

KELINGTON GROUP BERHAD ("KGB")
[Company No. 199901026486 (501386-P)]
Statement of Profit or Loss and Other Comprehensive Income
For The 2nd Quarter Ended 30 June 2022

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the period ended 30 June 2022 are as follow:-

	Unaudited	Unaudited			Unaudited	Unaudited		
	Current	Previous	+		6-months	6-months	+	
Note	Qtr Ended	Qtr Ended	-		Period	Period	-	
	30.6.2022	30.6.2021	%		up to	up to	%	
	RM'000	RM'000			30.6.2022	30.6.2021		
					RM'000	RM'000		
Revenue	312,397	126,389	+	147	485,725	231,209	+	110
Cost of sales	(279,869)	(106,872)			(429,470)	(197,086)		
Gross profit	<u>32,528</u>	<u>19,517</u>	+	67	<u>56,255</u>	<u>34,123</u>	+	65
Other income	787	1,876			1,448	3,525		
Administrative expenses	(10,207)	(8,730)			(20,442)	(15,415)		
Selling and distribution expenses	(347)	(573)			(827)	(975)		
Other expenses	(4,256)	(1,636)			(6,222)	(3,312)		
Results from operating activities	<u>18,505</u>	<u>10,454</u>	+	77	<u>30,212</u>	<u>17,946</u>	+	68
Finance costs	(1,001)	(728)			(1,595)	(1,482)		
Profit before taxation for the financial period	<u>17,504</u>	<u>9,726</u>	+	80	<u>28,617</u>	<u>16,464</u>	+	74
Taxation	(3,572)	(2,202)			(6,171)	(3,231)		
Profit after taxation for the financial period	<u>13,932</u>	<u>7,524</u>	+	85	<u>22,446</u>	<u>13,233</u>	+	70
Other comprehensive income, net of tax								
Foreign currency translation	682	(96)			2,193	926		
	<u>682</u>	<u>(96)</u>			<u>2,193</u>	<u>926</u>		
Total comprehensive income for the period	<u>14,614</u>	<u>7,428</u>			<u>24,639</u>	<u>14,159</u>		
Profit attributable to:								
Shareholders of the Company	13,559	7,352	+	84	21,861	12,896	+	70
Non-controlling interests	373	172			585	337	+	
Profit after taxation for the financial period	<u>13,932</u>	<u>7,524</u>	+	85	<u>22,446</u>	<u>13,233</u>	+	70
Total comprehensive income attributable to:								
Shareholders of the Company	14,242	7,256			24,055	13,819		
Non-controlling interests	372	172			584	340		
Total comprehensive income for the period	<u>14,614</u>	<u>7,428</u>			<u>24,639</u>	<u>14,159</u>		
Basic earnings per ordinary share (sen):								
Basic earnings per share (sen)	B11	2.11	2.29		3.40	4.01		
Diluted earnings per share (sen)	B11	NA	NA		NA	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 30 June 2022

	Unaudited As At 30.6.2022 RM'000	Audited As At 31.12.2021 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	77,679	64,358
Goodwill on consolidation	6,618	6,449
Deferred tax assets	-	272
Right-of-use assets	6,672	5,655
	<u>90,969</u>	<u>76,734</u>
Current assets		
Inventories	13,690	6,856
Contract assets	136,239	111,111
Trade receivables	325,044	92,136
Other receivables, prepayments and deposits	57,469	10,186
Current tax assets	682	448
Fixed deposits with licensed banks	20,549	25,410
Cash and bank balances	61,828	81,087
	<u>615,501</u>	<u>327,234</u>
	<u>706,470</u>	<u>403,968</u>
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity		
Share capital	73,292	73,292
Retained earnings	119,000	103,569
Other reserve	17,559	15,365
Treasury share	(534)	(534)
Total Equity attributable to Shareholders of the Company	<u>209,317</u>	<u>191,692</u>
Non-controlling interests	1,639	1,055
Total Equity	<u>210,956</u>	<u>192,747</u>
Non-current liabilities		
Deferred tax liabilities	2,287	777
Lease liability	3,159	2,679
Long-term borrowings	20,710	23,168
	<u>26,156</u>	<u>26,624</u>
Current liabilities		
Contract liabilities	170,125	30,854
Trade payables	148,235	94,042
Other payables and accruals	34,614	25,271
Lease liability	1,975	1,495
Current tax liabilities	4,214	3,756
Short term borrowings	108,698	29,019
Bank overdraft	1,497	160
	<u>469,358</u>	<u>184,597</u>
Total liabilities	<u>495,514</u>	<u>211,221</u>
TOTAL EQUITY AND LIABILITIES	<u>706,470</u>	<u>403,968</u>
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.3269	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 Statement of Cash Flow
For The Period Ended 30 June 2022

	Unaudited 6-Months Ended 30.6.2022 RM'000	Unaudited 6-Months Ended 30.6.2021 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	28,617	16,464
Adjustments for:-		
Depreciation of property, plant and equipment	2,530	2,379
Depreciation of right-of-use assets	726	398
Impairment loss on trade receivables	1,414	20
Interest expense	1,595	1,436
Interest income	(91)	(259)
Loss on disposal of equipment	38	193
Provision for warranty costs	28	52
Reversal of provision of warranty costs	-	(47)
Unrealised gain on foreign exchange	(55)	(1,137)
Operating profit before working capital changes	34,802	19,499
Increase in inventory	(6,834)	(2,986)
Changes in net of contract assets /contract liabilities	114,143	(20,799)
Increase in trade and other receivables	(281,578)	(36,490)
Increase in trade and other payables	63,535	7,866
CASH FOR OPERATIONS	(75,932)	(32,910)
Income tax paid	(4,165)	(3,268)
Interest paid	(23)	(6)
Interest received	91	259
NET CASH FOR OPERATING ACTIVITIES	(80,029)	(35,925)
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(15,887)	(5,712)
Addition of right-of-use assets	-	(96)
Proceeds from disposal of equipment	83	143
Increase in pledged fixed deposits and bank balances with licensed bank	(1,272)	(647)
NET CASH FOR INVESTING ACTIVITIES	(17,076)	(6,312)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES		
Dividend paid	(6,430)	(3,215)
Interest paid	(1,572)	(1,430)
Drawdown of revolving credit	14,621	6,131
Repayment of bankers' acceptance	-	(968)
Repayment of lease liability	(828)	(526)
Repayment of term loan	(3,274)	(2,736)
Drawdown of trust receipts	(3,339)	-
Drawdown of bills discounting	-	514
Drawdown of invoice financing	69,213	(5,558)
NET CASH FROM/(FOR) FINANCING ACTIVITIES	68,391	(7,788)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(28,714)	(50,025)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,985	571
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	85,046	113,787
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	58,317	64,333
 Cash and cash equivalents at the end of financial period comprise the following:		
Cash and bank balances	61,828	58,169
Fixed deposits	20,549	24,815
	82,377	82,984
Less: bank overdraft	(1,497)	-
Less: fixed deposits pledged to licensed banks	(19,213)	(15,747)
Less: bank balance pledged to licensed banks	(3,350)	(2,904)
	58,317	64,333

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.

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 17 Insurance Contracts	1 January 2023
Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information	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
30.6.2022				
Revenue				
External revenue	620	21,511	226	463,368
Inter-segment revenue	94	269	8,010	217
	714	21,780	8,236	463,585
Consolidated Adjustments				(8,590)
				485,725

Service Segment	Manufacturing and Trading Segment:		Construction Segment	The Group
	Industrial Gases	Equipments & Materials		
RM'000	RD51:G66M'000	RM'000	RM'000	RM'000
30.6.2021				
Revenue				
External revenue	583	16,418	2,368	211,840
Inter-segment revenue	57	4	5,216	1,644
	640	16,422	7,584	213,484
Consolidated Adjustments				(6,921)
				231,209

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	
	30.6.2022 RM'000	30.6.2021 RM'000	30.6.2022 RM'000	30.6.2021 RM'000
Malaysia	225,861	81,529	73,323	60,614
China	78,567	65,622	3,441	3,942
Taiwan	11,492	6,333	70	121
Singapore	166,943	76,491	14,135	10,423
Philippines	1,884	1,234	-	-
Others	978	-	-	-
	<u>485,725</u>	<u>231,209</u>	<u>90,969</u>	<u>75,100</u>

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 30 June 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

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.

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 30 June 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 ended 30 June 2022:

	As at 30.6.2022 Unaudited RM'000	As at 30.6.2021 Unaudited RM'000
Contingent liabilities		
Bank guarantee and insurance bond given to third party as performance bond or warranty bond	179,665	24,030

The increase in amount 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 30 June 2022:

On 15 August 2022, the Board of Directors of KGB proposed the payment of first interim tax-exempt dividend of 1 sen per ordinary share in respect of the FYE 31 December 2022 amounting to RM6,430,072. The payment will be on 22 September 2022.

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

1 Review Of Performance

	Current Year Quarter 30.6.2022 RM'000	Preceding Year Corresponding Quarter 30.6.2021 RM'000	Changes		Current Year-to-date 30.6.2022 RM'000	Preceding Year Corresponding Period 30.6.2021 RM'000	Changes	
			Amount RM'000	%			Amount RM'000	%
Revenue	312,397	126,389	186,008	147%	485,725	231,209	254,516	110%
Operating profit	18,505	10,454	8,051	77%	30,212	17,946	12,266	68%
Profit before tax ("PBT")	17,504	9,726	7,778	80%	28,617	16,464	12,153	74%
Profit after tax ("PAT")	13,932	7,524	6,408	85%	22,446	13,233	9,213	70%
Profit attributable to shareholders of the company	13,559	7,352	6,207	84%	21,861	12,896	8,965	70%

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Revenue 2Q2022 30.6.2022 RM'000	% of total	Revenue 2Q2021 30.6.2021 RM'000	% of total	Changes %
Service segment:	321	0%	290	0%	11%
Manufacturing & trading segment:	11,653	4%	7,620	6%	53%
- Industrial gases					
- Equipments and materials	5	0%	1,470	1%	-100%
Construction segment:	191,776	61%	92,156	73%	108%
- Ultra High Purity ("UHP")					
- Process Engineering	11,533	4%	12,530	10%	-8%
- General Contracting	97,109	31%	12,323	10%	688%
Total	312,397		126,389		147%

Kelington's revenue grew 147% YoY to RM312.4 million in 2Q2022, attributed to higher project completion in Malaysia and Singapore.

In terms of geographical breakdown, Malaysia was the largest contributor, representing 47% of Group's revenue. Revenue from Malaysia soared 293% YoY to RM148.0 million mainly due to the contribution of a major general contracting job awarded in Q32021.

Meanwhile, revenue from Singapore increased by 177% to RM104.7 million from RM37.8 million in the previous year's corresponding quarter. The strong growth was mainly driven by higher revenue contribution from UHP projects awarded during the second half of FY2021. Singapore stood as the second largest contributor, at 34% of total revenue.

Due to higher recognition from on-going projects, China contributed RM51.6 million in revenue, representing a 11% increase YoY. Revenue from Taiwan more than doubled to RM6.6 million from RM3.3 million previously.

In terms of business segment, the UHP division remained the primary revenue contributor, representing 61% of total revenue to the Group in 2Q 2022. Revenue from UHP division climbed 108% YoY to RM191.8 million, spurred by growth in contribution from Singapore and Malaysia.

The General Contracting division recorded a strong 688% rise in revenue to RM97.1 million from RM12.3 in 2Q2021 mainly due to a major general contracting job awarded in Q32021.

The Process Engineering division contributed steadily in 2Q2022 at revenue of RM11.5 million, from RM12.5 million in 1Q2021.

The Industrial Gases division continued its upward performance in 2Q2022 with higher production output. Revenue increased by 53% YoY in 2Q2022 to RM11.7 million, as compared to RM7.6 million in 2Q2021.

In line with higher revenue performance in 2Q2022, gross profit grew 67% YoY to RM32.5 million compared to RM19.5 million in 2Q2021. However, gross margin stood lower at 10.4% due to the current project mix as compared to 15.4% previously.

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

	Revenue 6M2022 RM'000	% of total	Revenue 6M2021 RM'000	% of total	Changes
Service segment:	620	0%	583	0%	6%
Manufacturing & trading segment:	21,511	4%	16,418	7%	31%
- Industrial gases					
- Equipments and materials	226	0%	2,368	1%	-90%
Construction segment:	304,416	63%	161,092	69%	89%
- Ultra High Purity ("UHP")					
- Process Engineering	23,483	5%	22,176	10%	6%
- General Contracting	135,469	28%	28,572	13%	374%
Total	485,725		231,209		110%

KELINGTON GROUP BERHAD ("KGB")
[Company No. 199901026486 (501386-P)]
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2022

1 Review Of Performance (Cont'd)

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

The Group's revenue more than doubled YoY to RM485.7 million in 6M2022 as compared to RM231.2 million in the previous year's corresponding period ("6M2021"). This was mainly driven by the strong orders secured across the UHP and General Contracting divisions as well as increase in demand in the Industrial Gases division.

Revenue from UHP division grew 89% YoY to RM304.4 million in 6M2022 against RM161.1 million in 6M2021, largely due to higher project recognition in Malaysia and Singapore.

The better performance in General Contracting division was mainly attributed to a large project in Malaysia, which led to a 374% rise in revenue to RM135.5 million in 6M2022 from RM28.6 million in 6M2021.

In addition, revenue from the Industrial Gases division rose 31% YoY to RM21.5 million in 6M2022, mainly driven by higher sales of liquid carbon dioxide and a few other gases.

In terms of geographical breakdown in 6M2022, revenue contribution was led by Malaysia at 46% followed by Singapore at 34%, China (16%) and Taiwan (2%).

In line with the topline growth, gross profit, PBT, and PAT increased 65% YoY to RM56.3 million, 74% YoY to RM28.6 million and 70% YoY to RM22.4 million respectively.

(c) Variation of Results Against Preceding Quarter

	Current Quarter 2Q2022 Unaudited 30.6.2022 RM'000	Immediate Preceding Quarter 1Q2022 Unaudited 31.3.2022 RM'000	Changes	
			Amount RM'000	%
Revenue	312,397	173,328	139,069	80%
Operating profit	18,505	11,707	6,798	58%
Profit before tax ("PBT")	17,504	11,113	6,391	58%
Profit after tax ("PAT")	13,932	8,514	5,418	64%
Profit attributable to shareholders of the company	13,559	8,302	5,257	63%

As compared to 1Q2022, which is traditionally a weaker quarter due to the Chinese New Year festivities that impact our operations across our key operating markets, revenue increased by 80% to RM312.4 million in 2Q 2022.

Meanwhile, PBT increased by 58% to RM17.5 million from RM11.1 million in 1Q2022 and PAT increased by 64% to RM13.9 million from RM8.5 million.

(d) Statement of Financial Position

Financial Indicators	As at 30.6.2022	As at 31.12.2021
	Unaudited RM'000	Audited RM'000
Total assets	706,470	403,968
Total equity	210,956	192,747
Debt	136,039	56,521
Fixed deposits, cash & bank balances	82,377	106,497
Net cash	(53,662)	49,976
Debt-to-Equity (Gearing)	0.64	0.29

As at 30 June 2022, the Group's shareholder equity (excluding non-controlling interests) increased to RM209.3 million from RM191.7 million as at 31 December 2021, on the back of consecutive quarterly profit. During the period, the Group had distributed RM6.4 million dividends to shareholders.

The Group's total debt increased to RM136.0 million as at 30 June 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.

However, the Group's financial position remained healthy with cash position at RM82.4 million and optimal gearing ratio at 0.64.

2 Commentary Of Prospects

The Group continues to benefit from the semiconductor shortage as manufacturers race to expand production capacity by establishing new facilities. As at 30 June 2022, we have secured new contracts amounting to RM798 million. Including the projects carried forward from the previous years, our total orderbook stands at RM1.9 billion, of which RM1.4 billion remains outstanding.

In addition to that, we recently clinched an UHP contract worth approximately RM117 million from a customer in Singapore to undertake the bulk and specialty gas system distribution works.

Leveraging on our strong track record, we aim to sustain our growth momentum by continuing our active participation in project tenders across our Ultra High Purity, Project Engineering and General Contracting Segments.

Prospects at the Industrial Gases division remain positive as demand for liquid carbon dioxide (LCO2) increase in tandem with the recovery in economic activities.

Barring unforeseen circumstances, we are confident of delivering a commendable financial performance in the second half of FY2022 as we execute our existing orderbook across our key operating markets.

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	
	30.6.2022 RM'000	30.6.2021 RM'000	30.6.2022 RM'000	30.6.2021 RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	54	100	91	259
Interest expense #	(1,121)	(586)	(1,717)	(1,436)
Impairment loss on trade receivables:				
- specified	(1,342)	(20)	(1,414)	(20)
Depreciation and amortisation	(1,310)	(1,324)	(2,530)	(2,379)
Depreciation of right-of-use assets	(401)	(53)	(726)	(398)
Unrealised Foreign exchange gain/(loss)	538	479	55	1,137
Realised Foreign exchange gain/(loss)	80	(36)	80	(69)
(Loss)/gain on disposal of equipment	(20)	-	(38)	(193)

Note:

- RM122,000 of the interest expense are included in cost of sales

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	3,572	6,171

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.

Employees Share Scheme ("ESS")

On 31 May 2022, Board of Directors of Kelington announced that all resolutions set out in the Notice of the Extraordinary General Meeting ("EGM") dated 18 April 2022 pertaining the proposal of ESS were duly passed at the EGM.

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 30 June 2022 versus 30 June 2021 were as follows:

	30.6.2022 RM'000	30.6.2021 RM'000
Non-current	3,159	2,769
Current	1,975	1,105
Total	5,134	3,874

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

8 Lease Liability and Group Borrowings (Cont'd)

(b) Group Borrowings

The borrowings as at 30 June 2022 versus 30 June 2021 were as follows.

	As At 30 June 2022					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
Secured						
Term Loan	RM8,058	8,058	RM20,710	20,710	RM28,768	28,768
Revolving loan	SGD1,300; RM12,000	16,121	-	-	SGD1,300; RM12,000	16,121
Post buyer Loan/Invoice financing	RMB32,000; SGD7,373; RM40,079	84,519	-	-	RMB32,000; SGD7,373; RM40,079	84,519
Bank overdraft	RM1,497	1,497	-	-	RM1,497	1,497
Unsecured						
Nil	-	-	-	-	-	-
		110,195		20,710		130,905
Weighted average interest rate of borrowings						3.98%
Proportion of borrowings between fixed interest rate and floating interest rate						1%:99%

The increase in borrowing during the period ended 30 June 2022 is mainly due to the financing for the projects undertaken in Singapore and Malaysia. The relatively lower weighted average interest rate for the period ended 30 June 2022 as compared to the same period last year is mainly due to the lower interest rate for revolving loan and invoice financing.

	As At 30 June 2021					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
Secured						
Term Loan	NTD11,080, RM1,538	3,187	RM28,149	28,149	NTD11,080, RM29,687	31,336
Bills discounting	NTD3,450	514	-	-	NTD3,450	514
Revolving loan	SGD1,300, RM1,700	6,131	-	-	SGD1,300, RM1,700	6,131
Import Loan/Invoice financing	RMB16,432, RM2,937	13,500	-	-	RMB16,432, RM2,937	13,500
Bankers' acceptance	RM1,172	1,172	-	-	RM1,172	1,172
Unsecured						
Nil	-	-	-	-	-	-
		24,504		28,149		52,653
Weighted average interest rate of borrowings						4.39%
Proportion of borrowings between fixed interest rate and floating interest rate						6%:94%

The decrease in borrowing during the period ended 30 June 2021 is mainly due to repayment of invoice financing loan for projects.

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.

On 13 June 2022, KTSB had responded to the Claimant Notice of Arbitration dated 27 November 2020. In summary, KTSB disputes the Claimant entitlement to the relief sought in the Notice of Arbitration and claims against the Claimant by way of counterclaims, including but not limited to:

- 1 the sum of RM6,272,033.97;
- 2 further, or alternatively, such sums as may be determined by this Honourable Tribunal on a quantum meruit basis;
- 3 interest for such period and rate as the Honourable Tribunal deems fit;
- 4 costs of the arbitration; and
- 5 such further relief as the Honourable Tribunal deems fit and proper.

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

10 Dividends Payable

On 15 August 2022, the Board of Directors of KGB proposed the payment of first interim tax-exempt dividend of 1 sen per ordinary share in respect of the FYE 31 December 2022 amounting to RM6,430,072. The payment will be on 22 September 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	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
Profit After Taxation attributable to owners of the company (RM'000)	13,559	7,352	21,861	12,896
Weighted average number of ordinary shares in issue ('000)	643,007	321,504	643,007	321,504
Basic Earnings Per Share (Sen)	2.11	2.29	3.40	4.01
Diluted Earnings Per Share (Sen)#^	NA	NA	NA	NA

Note :

- As at 30 June.2022, 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. As at 30.6.2021, all shares of Employee Shares Scheme had been fully exercised on 18 Aug 2020.

^ - As at 30 June 2021, all shares of Employee Shares Scheme had been fully exercised on 18 Aug 2020.

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
30.6.2022			
Not past due	283,487	(1,112)	282,375
Past due:			
- less than 3 months	42,935	(2,224)	40,711
- 3 to 6 months	1,225	(453)	772
- over 6 months to 1 year	83	(41)	42
- over 1 year	2,114	(970)	1,144
Credit impaired	9,609	(9,609)	-
	<u>339,453</u>	<u>(14,409)</u>	<u>325,044</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
30.6.2021			
Not past due	76,835	(88)	76,747
Past due:			
- less than 3 months	21,203	(550)	20,653
- 3 to 6 months	3,756	(54)	3,702
- over 6 months to 1 year	4,516	(258)	4,258
- over 1 year	397	(273)	124
Credit impaired	9,711	(9,711)	-
	<u>116,418</u>	<u>(10,934)</u>	<u>105,484</u>

KELINGTON GROUP BERHAD ("KGB")
[Company No. 199901026486 (501386-P)]
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2022

13 Disclosure Of Realised And Unrealised Profits/ (Losses)

	Cumulative Year to date ended 30.6.2022 RM'000	Cumulative Year to date ended 30.6.2021 RM'000
Total retained profits of KGB:		
- Realised	121,287	90,252
- Unrealised	(2,287)	1,254
Total group retained profits as per consolidated accounts	<u>119,000</u>	<u>91,506</u>