

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 2023

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the period ended 30 June 2023 are as follow:-

		Unaudited	Unaudited			Unaudited	Unaudited		
		Current	Previous	+		6-months	6-months	+	
		Qtr Ended	Qtr Ended	-		Period	Period	-	
	Note	30.6.2023	30.6.2022	%		up to	up to	%	
		RM'000	RM'000			30.6.2023	30.6.2022		
		RM'000	RM'000			RM'000	RM'000		
Revenue		424,913	312,397	+	36	733,838	485,725	+	51
Cost of sales		(378,922)	(279,869)			(649,904)	(429,470)		
Gross profit		<u>45,991</u>	<u>32,528</u>	+	41	<u>83,934</u>	<u>56,255</u>	+	49
Other income		3,327	787			4,866	1,448		
Administrative expenses		(18,558)	(10,207)			(31,382)	(20,442)		
Selling and distribution expenses		(725)	(347)			(1,355)	(827)		
Other expenses		(2,188)	(4,256)			(3,907)	(6,222)		
Results from operating activities		<u>27,847</u>	<u>18,505</u>	+	50	<u>52,156</u>	<u>30,212</u>	+	73
Finance costs		(1,899)	(1,001)			(5,191)	(1,595)		
Profit before taxation for the financial period		<u>25,948</u>	<u>17,504</u>	+	48	<u>46,965</u>	<u>28,617</u>	+	64
Taxation	B5	(5,644)	(3,572)			(10,045)	(6,171)		
Profit after taxation for the financial period		<u>20,304</u>	<u>13,932</u>	+	46	<u>36,920</u>	<u>22,446</u>	+	64
Other comprehensive income, net of tax									
Foreign currency translation		1,269	682			3,201	2,193		
		<u>1,269</u>	<u>682</u>			<u>3,201</u>	<u>2,193</u>		
Total comprehensive income for the period		<u>21,573</u>	<u>14,614</u>			<u>40,121</u>	<u>24,639</u>		
Profit attributable to:									
Shareholders of the Company		19,064	13,559	+	41	35,252	21,861	+	61
Non-controlling interests		1,240	373			1,668	585		
Profit after taxation for the financial period		<u>20,304</u>	<u>13,932</u>	+	46	<u>36,920</u>	<u>22,446</u>	+	64
Total comprehensive income attributable to:									
Shareholders of the Company		20,418	14,242			38,538	24,055		
Non-controlling interests		1,155	372			1,583	584		
Total comprehensive income for the period		<u>21,573</u>	<u>14,614</u>			<u>40,121</u>	<u>24,639</u>		
Basic earnings per ordinary share (sen):									
Basic earnings per share (sen)	B11	2.96	2.11			5.48	3.40		
Diluted earnings per share (sen)	B11	2.90	NA			5.36	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 2022 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 2023

Note	Unaudited As At 30.6.2023 RM'000	Audited As At 31.12.2022 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	133,291	106,791
Goodwill on consolidation	7,159	6,829
Deferred tax assets	282	682
Right-of-use assets	3,018	3,561
	143,750	117,863
Current assets		
Inventories	40,306	21,871
Contract assets	195,338	196,558
Trade receivables	321,366	385,507
Other receivables, prepayments and deposits	85,460	63,712
Current tax assets	1,266	10,163
Fixed deposits with licensed banks	30,380	25,586
Cash and bank balances	149,342	234,381
	823,458	937,778
TOTAL ASSETS	967,208	1,055,641
EQUITY AND LIABILITIES		
Equity		
Share capital	73,292	73,292
Retained earnings	170,870	145,785
Other reserve	24,882	20,756
Treasury share	(534)	(534)
Total Equity attributable to Shareholders of the Company	268,510	239,299
Non-controlling interests	5,671	3,816
Total Equity	274,181	243,115
Non-current liabilities		
Deferred tax liabilities	3,044	2,675
Lease liability	879	1,423
Hire purchase payables	3,625	2,186
Long-term borrowings	39,615	31,863
	47,163	38,147
Current liabilities		
Contract liabilities	248,503	283,566
Trade payables	190,226	201,469
Other payables and accruals	53,172	62,070
Derivative liabilities	-	2,962
Lease liability	2,034	2,018
Current tax liabilities	10,950	14,745
Short term borrowings	140,828	206,296
Bank overdraft	151	1,253
	645,864	774,379
Total liabilities	693,027	812,526
TOTAL EQUITY AND LIABILITIES	967,208	1,055,641
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)	0.4249	0.3768

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 2022 and the accompanying explanatory notes enclosed to the interim financial statements.

KELINGTON GROUP BERHAD ("KGB")
[Company No. 199901026486 (501386-P)]
 Condensed Consolidated Statements of Changes in Equity
 For The 2nd Quarter Ended 30 June 2023

	-----Attributable to Equity Holders of the Company-----							Total Equity RM'000	
	Non Distributable			Distributable					
	Share Capital RM'000	Treasury Share RM'000	Capital Reserve RM'000	Employee Share Scheme Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interest RM'000	
As at 1 January 2023	73,292	(534)	11,194	634	8,928	145,785	239,299	3,816	243,115
Profit after taxation for the financial period	-	-	-	-	-	35,252	35,252	1,668	36,920
Other comprehensive expense, net of tax:									
- Foreign currency translation	-	-	-	-	3,286	-	3,286	(85)	3,201
Total comprehensive income for the financial period	-	-	-	-	3,286	35,252	38,538	1,583	40,121
Contributions by and distribution to owners of the company:									
- Employee's share options reserve	-	-	-	590	-	-	590	-	590
- Changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	-	-	-	-	-	-	-
- Warrants exercised	-	-	-	-	-	(272)	(272)	272	-
- Employees' share scheme reserve	-	-	-	-	-	-	-	-	-
- Employees' share scheme exercised	-	-	-	-	-	-	-	-	-
- Bonus shares issued by a subsidiary	-	-	250	-	-	(250)	-	-	-
- Dividend paid for the period	-	-	-	-	-	(9,645)	(9,645)	-	(9,645)
Total recognised income and expense for the period	-	-	250	590	-	(10,167)	(9,327)	272	(9,055)
As at 30 June 2023	73,292	(534)	11,444	1,224	12,214	170,870	268,510	5,671	274,181
As at 1 January 2022	73,292	(534)	10,518	-	4,847	103,569	191,692	1,055	192,747
Profit after taxation for the financial year	-	-	-	-	-	21,861	21,861	585	22,446
Other comprehensive income, net of tax:									
- Foreign currency translation differences	-	-	-	-	2,194	-	2,194	(1)	2,193
Total comprehensive income/ (expenses) for the financial year	-	-	-	-	2,194	21,861	24,055	584	24,639
Contributions by and distribution to owners of the company:									
- Dividends paid for the period	-	-	-	-	-	(6,430)	(6,430)	-	(6,430)
Total transactions with owners	-	-	-	-	-	(6,430)	(6,430)	-	(6,430)
As at 30 June 2022	73,292	(534)	10,518	-	7,041	119,000	209,317	1,639	210,956

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with KGB's audited consolidated financial statements for the financial year ended 31 December 2022 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 2023

	Unaudited 6-Months Ended 30.6.2023 RM'000	Unaudited 6-Months Ended 30.6.2022 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	46,965	28,617
Adjustments for:-		
Depreciation of property, plant and equipment	3,377	2,797
Depreciation of right-of-use assets	1,146	459
Property, plant and equipment written off	3	-
Impairment loss on trade receivables	124	1,414
Interest expense	5,502	1,595
Interest income	(692)	(91)
Loss on disposal of equipment	177	38
Provision for warranty costs	-	28
Share-based payments	590	-
Reversal of provision of warranty costs	(117)	-
Unrealised gain on foreign exchange	(331)	(55)
	<hr/>	<hr/>
Operating profit before working capital changes	56,744	34,802
Increase in inventory	(18,435)	(6,834)
Changes in net of contract assets /contract liabilities	(33,843)	114,143
Decrease/ (Increase) in trade and other receivables	42,435	(281,578)
(Decrease)/ Increase in trade and other payables	(19,360)	63,535
	<hr/>	<hr/>
CASH FROM/ (FOR) OPERATIONS	27,541	(75,932)
Income tax paid	(6,728)	(4,165)
Interest paid	(17)	(23)
Interest received	692	91
	<hr/>	<hr/>
NET CASH FROM/(FOR) OPERATING ACTIVITIES	21,488	(80,029)
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(29,459)	(15,887)
Proceeds from disposal of equipments	1,368	83
Increase in pledged fixed deposits and bank balances with licensed bank	(2,329)	(1,272)
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NET CASH FOR INVESTING ACTIVITIES	(30,420)	(17,076)
CASH FLOWS (FOR)/ FROM FINANCING ACTIVITIES		
Dividend paid	(9,645)	(6,430)
Interest paid	(5,485)	(1,572)
Drawdown of revolving credit	25,862	14,621
Repayment of hire purchase	(508)	(814)
Repayment of lease liability	(993)	(14)
Net repayment of term loan	(1,647)	(3,274)
Drawdown of trust receipts	-	(3,339)
Net (repayment)/ drawdown of invoice financing	(82,111)	69,213
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NET CASH (FOR)/FROM FINANCING ACTIVITIES	(74,527)	68,391
NET DECREASE IN CASH AND CASH EQUIVALENTS	(83,459)	(28,714)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,986	1,985
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	230,685	85,046
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CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	149,212	58,317

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

Cash and bank balances	149,342	61,828
Fixed deposits	30,380	20,549
	<hr/>	<hr/>
	179,722	82,377
Less: bank overdraft	(151)	(1,497)
Less: fixed deposits pledged to licensed banks	(26,414)	(19,213)
Less: bank balance pledged to licensed banks	(3,945)	(3,350)
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	149,212	58,317

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 2022 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 SECOND QUARTER ENDED 30 JUNE 2023

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 2022. 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 2022.

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 2022. The new, revised and amended MFRS and IC Interpretations, which are effective for the financial periods beginning on January 1, 2023, did not have any material impact on the financial results of the Group.

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
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024

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.

2. Status of Audit Qualification

There were no audit qualification to the annual audited financial statements of the Group for the FYE 31 December 2022.

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.

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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2023

3. Segmental Information (Cont'd)

(a) Business Segment (Cont'd)

Service Segment	Manufacturing and Trading Segment:		Construction Segment	The Group
	Industrial Gases	Equipments & Materials		
RM'000	RM'000	RM'000	RM'000	RM'000

30.6.2023

Revenue					
External revenue	594	52,851	5,494	674,899	733,838
Inter-segment revenue	423	115	15,243	10,400	26,181
	<u>1,017</u>	<u>52,966</u>	<u>20,737</u>	<u>685,299</u>	<u>760,019</u>
Consolidated Adjustments					(26,181)
					<u>733,838</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

30.6.2022

Revenue					
External revenue	620	21,511	226	463,368	485,725
Inter-segment revenue	94	269	8,010	217	8,590
	<u>714</u>	<u>21,780</u>	<u>8,236</u>	<u>463,585</u>	<u>494,315</u>
Consolidated Adjustments					(8,590)
					<u>485,725</u>

(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	
	30.6.2023	30.6.2022	30.6.2023	30.6.2022
	RM'000	RM'000	RM'000	RM'000
Malaysia	308,297	225,861	122,125	73,323
China	123,616	78,567	3,672	3,441
Taiwan	15,481	11,492	48	70
Singapore	268,053	166,943	17,905	14,135
Indonesia	3,091	18	-	-
Philippines	4,490	1,884	-	-
Australia	3,732	298	-	-
Fiji	2,915	482	-	-
New Zealand	3,608	51	-	-
Others	555	129	-	-
	<u>733,838</u>	<u>485,725</u>	<u>143,750</u>	<u>90,969</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 2023.

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 21 April 2023, KGB had paid the second interim tax-exempt dividend of 1.5 sen per ordinary share in respect of the FYE 31 December 2022 amounting to RM9,645,107.

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 2023, 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

Saved as disclosed in the following, 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.

	As at
	30.6.2023
	RM'000
Purchase of plant & equipment	<u>73,618</u>

13. Changes in Contingent Liabilities and Contingent Assets

There were no changes on contingent liabilities and contingent assets since the last annual balance sheet as at 31 December 2022.

14. Significant Related Party Transaction

During the quarter, the Company and its subsidiaries did not enter into any related party transactions or recurrent related party transactions of a revenue or trading nature, except for the following:

Ace Gases Sdn Bhd ("AGSB"), 97.19% owned subsidiary of KGB had on 1 June 2023 acquired 100,000 ordinary shares in Ace Gases Marketing Sdn Bhd ("AGMSB"), representing 20% of the equity interest in AGMSB from Chong Ann Tsun and Alan Lim Chui Boon, for a total purchase consideration of RM5,192,700 to be wholly satisfied by the issuance and allotment of 1,822,000 new ordinary shares in AGBS ("Share Swap").

Vendor	No. of sale shares to be acquired		No. of consideration shares to be allotted and issued	Purchase consideration
	AGMSB		AGSB	(RM)
Chong Ann Tsun	85,000	17%	1,549,000	4,414,650
Alan Lim Chui Boon	15,000	3%	273,000	778,050
TOTAL	100,000	20%	1,822,000	5,192,700

The Share Swap is deemed a related party transaction under Paragraph 10.08 of the Main Market Listing Requirements of Bursa Securities as it involves the interest of a related party, namely Chong Ann Tsun, who is a director and major shareholder of AGMSB, a subsidiary of KGB.

As a result of the Acquisition via the Share Swap, AGMSB will become a wholly owned subsidiary of AGBS, providing AGBS with complete control over AGMSB. This streamlining of the organization will enhance operational efficiency, enabling the industrial gas business to grow more efficiently. This will be beneficial for all stakeholders, as it aligns the interests of the shareholders, management, and other stakeholders of AGBS and AGMSB.

The Share Swap had been reviewed by Audit Committee and approved by Board of directors. Announcement in relation to this had been released on 1 June 2023.

15. Material Subsequent Events

Saved as disclosed as below, there has been no material subsequent events after the quarter ended 30 June 2023:

On 7 July 2023, the Company increased its issued and paid up capital by the issuance of 1,776,200 ordinary shares at an issue price of RM0.2715 per ordinary share, subsequent to the vesting of ESS shares to the eligible employees.

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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2023

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

1 Review Of Performance

	Current Year Quarter 30.6.2023 RM'000	Preceding Year Corresponding Quarter 30.6.2022 RM'000	Changes		Current Year-to-date 30.6.2023 RM'000	Preceding Year Corresponding Period 30.6.2022 RM'000	Changes	
			Amount RM'000	%			Amount RM'000	%
Revenue	424,913	312,397	112,516	36%	733,838	485,725	248,113	51%
Operating profit	27,847	18,505	9,342	50%	52,156	30,212	21,944	73%
Profit before tax ("PBT")	25,948	17,504	8,444	48%	46,965	28,617	18,348	64%
Profit after tax ("PAT")	20,304	13,932	6,372	46%	36,920	22,446	14,474	64%
Profit attributable to shareholders of the company	19,064	13,559	5,505	41%	35,252	21,861	13,391	61%

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Revenue 2Q2023 30.6.2023 RM'000	% of total	Revenue 2Q2022 30.6.2022 RM'000	% of total	Changes %
Service segment:	278	0%	321	0%	-13%
Manufacturing & trading segment:	28,710	7%	11,653	4%	146%
- Industrial gases Equipments and materials	3,240	1%	5	0%	64700%
Construction segment - ("UHP")	289,286	68%	191,776	61%	51%
- Process Engineering	25,572	6%	11,533	4%	122%
- General Contracting	77,827	18%	97,109	31%	-20%
Total	424,913		312,397		36%

Kelington's revenue grew 36% YoY to RM424.9 million in 2Q2023 compared to 2Q2022, as the Group recorded a rise in contribution across all its key operating markets.

In terms of geographical breakdown, revenue contribution was led by Malaysia (39%) and Singapore (39%), followed by China (18%), and Taiwan (2%).

Revenue from Malaysia rose 12% to RM165.8 million from RM148.0 million in 2Q2022. The growth was mainly driven by higher revenue recognition contributed by one UHP project and one process engineering project, both of which were awarded during the second half of FY2022.

Meanwhile, revenue from Singapore increased by 57% YoY to RM163.9 million compared to RM104.7 million in 2Q2022. This notable growth was primarily attributed to the substantial contribution from several UHP projects currently underway. As these projects reaching a significant milestone, indicating their progress to the midway point. This advancement has led to a greater recognition of the completed project, thus driving the revenue increase.

As a result of increased acknowledgment of ongoing projects, China contributed RM78.1 million in revenue, representing a 51% increase as compared to the same period last year.

Revenue from Taiwan increased by 22% to RM8.1 million from RM6.6 million in 2Q2022 mainly due to the contribution of UHP jobs.

In terms of business segment, the UHP division continued to be the primary revenue contributor, accounting for 68% of the Group's total revenue in 2Q2023.

Revenue from UHP division climbed 51% YoY to RM289.3 million, spurred by growth in contribution from Singapore, China and Malaysia.

Revenue contribution from the Process Engineering division surged by 122% to RM25.6 million in 2Q2023, primarily due to a process engineering project awarded in Malaysia during 4Q2022.

The General Contracting division reduced by 20% in revenue to RM77.8 million from RM97.1 million in 2Q2022, mainly because a significant job in Malaysia reached its completion stage.

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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2023

1 Review Of Performance (Cont'd)

(a) Current Quarter vs. Previous Year Corresponding Quarter (cont'd)

The Industrial Gases division continued its upward performance in 2Q2023 with higher production output as the Group enjoyed higher demand for liquid carbon dioxide from both local and export markets. As a result, revenue increased by 146% to RM28.7 million, as compared to RM11.7 million in 2Q2022.

Reflecting the robust revenue performance during the 2Q2023, gross profit registered a remarkable 41% YoY increase, reaching RM46.0 million, up from RM32.5 million in 2Q2022. The gross profit margin showed a slight improvement, rising to 10.8% from 10.4% in 2Q2022, primarily due to shifts in the revenue composition. Furthermore, the PBT and PAT for the current quarter exhibited strong growth, expanding by 48% and 46% respectively in comparison to 2Q2022.

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

	Revenue 6M2023 RM'000	% of total		Revenue 6M2022 RM'000	% of total	Changes
Service segment:	594	0%		620	0%	-4%
Manufacturing & trading segment:						
- Industrial gases	52,851	7%		21,511	4%	146%
- Equipments and materials	5,494	1%		226	0%	2331%
Construction segment:						
- Ultra High Purity ("UHP")	471,255	64%		304,416	63%	55%
- Process Engineering	61,270	8%		23,483	5%	161%
- General Contracting	142,374	19%		135,469	28%	5%
Total	733,838			485,725		51%

The Group's revenue increased by 51% to RM733.8 million in 6M2023 as compared to RM485.7 million in the previous year's corresponding period ("6M2022"). This was mainly driven by the contribution from UHP and Process Engineering divisions as well as increase in demand in the Industrial Gases division.

Revenue from UHP division grew 55% YoY to RM471.3 million in 6M2023 against RM304.4 million in 6M2022, largely due to higher project recognition in Malaysia, Singapore, and China.

The better performance in the Process Engineering division was mainly attributed to a large project in Malaysia, which led to a 161% rise in revenue to RM61.3 million in 6M2023 from RM23.5 million in 6M2022.

Furthermore, revenue from the Industrial Gases division rose 146% YoY to RM52.9 million in 6M2023, mainly driven by higher sales of liquid carbon dioxide and other gases.

In terms of geographical breakdown in 6M2023, revenue contribution was led by Malaysia (42%) followed by Singapore (37%), China (17%), and Taiwan (2%).

Corresponding with the expansion of overall revenue, gross profit, PBT, and PAT saw substantial YoY gains of 49% to RM83.9 million, 64% to RM47.0 million, and 64% to RM36.9 million, respectively.

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1 Review Of Performance (Cont'd)

(c) Variation of Results Against Preceding Quarter

	Current Quarter 2Q2023 Unaudited 30.6.2023 RM'000	Immediate Preceding Quarter 1Q2023 Unaudited 31.3.2023 RM'000	Changes	
			Amount RM'000	%
Revenue	424,913	308,925	115,988	38%
Operating profit	27,847	24,309	3,538	15%
Profit before tax ("PBT")	25,948	21,017	4,931	23%
Profit after tax ("PAT")	20,304	16,616	3,688	22%
Profit attributable to shareholders of the company	19,064	16,188	2,876	18%

In contrast to the typically subdued 1Q2023, influenced by the festive effects of the Chinese New Year, the 2Q2023 demonstrated a robust 38% growth in revenue, amounting to RM424.9 million. Concurrently, there was an improved of 23% in PBT and 22% in PAT, primarily attributed to the enhanced revenue performance.

(d) Statement of Financial Position

Financial Indicators	As at 30.6.2023 Unaudited RM'000	As at 31.12.2022 Audited RM'000
Total assets	967,208	1,055,641
Total equity	274,181	243,115
Debt	187,132	245,039
Fixed deposits, cash & bank balances	179,722	259,967
Net cash	(7,410)	14,928
Debt-to-Equity (Gearing)	0.68	1.01

As at 30 June 2023, the Group's shareholder equity (excluding non-controlling interests) experienced growth, reaching RM268.5 million from RM239.3 million as at 31 December 2022, on the back of consistent quarterly profits. During the financial period, the Group had distributed RM9.6 million dividends to shareholders.

The Group's total debt reduced to RM187.1 million as at 30 June 2023 against RM245.0 million as at 31 December 2022. The reduction in debt was mainly due to the repayment of borrowing in Malaysia. The shift from a positive net cash balance of RM14.9 million in Q22022 to a negative balance of RM7.4 million in Q22023 attributed primarily to both debt repayment and the active utilization of working capital.

Consequently, the gearing ratio was recorded at 0.68 times. Nevertheless, the financial standing of the Group remains robust, supported by a cash position of RM179.7 million.

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2 Commentary Of Prospects

The Group continues to enjoy a healthy orderbook replenishment rate across the Ultra High Purity, Process Engineering, and General Contracting Segments. During the 6-month ended 30 June 2023, the Group has secured new contracts amounting to RM744 million in 2023. Including the projects carried forward from the previous years, our total orderbook stood at RM2.44 billion of which RM1.77 billion remains outstanding.

Prospects at the Industrial Gases division remain positive as demand for liquid carbon dioxide (LCO₂) increases in tandem with the recovery in economic activities. We are also seeing an increase in export demand for LCO₂ from the Oceania countries. To cater to the increase in demand, our second LCO₂ plant at Kerteh will more than double the production capacity and further enhance the industrial gas division's financial performance starting from 4Q2023.

In addition, the commencement of our second onsite gas supply scheme in 4Q2023 to supply hydrogen, nitrogen and oxygen for an optoelectronics semiconductor giant in Kulim, Kedah will also contribute positively to the Group's earnings visibility over the next ten years.

Barring unforeseen circumstances, we are confident of delivering a commendable financial performance in FY2023 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 2023 in any public document and hence this information is not applicable.

4 Profit for the Period

	Quarter ended		Year-to-date ended	
	30.6.2023 RM'000	30.6.2022 RM'000	30.6.2023 RM'000	30.6.2022 RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	553	54	692	91
Interest expense #	(1,910)	(1,121)	(5,502)	(1,717)
Impairment loss on trade receivables:				
- specified	(124)	(1,342)	(124)	(1,414)
Depreciation and amortisation	(1,733)	(1,310)	(3,377)	(2,797)
Depreciation of right-of-use assets	(601)	(401)	(1,146)	(459)
Equipment written off	(3)	-	(3)	-
Unrealised Foreign exchange gain/(loss)	(147)	538	331	55
Realised Foreign exchange gain/(loss)	366	80	177	80
Provision for gratuity	(5,466)	-	(5,466)	-
Loss on disposal of equipment	(111)	(20)	(177)	(38)

Note:

- RM310,384 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 30.6.2023 RM'000	Cumulative Year to date ended 30.6.2023 RM'000
Company taxation	5,029	9,269
Deferred taxation	615	776
	<u>5,644</u>	<u>10,045</u>

The effective tax rate of the Group for the current financial year under review is lower than the statutory tax rate due to the tax rate in Singapore is relatively lower. Apart from this, there are some tax exemptions in China due to expenditure on research and developments.

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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 30 June 2023 versus 30 June 2022 were as follows:

	30.6.2023	30.6.2022
	RM'000	RM'000
Non-current	879	1,337
Current	2,034	1,141
Total	<u>2,913</u>	<u>2,478</u>

The lease liability comprises tenancy agreements of more than one year.

(b) Group Borrowings

The borrowings as at 30 June 2023 versus 30 June 2022 were as follows.

	As At 30 June 2023					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
<u>Secured</u>						
Term Loan	<i>RM14,257</i>	14,257	<i>RM35,865</i>	35,865	<i>RM50,122</i>	50,122
Revolving loan	<i>NTD16,000, SGD3,990, RM17,000</i>	34,112	<i>RM3,750</i>	3,750	<i>NTD16,000, SGD3,990, RM20,750</i>	37,862
Post buyer Loan/ Invoice financing	<i>RMB62,769, SGD12,922, RM6.490</i>	91,214			<i>RMB62,769, SGD12,922, RM6.490</i>	91,214
Bank overdraft	<i>RM151</i>	151			<i>RM151</i>	151
Hire Purchase Payable	<i>RM1,245</i>	1,245	<i>RM3,625</i>	3,625	<i>RM4,870</i>	4,870
<u>Unsecured</u>						
Nil	-	-	-	-	-	-
		140,979		43,240		184,219
Weighted average interest rate of borrowings						5.39%
Proportion of borrowings between fixed interest rate and floating interest rate						3%:97%

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8 Lease Liability and Group Borrowings (Cont'd)

(b) Group Borrowings (Cont'd)

The growth in borrowing during the period ended 30 June 2023 compared to the same period last year was mainly due to the capital expenditure for industrial gases division and the project financing for the projects undertaken in Singapore and China.

	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	<i>RM8,058</i>	8,058	<i>RM20,710</i>	20,710	<i>RM28,768</i>	28,768
Revolving loan	<i>SGD1,300, RM12,000</i>	16,121	-	-	<i>SGD1,300, RM12,000</i>	16,121
Post buyer loan/Invoice financing	<i>RMB32,000, SGD7,373, RM40,079</i>	84,519	-	-	<i>RMB32,000, SGD7,373, RM40,079</i>	84,519
Bank overdraft	<i>RM1,497</i>	1,497	-	-	<i>RM1,497</i>	1,497
Hire Purchase Payable	<i>RM758</i>	834	<i>RM2,098</i>	1,822		2,656
Unsecured						
Nil	-	-	-	-	-	-
		111,029		22,532		133,561
Weighted average interest rate of borrowings						3.95%
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.

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.

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9 Material Litigation (Cont'd)

(1) Updates on legal proceeding against Hui Neng Mechanical & Electrical Engineering Co. ("Hui Neng")(27518963) (Cont'd)

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

On 19 August 2022, KTSB served a Notice of Arbitration to JCT ("Respondent"). The arbitration proceedings commenced under the Notice of Arbitration filed pursuant to the Arbitration Act 2005 and the PAM Arbitration Rules.

In summary, KTSB claims from the Respondent 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 interest from the date of the award until full and final settlement;
- 5 costs of the arbitration; and
- 6 such further relief as the Honourable Tribunal deems fit and proper.

On 14 November 2022, KTSB received a notice dated 8 November 2022 from Pertubuhan Akitek Malaysia (PAM) that a sole arbitrator has been appointed for the Arbitration Proceedings.

The Company will announce further developments on the above matter in due course.

10 Dividends Payable

On 18 August 2023, the Board of Directors of KGB proposed the payment of first interim tax-exempt dividend of 1.5 sen per ordinary share in respect of the FYE 31 December 2023 amounting to RM9,705,347. The payment will be on 2 October 2023.

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	
	30.6.2023	30.6.2022	30.6.2023	30.6.2022
Profit After Taxation attributable to owners of the company (RM'000)	19,064	13,559	35,252	21,861
Weighted average number of ordinary shares in issue ('000)	643,007	643,007	643,007	643,007
Basic Earnings Per Share (Sen)	2.96	2.11	5.48	3.40
Diluted Earnings Per Share (Sen) # ^	2.90	NA	5.36	NA

Note :

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

^ - Assuming the exercise of 2,572,000 shares, which is the 10% of 25,720,000 shares of Employee Shares Scheme.

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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
30.6.2023			
Not past due	303,981	(417)	303,564
Past due:			
- less than 3 months	14,220	(1,772)	12,448
- 3 to 6 months	1,704	(134)	1,570
- over 6 months	4,210	(426)	3,784
Credit impaired	11,115	(11,115)	-
	<u>335,230</u>	<u>(13,864)</u>	<u>321,366</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
30.6.2022			
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	2,197	(1,011)	1,186
Credit impaired	9,609	(9,609)	-
	<u>339,453</u>	<u>(14,409)</u>	<u>325,044</u>

13 Comparative Figures

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

	As Restated 30.6.2023 RM'000	As Previously Reported 30.6.2022 RM'000
Condensed Consolidated Statement of Cash Flow (Extract):-		
Depreciation of property, plant and equipment	2,797	2,530
Depreciation of right-of-use assets	459	726
	<u> </u>	<u> </u>
Profit for the period is arrived at after charging (Extract):-		
Depreciation and amortisation	(2,797)	(2,530)
Depreciation of right-of-use assets	(459)	(726)
	<u> </u>	<u> </u>
Lease liability (Extract):-		
Non-current	1,337	3,159
Current	1,141	1,975
	<u> </u>	<u> </u>
Group Borrowings (Extract):-		
Hire purchase payable	2,656	-
Weighted average interest rate of borrowings	3.95%	3.98%
	<u> </u>	<u> </u>