

**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 2021

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the period ended 31 December 2021 are as follow:-

	Unaudited	Unaudited			Unaudited	Audited		
	Current	Previous	+		12-months	12-months	+	
Note	Qtr Ended	Qtr Ended	-		Period	Period	-	
	31.12.2021	31.12.2020	%		up to	up to	%	
	RM'000	RM'000			31.12.2021	31.12.2020		
					RM'000	RM'000		
Revenue	180,136	134,277	+	34	517,714	394,599	+	31
Cost of sales	(149,123)	(109,563)			(432,145)	(335,805)		
<b>Gross profit</b>	<u>31,013</u>	<u>24,714</u>	+	25	<u>85,569</u>	<u>58,794</u>	+	46
Other income	1,066	2,914			5,771	8,662		
Administrative expenses	(11,937)	(15,644)			(37,856)	(35,114)		
Selling and distribution expenses	(585)	(794)			(2,086)	(1,630)		
Other expenses	(5,722)	(2,986)			(10,138)	(7,291)		
<b>Results from operating activities</b>	<u>13,835</u>	<u>8,204</u>	+	69	<u>41,260</u>	<u>23,421</u>	+	76
Finance costs	(581)	(522)			(2,772)	(2,476)		
<b>Profit before taxation for the financial period</b>	<u>13,254</u>	<u>7,682</u>	+	73	<u>38,488</u>	<u>20,945</u>	+	84
Taxation	(2,080)	270			(5,934)	(3,354)		
<b>Profit after taxation for the financial period</b>	<u>11,174</u>	<u>7,952</u>	+	41	<u>32,554</u>	<u>17,591</u>	+	85
<b>Other comprehensive income, net of tax</b>								
Foreign currency translation	492	138			1,174	(338)		
	<u>492</u>	<u>138</u>			<u>1,174</u>	<u>(338)</u>		
<b>Total comprehensive income for the period</b>	<u>11,666</u>	<u>8,090</u>			<u>33,728</u>	<u>17,253</u>		
<b>Profit attributable to:</b>								
Shareholders of the Company	10,964	7,921	+	38	31,820	17,504	+	82
Non-controlling interests	210	31			734	87		
<b>Profit after taxation for the financial period</b>	<u>11,174</u>	<u>7,952</u>	+	41	<u>32,554</u>	<u>17,591</u>	+	85
<b>Total comprehensive income attributable to:</b>								
Shareholders of the Company	11,456	8,059			32,991	17,166		
Non-controlling interests	210	31			737	87		
<b>Total comprehensive income for the period</b>	<u>11,666</u>	<u>8,090</u>			<u>33,728</u>	<u>17,253</u>		
<b>Basic earnings per ordinary share (sen):</b>								
Basic earnings per share (sen)	B11	1.71	1.53		6.60	5.50		
Diluted earnings per share (sen)	B11	NA	NA		NA	5.50		

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 2020 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 2021

	<b>Unaudited As At 31.12.2021 RM'000</b>	<b>Audited As At 31.12.2020 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	64,187	59,691
Goodwill on consolidation	6,449	6,356
Deferred tax assets	542	308
Right of use	5,508	4,366
	76,686	70,721
<b>Current assets</b>		
Inventories	6,856	2,801
Contract assets	111,416	61,798
Trade receivables	91,732	74,208
Other receivables, prepayments and deposits	13,714	8,609
Current tax assets	3,562	227
Fixed deposits with licensed banks	28,637	26,226
Cash and bank balances	77,690	105,753
	333,607	279,622
	<b>410,293</b>	<b>350,343</b>
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	73,292	73,292
Retained earnings	107,215	81,825
Other reserve	14,607	13,436
Treasury share	(534)	(534)
	194,580	168,019
<b>Total Equity attributable to Shareholders of the Company</b>		
Non-controlling interests	1,047	310
	195,627	168,329
<b>Total Equity</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	917	218
Lease liability	2,688	2,134
Long-term borrowings	25,069	27,203
	28,674	29,555
<b>Current liabilities</b>		
Contract liabilities	32,152	29,772
Trade payables	89,384	71,524
Other payables and accruals	29,142	18,584
Lease liability	1,486	922
Current tax liabilities	6,919	3,402
Short term borrowings	26,909	28,067
Bank overdraft	-	188
	185,992	152,459
	214,666	182,014
<b>Total liabilities</b>		
	<b>410,293</b>	<b>350,343</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		
<b>Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)</b>	0.3032	0.5218

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 2020 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 December 2021

	<b>Unaudited 12-Months Ended 31.12.2021 RM'000</b>	<b>Audited 12-Months Ended 31.12.2020 RM'000</b>
<b>CASH FLOWS (FOR)/ FROM OPERATING ACTIVITIES</b>		
Profit before taxation	38,488	20,945
Adjustments for:-		
Bad debts written off	-	4
Current tax assets written off	-	30
Depreciation of property, plant and equipment	4,727	4,440
Depreciation of right-of-use assets	959	698
Equipment written off	168	47
Impairment loss on trade receivables	3,642	4,763
Impairment losses on contract assets	1,000	619
Interest expense	2,772	2,476
Interest income	(582)	(729)
Loss/ (gain) on disposal of equipment	194	(2)
Loss on liquidation of a subsidiary	-	236
Provision for warranty costs	178	143
Share-based payments	-	419
Reversal of impairment losses on trade receivables	-	(401)
Reversal of impairment losses on contract assets	-	(517)
Reversal of provision of warranty costs	(587)	-
Reversal of provision of unutilised leave	-	(10)
Unrealised gain on foreign exchange	(1,746)	(1,224)
Operating profit before working capital changes	49,213	31,937
Increase in inventory	(4,055)	(2,218)
Increase in net of contract assets /contract liabilities	(48,238)	(13,273)
(Increase)/Decrease in trade and other receivables	(25,398)	17,953
Increase in trade and other payables	29,700	15,874
<b>CASH FROM OPERATIONS</b>	1,222	50,273
Income tax paid	(5,189)	(5,113)
Interest paid	(2,772)	(145)
Interest received	582	729
<b>NET CASH (FOR)/ FROM OPERATING ACTIVITIES</b>	(6,157)	45,744
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Purchase of plant and equipments	(9,112)	(11,130)
Addition of right-of-use assets	(96)	(74)
Proceeds from disposal of equipment	143	92
Increase in pledged fixed deposits and bank balances with licensed bank	(4,185)	(1,237)
Withdrawal of fixed deposits with maturity of more than 3 months	-	304
<b>NET CASH FOR INVESTING ACTIVITIES</b>	(13,250)	(12,045)
<b>CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES</b>		
Dividend paid	(6,430)	(4,820)
Interest paid	-	(2,331)
Drawdown of revolving credit	3,351	-
(Repayment)/drawdown of bankers' acceptance	(2,140)	2,140
Repayment of lease liability	(1,202)	(918)
(Repayment)/drawdown of term loan	(1,680)	8,530
(Repayment)/drawdown of invoice financing	(2,823)	8,659
<b>NET CASH (FOR)/FROM FINANCING ACTIVITIES</b>	(10,924)	11,260
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>	(30,331)	44,959
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	682	831
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	113,787	67,997
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	84,138	113,787
<b>Cash and cash equivalents at the end of financial period comprise the following:</b>		
Cash and bank balances	77,690	105,753
Fixed deposits	28,637	26,226
	106,327	131,979
Less: bank overdraft	-	(188)
Less: fixed deposits pledged to licensed banks	(18,962)	(15,466)
Less: bank balance pledged to licensed banks	(3,227)	(2,538)
	84,138	113,787

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 2020 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 FOURTH QUARTER ENDED 31 DECEMBER 2021**

**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 2020. 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 2020.

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 2020.

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:-

<b>MFRSs and/or IC Interpretations (Including the Consequential Amendments)</b>	<b>Effective date</b>
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendment to MFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
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
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 2020.

**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
<b>31.12.2021</b>				
Revenue				
External revenue	1,134	34,533	4,455	517,714
Inter-segment revenue	125	10	15,007	17,496
	1,259	34,543	19,462	535,210
Consolidated Adjustments				(17,496)
				<u>517,714</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
<b>31.12.2020</b>				
Revenue				
External revenue	775	22,121	1,822	394,599
Inter-segment revenue	38	154	16,218	18,348
	813	22,275	18,040	412,947
Consolidated Adjustments				(18,348)
				<u>394,599</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	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
Malaysia	198,997	122,913	61,326	57,293
China	129,217	124,706	3,889	3,829
Taiwan	16,632	14,816	104	133
Singapore	169,454	127,451	11,367	9,158
Indonesia	-	729	-	-
Philippines	3,414	383	-	-
Vietnam	-	3,601	-	-
	<u>517,714</u>	<u>394,599</u>	<u>76,686</u>	<u>70,413</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 2021.

**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 1 October 2021, KGB paid the first interim tax-exempt dividend of 0.5 sen per ordinary share in respect of the FYE 31 December 2021 amounting to RM3,215,036.

**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 2021, 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 December 2021:

	As at 31.12.2021 Unaudited RM'000	As at 31.12.20 Unaudited RM'000
<b>Contingent liabilities</b>		
Bank guarantee and insurance bond given to third party as performance bond or warranty bond	<u>123,667</u>	<u>35,402</u>

**14. Material Subsequent Events**

Saved as disclosed as below, there has been no material subsequent events after the quarter ended 31 December 2021:

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, payable on 6 April 2022.

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

1 Review Of Performance

	Current Year Quarter 31.12.2021 RM'000	Preceding Year Corresponding Quarter 31.12.2020 RM'000	Changes		Current Year-to-date 31.12.2021 RM'000	Preceding Year Corresponding Period 31.12.2020 RM'000	Changes	
			Amount RM'000	%			Amount RM'000	%
Revenue	180,136	134,277	45,859	34%	517,714	394,599	123,115	31%
Operating profit	13,835	8,204	5,631	69%	41,260	23,421	17,839	76%
Profit before tax	13,254	7,682	5,572	73%	38,488	20,945	17,543	84%
Profit after tax	11,174	7,952	3,222	41%	32,554	17,591	14,963	85%
Profit attributable to shareholders of the company	10,964	7,921	3,043	38%	31,820	17,504	14,316	82%

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Revenue 4Q2021 31.12.2021 RM'000	% of total	Revenue 4Q2020 31.12.2020 RM'000	% of total	Changes
					%
Service segment:	266	0%	195	0%	36%
Manufacturing & trading segment:	10,587	6%	6,833	5%	55%
- Industrial gases					
- Equipments and materials	975	1%	1,515	1%	-36%
Construction segment:	108,129	60%	80,842	60%	34%
- Ultra High Purity ("UHP")					
- Process Engineering	22,779	13%	19,851	15%	15%
- General Contracting	37,400	21%	25,041	19%	49%
<b>Total</b>	<b>180,136</b>		<b>134,277</b>		<b>34%</b>

Kelington's revenue in 4Q2021 rose 34% year-on-year (YoY) to RM180.1 million from RM134.3 million, on the back of higher projects completion in Malaysia and Singapore.

Revenue from Malaysia which represented 45% of total revenue in the quarter under review, increased by 54% to RM81.3 million as compared to RM52.8 million in 4Q2020 mainly due to contribution from a major general contracting job awarded in Q32021. Meanwhile, revenue contribution from Singapore increased to RM56.5 million in 4Q2021, representing 31% of total revenue, from RM32.5 million in the previous year's corresponding quarter, driven by higher revenue recognition from UHP projects awarded during FY2021. Both geographical segments recorded a commendable growth in revenue contribution as compared to 4Q2020.

During the quarter, revenue from China decreased by 23% to RM34.3 million from RM44.7 million in 4Q2020 mainly due to lower recognition from current project mix.

In terms of business segment, the UHP division remained the primary revenue contributor, representing 60% of total revenue to the Group in 4Q2021 and climbed 34% to RM108.1 million as compared to RM80.8 million in 4Q2020. Revenue from UHP segment was mainly derived from projects recognised in China, Singapore and Malaysia.

Process Engineering segment contributed RM22.8 million, up 15% YoY from RM19.9 million in 4Q2020 due to higher contribution from process engineering projects in Malaysia.

The Industrial Gases segment continued an upward performance in 4Q2021 with higher production output. Revenue grew to RM10.6 million in 4Q2021, an increase of 55% YoY as compared to RM6.8 million in 4Q2020.

In line with higher revenue performance, gross profit grew 25% YoY to RM31.0 million which resulted in a gross profit margin of 17.2%.

On a YoY comparison, profit before tax ("PBT") rose by 73% to RM13.3 million in 4Q2021 while profit after tax ("PAT") increased by 41% to RM11.2 million versus RM8.0 million in 4Q2020. The Group recorded lower effective tax rate as compared to the statutory tax rate due to certain profits were not subjected to income tax arising from the knock off of unutilised tax losses brought forward from prior years. Apart from this, there were some tax incentives in China due to expenditure on research and developments.

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

	Revenue 12M2021 RM'000	% of total	Revenue 12M2020 RM'000	% of total	Changes
					%
Service segment:	1,134	0%	775	0%	46%
Manufacturing & trading segment:	34,533	6%	22,121	6%	56%
- Industrial gases					
- Equipments and materials	4,455	1%	1,822	0%	145%
Construction segment:	339,845	66%	277,168	70%	23%
- Ultra High Purity ("UHP")					
- Process Engineering	62,008	12%	46,452	12%	33%
- General Contracting	75,739	15%	46,261	12%	64%
<b>Total</b>	<b>517,714</b>		<b>394,599</b>		<b>31%</b>

1 Review Of Performance (Cont'd)

(b) Current Year-to date vs. Previous Year-to date (Cont'd)

In 12M2021, the Group's revenue performance jumped 31% to RM517.7 million compared to RM394.6 million from last year corresponding period ("12M2020"). This was mainly driven by higher contribution across all our business segments as well as dampened financial performance in 12M2020 due to lockdowns measures implemented to control the spread of Covid-19 virus in our key operating markets.

Revenue from UHP division grew 23% to RM339.8 million in 12M2021 against RM277.2 million in 12M2020 due to higher projects recognition in Singapore, China, Malaysia and Taiwan.

Revenue from Process Engineering division increased by 33% to RM62.0 million in 12M2021 compared to RM46.5 million in 12M2020 mainly due to projects contribution in Malaysia.

The better performance in General Contracting division was mainly attributed to a large project award in Malaysia, which boosted the revenue by 64% YoY to RM75.7 million from RM46.3 million in 12M2020.

Revenue from the Industrial Gases division grew 56% to RM34.5 million in 12M2021 as compared to RM22.1 million in the same period last year, mainly driven by higher sales of liquid carbon dioxide.

Revenue from equipments and materials division improved to RM4.5 million in 12M2021 due to higher contribution from the manufacturing and trading of equipment and materials for UHP fabrication.

In terms of geographical breakdown in 12M2021, revenue contribution was led by Malaysia at 38% or RM199.0 million, followed by Singapore (33%), China (25%) and Taiwan (3%).

In line with the topline growth, gross profit registered an increase of 46% to RM85.6 million in 12M2021 against prior year, resulting in a gross profit margin of 16.5% as compared to 14.9% a year ago. PBT increased by 84% YoY to RM38.5 million as compared to RM20.9 million in 12M2020. PAT stood at RM32.6 million in 12M2021, a strong recovery from RM17.6 million in 12M2020 where the Group was faced with operational disruptions caused by COVID-19 lockdown.

(c) Variation of Results Against Preceding Quarter

	Current Quarter 4Q2021 31.12.2021 RM'000	Immediate Preceding Quarter 3Q2021 30.9.2021 RM'000	Changes	
			Amount RM'000	%
Revenue	180,136	106,369	73,767	69%
Operating profit	13,835	9,479	4,356	46%
Profit before tax	13,254	8,770	4,484	51%
Profit after tax	11,174	8,147	3,027	37%
Profit attributable to shareholders of the company	10,964	7,960	3,004	38%

The Group's revenue increased to RM180.1 million in 4Q2021 against RM106.4 million in 3Q2021, mainly due to higher contribution of projects in Malaysia, Singapore, China and Taiwan.

Meanwhile, PBT increased by RM4.5 million to RM13.3 million from RM8.8 million in 3Q2021 while PAT increased by 37% to RM11.2 million from RM8.1 million. The improvement in profitability was mainly due to the upward contribution from all countries.

(d) Statement of Financial Position

Financial Indicators	As at 31.12.2021	As at 31.12.2020
	Unaudited RM'000	Audited RM'000
Total assets	410,293	350,343
Total equity	195,627	168,329
Debt	56,152	58,514
Fixed deposits, cash & bank balances	106,327	131,979
Net cash	50,175	73,465
Debt-to-Equity (Gearing)	0.29	0.35

As at 31 December 2021, the Group's shareholder equity (excluding non-controlling interests) increased to RM194.6 million from RM168.0 million as at 31 December 2020, on the back of consecutive quarterly profit. During the year, the Group had paid RM6.4 million dividends to the shareholders.

The Group's total debt stood at RM56.2 million as at 31 December 2021 against RM58.5 million as at 31 December 2020.

During the year, cash and cash equivalents was lower, mainly due to the repayment of borrowing and working capital for projects. Overall, the Group's financial position remained healthy in a net cash position of RM50.2 million with total gross cash in hand of RM106.3 million exceeding the total debt of RM56.2 million as at 31 December 2021. Net cash per share stood at 8 sen.

## 2 Commentary Of Prospects

The chips shortage remains prevalent moving into 2022, which continues to take a toll on the global supply chain and impacted many industries. Hence, semiconductor players around the world are ramping up its expansion plans to capitalise on the semiconductor boom. As UHP solutions are critical in building semiconductor plants, this has directly benefitted us as we are one of the leading UHP solutions provider in the region.

In line with the favourable backdrop, project flow remains strong as the Group secured RM1.19 billion worth of contracts in 2021. Inclusive of the carried forward projects from prior years, Kelington's total orderbook rose to RM1.5 billion, of which RM1.1 billion remains outstanding as at 31 December 2021.

Our Industrial Gases division is expected to continue its upward trajectory, underpinned by recovery in economic activities across various industries which will elevate the demand for liquid carbon dioxide.

Barring unforeseen circumstances, we are confident to maintain our growth momentum in 2022, buoyed by project recognition of our extensive orderbook in hand as well as robust expansion pipeline by semiconductor leaders around the globe. Meanwhile, the industry outlook remains promising due to technological shifts occurring around the globe such 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 2021 in any public document and hence this information is not applicable.

## 4 Profit for the Period

	Quarter ended		Year-to-date ended	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	268	391	582	729
Interest expense	(581)	(661)	(2,772)	(2,476)
Impairment loss on trade receivables:				
- specified	(597)	(2,300)	(642)	(4,700)
- in accordance to MFRS 9	(2,800)	(63)	(3,000)	(63)
Impairment loss on contract assets:				
- in accordance to MFRS 9	(800)	(419)	(1,000)	(619)
Depreciation and amortisation	(1,190)	(903)	(4,727)	(4,440)
Depreciation of right-of-use assets	(341)	(80)	(959)	(698)
Equipment written off	(168)	(47)	(168)	(47)
Unrealised Foreign exchange gain/(loss)	110	(412)	1,746	1,224
Realised Foreign exchange gain/(loss)	(146)	371	(348)	169
Provision for warranty costs	(178)	(143)	(178)	(143)
(Loss)/gain on disposal of equipment	(1)	195	(194)	2
Reversal of impairment loss on trade receivables:				
- in accordance to MFRS 9	-	401	-	401
Reversal of impairment loss on contract assets	-	517	-	517
Reversal of provision of warranty costs	524	(63)	587	-
Reversal of provision of unutilised leave	-	10	-	10

### Note:

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 31.12.2021 RM'000	Cumulative Year to date ended 31.12.2021 RM'000
Current tax:		
- for the financial period	2,080	5,934

The effective tax rate of the Group for the current financial period under review is lower than the statutory tax rate as certain subsidiaries are not subject to income tax mainly due to unutilised tax losses brought forward from prior years. Apart from this, there are some tax incentives in China due to expenditure on research and developments.

## 6 Corporate Proposal

There were no outstanding corporate proposals announced but not completed as at the current quarter under review.

## 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 2021 versus 31 December 2020 were as follows:

	31.12.2021 RM'000	31.12.2020 RM'000
Non-current	2,688	2,134
Current	1,486	922
<b>Total</b>	<b>4,174</b>	<b>3,056</b>

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

(b) Group Borrowings

The borrowings as at 31 December 2021 versus 31 December 2020 were as follows.

	As At 31 December 2021					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
<b>Secured</b>						
Term Loan	NTD16,000, RM4,914	7,323	RM25,069	25,069	NTD 16,000, RM29,983	32,392
Revolving loan	SGD600, RM1,500	3,351	-	-	SGD600, RM1,500	3,351
Post buyer Loan/Invoice financing	RMB11,651, RM8,607	16,235	-	-	RMB11,651, RM8,607	16,235
<b>Unsecured</b>						
Nil	-	-	-	-	-	-
		26,909		25,069		51,978
Weighted average interest rate of borrowings						4.12%
Proportion of borrowings between fixed interest rate and floating interest rate						3%:97%

The decrease in borrowing during the year ended 31 December 2021 is mainly due to repayment of borrowing for projects as well as the term loan instalments.

(b) Group Borrowings (Cont'd)

	As At 31 December 2020					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
<b>Secured</b>						
Term Loan	NTD17,457, RM4,373	6,869	NTD500, RM27,132	27,203	NTD17,957, RM31,505	34,072
Import Loan/Invoice financing	RMB25,695, RM3,278	19,058	-	-	RMB25,695, RM3,278	19,058
Overdraft	RM188	188	-	-	RM188	188
Bankers' acceptance	RM2,140	2,140	-	-	RM2,140	2,140
<b>Unsecured</b>						
Nil	-	-	-	-	-	-
		28,255		27,203		55,458
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.

## 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:

- over-valued the Mutiara's claim for original sub-contract works by SGD86,570;
- over-valued the Mutiara's claim for variations by SGD371,231; and
- 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 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.

9 Material Litigation (cont'd)

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

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.

On 5 March 2021, Mutiara filed a further affidavit, presenting evidence of their ongoing business / projects, its latest available financial information, the Guaranteed Sum of S\$679,070.00 has been paid out to Kelington Engineering (S) Pte Ltd ("KES"), and there is no other ongoing litigation/arbitration involving Mutiara, apart from the ongoing arbitration.

On 12 March 2021, KES has filed an affidavit in response to the Affidavit filed on behalf of Mutiara, and humbly requested for an order to stay the enforcement of the Adjudicator's determination pending the disposal of the ongoing arbitration proceedings between KES and Mutiara.

On 12 April 2021, KES received a Court Order dated 5 April 2021 from the High Court of the Republic of Singapore and the Court ordered that:

1. KES's 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 is dismissed;
2. KES's application for an order to stay the enforcement of the AD pending the disposal of the ongoing arbitration proceedings between KES and Mutiara is dismissed;
3. The sum of S\$1,739,893.22 paid into court by KES together with any interest accrued thereon, is to be paid out and released to Mutiara (FE) Pte Ltd ("Mutiara"); and
4. KES to pay the costs of SGD25,000 plus reasonable disbursements to Mutiara.

KES has on 7 April 2021 made a payment amounting to SGD41,709.43 to Mutiara, being payment for the costs plus reasonable disbursements incidental to this Court application.

The Board of Directors is of the view that the conclusion of the adjudication proceeding between Mutiara and KES is not expected to have any significant financial impact on the Company for the financial year ending 31 December 2021.

**(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.

**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 (cont'd)**

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.

**(4) 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, payable 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	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Profit After Taxation attributable to owners of the company (RM'000)	10,964	7,921	31,820	17,504
Weighted average number of ordinary shares in issue ('000)	643,007	315,530	481,815	316,299
Basic Earnings Per Share (Sen)	1.71	2.50	6.60	5.50
Diluted Earnings Per Share (Sen)	NA	NA	NA	5.50

**Note :**

The unexercised convertible warrants were anti-dilutive in nature. This is due to the average market share price of the Company being below the exercise price of the 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:

<u>31.12.2021</u>	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
Not past due	76,062	(365)	75,697
Past due:			
- less than 3 months	9,306	(724)	8,582
- 3 to 6 months	2,154	(187)	1,967
- over 6 months to 1 year	4,133	(235)	3,898
- over 1 year	4,310	(2,722)	1,588
Credit impaired	10,302	(10,302)	-
	<u>106,267</u>	<u>(14,535)</u>	<u>91,732</u>

Some of the trade receivables that are past due were not impaired based on the historical collection trends.

<u>31.12.2020</u>	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
Not past due	58,872	(230)	58,642
Past due:			
- less than 3 months	15,438	(246)	15,192
- 3 to 6 months	222	(115)	107
- over 6 months to 1 year	821	(601)	220
- over 1 year	115	(68)	47
Credit impaired	9,921	(9,921)	-
	<u>85,389</u>	<u>(11,181)</u>	<u>74,208</u>

13 Disclosure Of Realised And Unrealised Profits/ (Losses)

	Cumulative Year to date ended 31.12.2021 RM'000	Cumulative Year to date ended 31.12.2020 RM'000
Total retained profits of KGB:		
- Realised	105,844	81,091
- Unrealised	1,371	734
Total group retained profits as per consolidated accounts	<u>107,215</u>	<u>81,825</u>