mr Ler Zi Ang, raised the following question:

Q28) Can I have an update on Sarawak project? Any serious delay as per stated by Affin Hwang?

The Chairman and Mr Ong replied that:

A28) The Sarawak project of the Company was ongoing, and execution per project plan. The Company did not anticipate any major delays and was confident in the project's execution.

Mr Shia Kim Meng, raised the following question:

Q29) What has the Management planned to enhance the competitiveness of the Company?

The Chairman and Mr Ong replied that:

A29) A strategic plan was in place and management is looking for ways to improve the portfolio of the business and its position for individual segments. For example, the Company was involved in the UHP segment in four countries and was dominant in Malaysia and Singapore. The Company was not dominant in China due to the number of players. However, the companies were still competitive within China.

The Company was dominant in Malaysia and Singapore for process engineering and general contracting. The Company had gained some market share in a short period of time and was expected to compete with international players in the future.

Mr Tan Hock En, raised the following question:

Q30) Who are your main competitors in UHP? What is the strength of Company to compete competitors?

Mr Ong replied that:

A30) The Company faced different competitors in different countries and was not afraid of competition and has been able to benefit from market proportions over the years.

The Company's strengths were delivering quality products to clients, maintaining a high level of customer trust, maintaining stellar safety records, and delivering a cost-effective system.

Mr Tai Shih Chau, raised the following question:

Q31) Can the Company display out the questions in the future?

Mr Ong replied that:

A31) The Company has taken note of the suggestion and will arrange it at the next meeting.