

KELINGTON GROUP BERHAD ("KGB")
[Company No. 199901026486 (501386-P)]
Statement of Profit or Loss and Other Comprehensive Income
For The 1st Quarter Ended 31 March 2021

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

Note	Unaudited		+	-	%	Unaudited		+	-	%
	Current Qtr Ended 31.3.2021 RM'000	Previous Qtr Ended 31.3.2020 RM'000				3-months Period up to 31.3.2021 RM'000	3-months Period up to 31.3.2020 RM'000			
Revenue	104,820	84,731			24	104,820	84,731			24
Cost of sales	(90,214)	(72,953)				(90,214)	(72,953)			
Gross profit	14,606	11,778			24	14,606	11,778			24
Other income	1,649	1,613				1,649	1,613			
Administrative expenses	(6,685)	(6,358)				(6,685)	(6,358)			
Selling and distribution expenses	(402)	(200)				(402)	(200)			
Other expenses	(1,676)	(1,236)				(1,676)	(1,236)			
Results from operating activities	7,492	5,597			34	7,492	5,597			34
Finance costs	(754)	(695)				(754)	(695)			
Profit before taxation for the financial period	6,738	4,902			37	6,738	4,902			37
Taxation	(1,029)	(879)				(1,029)	(879)			
Profit after taxation for the financial period	5,709	4,023			42	5,709	4,023			42
Other comprehensive income, net of tax										
Foreign currency translation	1,022	(566)				1,022	(566)			
	1,022	(566)				1,022	(566)			
Total comprehensive income for the period	6,731	3,457				6,731	3,457			
Profit attributable to:										
Shareholders of the Company	5,544	4,055			37	5,544	4,055			37
Non-controlling interests	165	(32)				165	(32)			
Profit after taxation for the financial period	5,709	4,023			42	5,709	4,023			42
Total comprehensive income attributable to:										
Shareholders of the Company	6,563	3,487				6,563	3,487			
Non-controlling interests	168	(30)				168	(30)			
Total comprehensive income for the period	6,731	3,457				6,731	3,457			
Basic earnings per ordinary share (sen):										
Basic earnings per share (sen)	B11	1.72			1.30	1.72	1.30			
Diluted earnings per share (sen)	B11	NA			1.25	NA	1.25			

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 March 2021

	Unaudited As At 31.3.2021 RM'000	Audited As At 31.12.2020 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	60,337	59,691
Goodwill on consolidation	6,447	6,356
Deferred tax assets	317	308
Right of use	4,447	4,366
	<u>71,548</u>	<u>70,721</u>
Current assets		
Inventories	3,459	2,801
Contract assets	70,963	61,798
Trade receivables	107,923	74,208
Other receivables, prepayments and deposits	14,964	8,609
Current tax assets	414	227
Fixed deposits with licensed banks	31,115	26,226
Cash and bank balances	43,234	105,753
	<u>272,072</u>	<u>279,622</u>
	<u>343,620</u>	<u>350,343</u>
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity		
Share capital	73,292	73,292
Retained earnings	87,369	81,825
Other reserve	14,455	13,436
Treasury share	(534)	(534)
	<u>174,582</u>	<u>168,019</u>
Total Equity attributable to Shareholders of the Company	<u>174,582</u>	<u>168,019</u>
Non-controlling interests	478	310
	<u>175,060</u>	<u>168,329</u>
Total Equity	<u>175,060</u>	<u>168,329</u>
Non-current liabilities		
Deferred tax liabilities	205	218
Lease liability	2,461	2,134
Long-term borrowings	29,071	27,203
	<u>31,737</u>	<u>29,555</u>
Current liabilities		
Contract liabilities	35,319	29,772
Trade payables	51,425	71,524
Other payables and accruals	14,286	18,584
Lease liability	855	922
Current tax liabilities	2,199	3,402
Short term borrowings	32,537	28,067
Bank overdraft	202	188
	<u>136,823</u>	<u>152,459</u>
Total liabilities	<u>168,560</u>	<u>182,014</u>
	<u>343,620</u>	<u>350,343</u>
TOTAL EQUITY AND LIABILITIES		
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.5426	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 March 2021

	Unaudited 3-Months Ended 31.3.2021 RM'000	Unaudited 3-Months Ended 31.3.2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,738	4,902
Adjustments for:-		
Depreciation of property, plant and equipment	1,055	1,212
Depreciation of right-of-use assets	345	-
Interest expense	850	672
Interest income	(159)	(323)
Loss on disposal of equipment	193	-
Share-based payments	-	209
Reversal of impairment losses on financial assets	-	(249)
Reversal of provision of warranty costs	(46)	-
Unrealised gain on foreign exchange	(658)	(1,320)
Operating profit before working capital changes	8,318	5,103
Increase in inventory	(658)	(5,791)
Increase in contract assets /(contract liabilities)	(3,618)	(7,901)
(Increase)/Decrease in trade and other receivables	(39,741)	27,891
Decrease in trade and other payables	(24,022)	(7,531)
CASH (FOR)/FROM OPERATIONS	(59,721)	11,771
Income tax paid	(2,419)	(2,596)
Interest paid	(850)	(672)
Interest received	159	323
NET CASH (FOR)/FROM OPERATING ACTIVITIES	(62,831)	8,826
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(1,219)	(4,425)
Addition of right-of-use assets	(619)	-
Proceeds from disposal of equipment	143	-
Placement of fixed deposit pledged with licensed bank	(321)	(104)
NET CASH FOR INVESTING ACTIVITIES	(2,016)	(4,529)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of revolving credit	6,010	-
Repayment of bankers' acceptance	(169)	-
Repayment of lease liability	(205)	(180)
(Repayment)/drawdown of term loan	(1,045)	4,875
Drawdown of bills discounting	538	-
Drawdown of trust receipts	-	4,007
Drawdown of business premise loan	-	1,550
Drawdown/(repayment) of invoice financing	1,004	(7,921)
NET CASH FROM FINANCING ACTIVITIES	6,133	2,331
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(58,714)	6,628
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	749	(658)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	113,787	67,997
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	55,822	73,967
Cash and cash equivalents at the end of financial period comprise the following:		
Cash and bank balances	43,234	60,916
Fixed deposits	31,115	30,226
	74,349	91,142
Less: bank overdraft	(202)	-
Less: fixed deposits pledged to licensed banks	(15,635)	(15,175)
Less: bank balance pledged to licensed banks	(2,690)	(2,000)
	55,822	73,967

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 FIRST QUARTER ENDED 31 MARCH 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:-

MFRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective date
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
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 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
31.3.2021				
Revenue				
External revenue	293	8,798	898	94,831
Inter-segment revenue	26	4,957	2,075	710
	319	13,755	2,973	95,541
Consolidated Adjustments				(7,768)
				<u>104,820</u>

Service Segment	Manufacturing and Trading Segment:		Construction Segment	The Group
	Industrial Gases	Equipments & Materials		
RM'000	RM'000	RM'000	RM'000	RM'000
31.3.2020				
Revenue				
External revenue	162	5,075	72	79,422
Inter-segment revenue	-	33	-	688
	162	5,108	72	80,110
Consolidated Adjustments				(721)
				<u>84,731</u>

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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2021

3. Segmental Information (Cont'd)

(b) Geographical information

Revenue is based on the country in which the customers are located. Non-current assets are determined according to the country where these assets are located.

	Revenue		Non-current Assets	
	31.3.2021 RM'000	31.3.2020 RM'000	31.3.2021 RM'000	31.3.2020 RM'000
Malaysia	43,911	19,983	57,101	55,414
China	19,025	12,941	4,046	4,115
Taiwan	3,073	1,233	117	200
Singapore	38,726	49,761	10,284	9,125
Indonesia	-	19	-	-
Philippines	85	-	-	-
Vietnam	-	794	-	-
	<u>104,820</u>	<u>84,731</u>	<u>71,548</u>	<u>68,854</u>

4. Unusual Items

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

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

8. Valuation of Property, Plant and Equipment

Property, plant and equipment of the Group were not revalued during the current quarter under review. As at 31 March 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 March 2021

	As at 31.3.2021 Unaudited RM'000	As at 31.3.2020 Audited RM'000
Contingent liabilities		
Bank guarantee and insurance bond given to third party as performance bond or warranty bond	27,238	29,100

14. Material Subsequent Events

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

On 28 April 2021, 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 2020 amounting to RM3,226,235, payable on 11 June 2021.

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

1 Review Of Performance

	Current Year Quarter 31.3.2021 RM'000	Preceding Year Corresponding Quarter 31.3.2020 RM'000	Changes	
			Amount RM'000	%
Revenue	104,820	84,731	20,089	24%
Operating profit	7,492	5,597	1,895	34%
Profit before tax	6,738	4,902	1,836	37%
Profit after tax	5,709	4,023	1,686	42%
Profit attributable to shareholders of the company	5,544	4,055	1,489	37%

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Revenue 1Q2021 31.3.2021 RM'000	% of total	Revenue 1Q2020 31.3.2020 RM'000	% of total
Service segment:	293	0%	162	0%
Manufacturing & trading segment:	8,798	8%	5,075	6%
- Industrial gases				
- Equipments and materials	898	1%	72	0%
Construction segment:	68,936	66%	63,404	75%
- ("UHP")				
- Process Engineering	9,646	9%	10,946	13%
- General Contracting	16,249	16%	5,072	6%
Total	104,820		84,731	

Kelington recorded strong revenue performance in 1Q2021 and rose 24% year-on-year (YoY) to RM104.8 million from RM84.7 million, on the back of higher projects completion in Malaysia and China as well as higher sales of liquid carbon dioxide (LCO2).

Revenue from Malaysia doubled to RM43.9 million, representing 42% of total revenue, from RM20.0 million in 1Q2020, driven by higher revenue recognition from UHP and general contracting projects. Meanwhile, the China operations recorded a strong rebound with revenue of RM19.0 million as compared to a lacklustre revenue performance of RM12.9 million due to the lockdown measures to combat Covid-19 in January 2020.

During the quarter, Singapore recorded lower contribution from UHP projects which resulted in a decrease of 22% YoY in revenue to RM38.7 million against RM49.8 million last year. Revenue from Taiwan more than doubled to RM3.1 million in 1Q2021 compared to RM1.2 million in same period last year mainly due to higher project orders.

In terms of business segment, the UHP division remained the primary revenue contributor to the Group at RM68.9 million or 66% of total revenue, mainly derived from projects in China and Malaysia.

General Contracting segment was the second largest revenue contributor at RM16.2 million, up 220% YoY from RM5.1 million in 1Q2020 due to higher contribution from a large project in Malaysia.

The Industrial Gases segment continued an upward performance in 1Q2021 with higher production output. Revenue grew to RM8.8 million in 1Q2021, an increase of 73% YoY, as demand for LCO2 returned on the back of resumption of economic activities.

In line with higher revenue performance, gross profit grew 24% YoY to RM14.6 million which resulted in a gross profit margin of 13.9%, similar to same period last year.

On a YoY comparison, profit before tax ("PBT") rose by 37% to RM6.7 million in 1Q2021 while Profit after tax ("PAT") increased by 42% to RM5.7 million versus RM4.0 million in 1Q2020.

(b) Variation of Results Against Preceding Quarter

	Current Quarter 31.3.2021 RM'000	Immediate Preceding Quarter 31.12.2020 RM'000	Changes	
			Amount RM'000	%
Revenue	104,820	129,492	(24,672)	-19%
Operating profit	7,492	7,456	36	0%
Profit before tax	6,738	6,798	(60)	-1%
Profit after tax	5,709	7,579	(1,870)	-25%
Profit attributable to shareholders of the company	5,544	7,527	(1,983)	-26%

The first quarter of the year is traditionally a weaker quarter as compared to the preceding quarter (4Q2020). The Group's revenue was lower at RM104.8 million in 1Q2021 against RM129.5 million in 4Q2020 due to lower operational activities in conjunction with seasonal holidays.

Meanwhile, PBT remained relatively flat at RM6.7 million from RM6.8 million 4Q2020, due to the absence of one-off other expenses incurred in 4Q2020. PAT decreased by 25% to RM5.7 million from RM7.6 million due to certain tax adjustments in prior quarter.

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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2021

1 Review Of Performance (Cont'd)

(c) Statement of Financial Position

Financial Indicators	As at 31.3.2021	As at 31.12.2020
	Unaudited RM'000	Audited RM'000
Total assets	343,620	350,343
Total equity	175,060	168,329
Debt	65,126	58,514
Fixed deposits, cash & bank balances	74,349	131,979
Net cash	9,223	73,465
Debt-to-Equity (Gearing)	0.37	0.35

As at 31 March 2021, the Group's shareholder equity (excluding non-controlling interests) increased to RM174.6 million from RM168.0 million as at 31 December 2020, on the back of consecutive quarterly profit.

The Group's total debt grew to RM65.1 million against RM58.5 million as at 31 March 2020, mainly attributed to the drawdown of borrowing for working capital for industrial gas division and project financing.

The decrease in cash and cash equivalents was mainly due to the repayment of trade payables. Overall, the Group's financial position remains healthy in a net cash position of RM9.2 million with total gross cash in hand of RM74.3 million exceeding the total debt of RM65.1 million as at 31 March 2021. Net cash per share stood at 3 sen.

2 Commentary Of Prospects

The ramping up of integrated circuit chips productions in the semiconductor industry has presented the Group numerous project opportunities across its key operating markets. The Group is off to a good start as business activities are back on track for growth and operations have normalised. In the first three months of 2021, the Group managed to clinch an additional RM105 million worth of projects which then boosted our total orders secured on hand to approximately RM459 million in the financial year 2021. Majority of the new orders clinched were from China, Malaysia and Singapore.

Inclusive of the carried forward projects from FY2020 and new orders in FY2021, Kelington's total orderbook grew to RM459 million, of which RM364 million remains outstanding as at 31 March 2021.

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

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

Barring any unforeseen circumstances, we are confident that we will be on track for growth in FY2021, underpinned by our healthy replenishment of orders and backed by a strong financial position.

3 Profit Forecast and Profit Guarantee

The Company did not announce any profit forecast or profit estimate for the FYE 31 December 2021 in any public document and hence this information is not applicable.

4 Profit for the Period

	Quarter ended		Year-to-date ended	
	31.3.2021 RM'000	31.3.2020 RM'000	31.3.2021 RM'000	31.3.2020 RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	159	323	159	323
Interest expense	(850)	(672)	(850)	(672)
Depreciation and amortisation	(1,055)	(1,212)	(1,055)	(1,212)
Depreciation of property, plant and equipment	-	-	(345)	-
Unrealised Foreign exchange gain/(loss)	658	1,320	658	1,320
Realised Foreign exchange gain/(loss)	(33)	(202)	(33)	(202)
Loss on disposal of equipment	(193)	-	(193)	-
Writeback on impairment loss on trade receivables:				
- specified	-	249	-	249

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 31.3.2021 RM'000	Cumulative Year to date ended 31.3.2021 RM'000
Current tax: - for the financial period	1,029	1,029

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.

6 Corporate Proposal

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

On 6 April 2021, UOB Kay Hian Securities (M) Sdn Bhd, on behalf of the board of directors of KGB, announced that the Company proposed to undertake the following:-

(a) Bonus Issue of Shares

Bonus issue of up to 322,623,476 Bonus Share on the basis of one (1) Bonus Share for every one (1) existing KGB Share held on an entitlement date to be determined and announced later.

(b) Issuance of Free Warrants

Issuance of up to 215,082,317 free warrants on the basis of 1 Warrant for every 3 Shares held on an entitlement date, which will be after the Bonus Entitlement Date, to be determined and announced later; and

(c) Diversification

Diversification of the existing principal activities of Kelington and its subsidiaries to include manufacturing, distribution and trading of industrial and specialty gases.

7 Derivative Financial Instruments

There were no outstanding derivatives entered into by the Group as at the end of the quarter under review.

8 Lease Liability and Group Borrowings

(a) Lease liability

The lease liability as at 31 March 2021 versus 31 March 2020 were as follows:

	31.3.2021 RM'000	31.3.2020 RM'000
Non-current	2,461	2,294
Current	855	809
Total	3,316	3,103

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

(b) Group Borrowings

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

	As At 31 March 2021					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
Secured						
Term Loan	<i>NTD16,614, RM1,538</i>	3,956	<i>RM29,071</i>	29,071	<i>NTD 16,614, RM30,609</i>	33,027
Bills discounting	<i>NTD3,700</i>	538		-	<i>NTD3,700</i>	538
Revolving loan	<i>SGD1,300, RM2,000</i>	6,010		-	<i>SGD1,300, RM2,000</i>	6,010
Import Loan/Invoice financing	<i>RMB31,713</i>	20,062		-	<i>RMB31,713</i>	20,062
Overdraft	<i>RM202</i>	202		-	<i>RM202</i>	202
Bankers' acceptance	<i>RM1,971</i>	1,971		-	<i>RM1,971</i>	1,971
Unsecured						
Nil	-	-	-	-	-	-
		32,739		29,071		61,810
Weighted average interest rate of borrowings						4.52%
Proportion of borrowings between fixed interest rate and floating interest rate						7%:93%

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

8 Lease Liability and Group Borrowings (Cont'd)

(b) Group Borrowings (Cont'd)

	As At 31 March 2020					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
Secured						
Term Loan	NTD8,422, RM2,738	3,938	NTD3,666, RM27,456	27,979	NTD12,088, RM30,194	31,917
Import Loan/Invoice financing	RMB2,657, RM380	1,995	-	-	RMB2,657, RM380	1,995
Trust receipts	SGD1,324	4,007	-	-	SGD1,324	4,007
Unsecured						
Nil	-	-	-	-	-	-
		9,940		27,979		37,919
Weighted average interest rate of borrowings						5.03%
Proportion of borrowings between fixed interest rate and floating interest rate						20%.80%

The increase in borrowing during the period ended 31 March 2020 is mainly due to the drawdown of borrowings for the capital expenditure on industrial gas business division.

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) 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 made payment of SGD 1,051,245 to Mutiara
- iii On 3 April 2020, KESG has filed an Adjudication Review Application ("ARA") in support of KESG application for an adjudication review of an adjudication determination.
KESG submitted that the Adjudicator had erred in law and on the facts in that he had failed to discharge his independent duty to adjudicate the claim and had:
 - a. over-valued the Mutiara's claim for original sub-contract works by SGD86,570;
 - b. over-valued the Mutiara's claim for variations by SGD371,231; and
 - c. erroneously allowed the Claimant to amend its adjudication application.

2 SOP/AA52

- i On 3 April 2020, the adjudicator determined that KESG shall pay Mutiara the sum of SGD1,745,080 (inclusive of GST) within 7 days after the service of the adjudication determination and shall bear 60% of the adjudication expenses at SGD13,617.
- ii KESG's solicitor is of the opinion that KESG shall file an ARA as well as seek a consolidation of the claims.

KESG had on 8 May 2020 received the Adjudication Review Determination for Adjudication Review Application SOP/ARA02 in relation to Adjudication Application SOP/AA51, from the Singapore Mediation Centre ("SMC"). Pursuant to Section 19(4)(a) of the Building and Construction Industry Security of Payment Act, the Adjudicator substitutes the adjudicate amount determined in SOP/AA51 with the review adjudicated amount of SGD 969,367.84.

On 13 April 2020, SMC had via its 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.

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.

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

9 Material Litigation (Cont'd)

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

On 16 March 2020, KESG served a Notice of Arbitration dated 18 March 2020 as the Claimant on Mutiara to refer KESG's claims on back charges and liquidated damages in respect of Mutiara's failure, refused and/or neglected to complete the works timely and with due diligence and/or to carry out its contractual obligations under the sub contracts.

The Arbitration proceedings commenced under the Notice of Arbitration filed pursuant to the Arbitration Rules of the Singapore International Arbitration Centre.

The arbitration proceeding is commenced against Mutiara to seek, among others, the following relief:

- 1 Value of work done (including variations) by Mutiara to be assessed;
- 2 A declaration that Mutiara has breached its obligations under the sub-contracts;
- 3 An award for the sum of SGD6,375,475 being the payment that is due and payable by Mutiara to KESG as back charges and liquidated damages and scope deductions incurred to rectify the defects and/or non-compliant works, pursuant to the terms and conditions of the various purchase orders;
- 4 Losses and damages incurred by KESG arising out of Mutiara's breached of sub contracts and/or disputes in relation to the valuation of work done (including variations) by KESG and/or such other losses to be assessed; and
- 5 Interest, costs, and other relief that the arbitrator shall deemed fit.

On 16 September 2020, KESG filed a Statement of Claim under the Arbitration Rules of the Singapore International Arbitration Centre and sets out its claims against Mutiara (FE) Pte Ltd ("the Respondent") as follows:

- 1 Back charges and/or claims in the sum of SGD5,033,066.99 and/or any amounts to be assessed by the Tribunal;
- 2 Liquidated damages in the sum of S\$738,535.88 in respect of the Package 1 Subcontract and liquidated damages in the sum of S\$780,384.80 in respect of the Package 2 Subcontract and/or any amounts to be assessed by the Tribunal;
- 3 Further and/or in the alternative, general damages to be assessed;
- 4 A credit of the sum of S\$373,732.85 that was overpaid in respect of the Package 1 Subcontract and a credit of the sum of S\$693,266.00 that will be overpaid in respect of the Package 2 Subcontract and/or any amounts to be assessed by the Tribunal;
- 5 Costs on an indemnity basis;
- 6 Interest; and
- 7 Such further and other relief as may be deemed appropriate by the Tribunal.

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

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

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

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

9 Material Litigation (Cont'd)

(4) Adjudication proceeding between Kelington Technologies Sdn. Bhd., a wholly owned subsidiary of KGB, against JCT Industries Group Sdn. Bhd.

On 14 August 2020, Kelington Technologies Sdn. Bhd. (Company No.: 562280-U") ("KTSB"), a wholly-owned subsidiary of KGB served a Notice of Adjudication to JCT Industries Group Sdn. Bhd. (Company No. 1215578-P) ("JCT") in accordance with Section 7 and 8 of Construction Industry Payment & Adjudication Act 2012 ("CIPAA") to seek following reliefs or remedies from JCT:-

- i Payment Certificates issued and unpaid - RM7,134,518.81;
- ii Variation works not certified and unpaid - RM244,800.00;
- iii Interest due to late payment – RM417,624.67;
- iv Interest on the unpaid amounts from 15 February 2020 to the date full payment is received at the rate of 7.40% per annum; and
- v Interest on the unpaid amounts from 15 February 2020 to the date full payment is received at the rate of 7.40% per annum; and
- vi All costs incurred by KTSB in referring the dispute to adjudication, including but not limited to our claim consultant's cost, the registration and administrative fee of Asian International Arbitration Centre, and the adjudicator's fee.

KTSB was appointed by JCT as the Contractor pursuant to a letter of award dated 25 April 2018 ("Contract") to construct the main factory, warehouses, TNB Sub Station and infrastructural work in Kuala Muda, Kedah Darul Aman ("Works"). The Works were completed on 30 August 2019.

As JCT had failed to make payment to KTSB, KTSB had on 18 February 2020 served a Payment Claim to JCT in accordance with Section 5 of CIPAA for the sum of RM8,226,943.48 together with interest on the sum from 14 February 2020 to the date full payment is received at the interest rate of 7.4% per annum

On 5 August 2020 and after the service of Payment Response, JCT made a further payment of RM430,000.00. Therefore, the total unpaid amount for the payment certificates issued is now reduced to RM7,134,518.81.

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

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

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

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

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

10 Dividends Payable

On 28 April 2021, 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 2020 amounting to RM3,226,235, payable on 11 June 2021.

11 Earnings Per Share

The earnings per share for the quarter and cumulative year to date are computed as follow:

	Current Quarter Ended		Cumulative Year To Date Ended	
	31.3.2021	31.3.2020	31.3.2021	31.3.2020
Profit After Taxation attributable to owners of the company (RM'000)	5,544	4,055	5,544	4,055
Weighted average number of ordinary shares in issue ('000)	321,504	310,339	321,504	310,339
Basic Earnings Per Share (Sen)	1.72	1.30	1.72	1.30
Diluted Earnings Per Share (Sen) #	NA	1.25	NA	1.25

Note :

- 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
31.3.2021			
Not past due	90,589	(290)	90,299
Past due:			
- less than 3 months	12,992	(444)	12,548
- 3 to 6 months	4,720	(355)	4,365
- over 6 months	38	(24)	14
- over 1 year	800	(103)	697
Credit impaired	9,671	(9,671)	-
	<u>118,810</u>	<u>(10,887)</u>	<u>107,923</u>

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

	Gross Amount RM'000	Collective Impairment RM'000	Carrying Value RM'000
31.3.2020			
Not past due	34,067	(650)	33,417
Past due:			
- less than 3 months	14,807	(255)	14,552
- 3 to 6 months	5,452	(219)	5,233
- over 6 months	6,303	(239)	6,064
- over 1 year	656	(182)	474
Credit impaired	4,990	(4,990)	-
	<u>66,275</u>	<u>(6,535)</u>	<u>59,740</u>

13 Disclosure Of Realised And Unrealised Profits/ (Losses)

	Cumulative Year to date ended 31.3.2021 RM'000	Cumulative Year to date ended 31.3.2020 RM'000
Total retained profits of KGB:		
- Realised	86,486	72,398
- Unrealised	883	1,228
Total group retained profits as per consolidated accounts	<u>87,369</u>	<u>73,626</u>

14 Comparative Figures

The following figures have been reclassified to conform with the presentation of current financial period:

	As Restated 31.3.2020 RM'000	As Previously Reported 31.3.2020 RM'000
Statement of Profit or Loss and Other Comprehensive Income (Extract):		
Other income	1,613	496
Other expenses	<u>(1,236)</u>	<u>(119)</u>