

KELINGTON GROUP BERHAD ("KGB")
[Company No. 199901026486 (501386-P)]
Statement of Profit or Loss and Other Comprehensive Income
For The 4th Quarter Ended 31 December 2023

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the period ended 31 December 2023 are as follow:-

	Unaudited	Audited			Unaudited	Audited		
	Current	Previous	+		12-months	12-months	+	
Note	Qtr Ended	Qtr Ended	-		Period	Period	-	
	31.12.2023	31.12.2022	%		up to	up to	%	
	RM'000	RM'000			31.12.2023	31.12.2022		
					RM'000	RM'000		
Revenue	478,257	426,718	+	12	1,613,919	1,278,837	+	26
Cost of sales	(392,231)	(375,533)			(1,384,615)	(1,130,695)		
Gross profit	86,026	51,185	+	68	229,304	148,142	+	55
Other income	3,713	3,331			10,412	5,037		
Administrative expenses	(20,665)	(19,947)			(65,950)	(56,396)		
Selling and distribution expenses	(884)	(1,076)			(2,955)	(2,588)		
Other expenses	(18,245)	(3,940)			(26,752)	(14,388)		
Results from operating activities	49,945	29,553	+	69	144,059	79,807	+	81
Finance costs	(3,049)	(2,628)			(11,056)	(5,416)		
Profit before taxation for the financial period	46,896	26,925	+	74	133,003	74,391	+	79
Taxation	(10,692)	(7,200)			(27,870)	(15,885)		
Profit after taxation for the financial period	36,204	19,725	+	84	105,133	58,506	+	80
Other comprehensive income, net of tax								
Foreign currency translation	1,208	455			5,299	4,088		
	1,208	455			5,299	4,088		
Total comprehensive income for the period	37,412	20,180			110,432	62,594		
Profit attributable to:								
Shareholders of the Company	35,731	18,185	+	96	102,651	55,752	+	84
Non-controlling interests	473	1,540			2,482	2,754		
Profit after taxation for the financial period	36,204	19,725	+	84	105,133	58,506	+	80
Total comprehensive income attributable to:								
Shareholders of the Company	36,938	18,634			108,035	59,833		
Non-controlling interests	474	1,546			2,397	2,761		
Total comprehensive income for the period	37,412	20,180			110,432	62,594		
Basic earnings per ordinary share (sen):								
Basic earnings per share (sen)	B11	5.54	2.44		15.94	8.67		
Diluted earnings per share (sen)	B11	5.29	2.38		14.84	8.67		

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 31 December 2023

	Note	Unaudited As At 31.12.2023 RM'000	Audited As At 31.12.2022 RM'000
ASSETS			
Non-current assets			
Property, plant & equipment		168,794	106,791
Goodwill on consolidation		7,211	6,829
Deferred tax assets		1,485	682
Right-of-use assets		6,756	3,561
		184,246	117,863
Current assets			
Inventories		25,450	21,871
Contract assets		156,611	196,558
Trade receivables		394,811	385,507
Other receivables, prepayments and deposits		42,193	63,712
Current tax assets		821	10,163
Fixed deposits with licensed banks		33,427	25,586
Cash and bank balances		235,571	234,381
		888,884	937,778
TOTAL ASSETS		1,073,130	1,055,641
EQUITY AND LIABILITIES			
Equity			
Share capital		73,792	73,292
Retained earnings		204,414	145,785
Other reserve		54,640	20,756
Treasury share		(534)	(534)
Total Equity attributable to Shareholders of the Company		332,312	239,299
Non-controlling interests		6,298	3,816
Total Equity		338,610	243,115
Non-current liabilities			
Deferred tax liabilities		5,803	2,675
Lease liability	B8 (a)	4,360	1,423
Hire purchase payables	B8 (b)	4,475	2,186
Long-term borrowings	B8 (b)	58,867	31,863
		73,505	38,147
Current liabilities			
Contract liabilities		249,503	283,566
Trade payables		215,828	201,469
Other payables and accruals		61,612	62,070
Derivative liabilities	B7	434	2,962
Lease liability	B8 (a)	2,318	2,018
Current tax liabilities		13,356	14,745
Short term borrowings	B8 (b)	115,718	206,296
Bank overdraft	B8 (b)	2,246	1,253
		661,015	774,379
Total liabilities		734,520	812,526
TOTAL EQUITY AND LIABILITIES		1,073,130	1,055,641
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)		0.5233	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 4th Quarter Ended 31 December 2023

	Attributable to Equity Holders of the Company						Total Equity RM'000		
	Share Capital RM'000	Treasury Share RM'000	Capital Reserve RM'000	Employee Share Scheme Reserve RM'000	Exchange Fluctuation Reserve RM'000	Distributable Retained Earnings RM'000			
As at 1 January 2023	73,292	(534)	10,150	634	8,928	146,829	239,299	3,816	243,115
Profit after taxation for the financial period	-	-	-	-	-	102,651	102,651	2,482	105,133
Other comprehensive expense, net of tax:	-	-	-	-	5,384	-	5,384	(85)	5,299
- Foreign currency translation	-	-	-	-	5,384	-	5,384	(85)	5,299
Total comprehensive income for the financial period	-	-	-	-	5,384	102,651	108,035	2,397	110,432
Contributions by and distribution to owners of the company:	-	-	-	4,547	-	-	4,547	-	4,547
- Employee's share scheme reserve	482	-	-	(482)	-	-	-	-	-
- Changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	-	-	-	(270)	(270)	270	-
- Loss on disposal of a subsidiary	-	-	-	-	-	-	-	(185)	(185)
- Warrants exercised	18	-	-	-	-	-	-	-	18
- Bonus shares issued by a subsidiary	-	-	25,479	-	-	(25,479)	-	-	-
- Dividend paid for the period	-	-	-	-	-	(19,317)	(19,317)	-	(19,317)
Total recognised income and expense for the period	500	-	25,479	4,065	-	(45,066)	(15,022)	85	(14,937)
As at 31 December 2023	73,792	(534)	35,629	4,699	14,312	204,414	332,312	6,298	338,610
As at 1 January 2022	73,292	(534)	9,474	-	4,847	104,613	191,692	1,055	192,747
Profit after taxation for the financial year	-	-	-	-	-	55,752	55,752	2,754	58,506
Other comprehensive income, net of tax:	-	-	-	-	4,081	-	4,081	7	4,088
- Foreign currency translation differences	-	-	-	-	4,081	-	4,081	7	4,088
Total comprehensive income/(expenses) for the financial year	-	-	-	-	4,081	55,752	59,833	2,761	62,594
Contributions by and distribution to owners of the company:	-	-	-	634	-	-	634	-	634
- Share-based payment	-	-	-	634	-	-	634	-	634
- Dividends paid for the period	-	-	-	-	-	(12,860)	(12,860)	-	(12,860)
- Transfer of non-distributable reserve funds by a subsidiary	-	-	676	-	-	(676)	-	-	-
Total transactions with owners	-	-	676	634	-	(13,536)	(12,226)	-	(12,226)
As at 31 December 2022	73,292	(534)	10,150	634	8,928	146,829	239,299	3,816	243,115

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 Year Ended 31 December 2023

	Unaudited 12-Months Ended 31.12.2023 RM'000	Audited 12-Months Ended 31.12.2022 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	133,003	74,391
Adjustments for:-		
Depreciation of property, plant and equipment	7,157	5,958
Depreciation of right-of-use assets	3,888	1,210
Loss on lease termination	153	342
Loss on disposal of subsidiary	36	-
Property, plant and equipment written off	3	-
Impairment loss on trade receivables	498	683
Impairment loss on contract assets	11,169	3,360
Interest expense	11,367	5,333
Interest income	(2,463)	(470)
Loss on disposal of equipment	174	66
Net fair value adjustments of financial derivatives	(2,528)	2,943
Net addition of provision of warranty costs	300	286
Net (reversal)/ addition of provision for unutilised leaves	(31)	453
Provision for decommission liability	-	167
Share-based payments	4,547	634
Unrealised loss on foreign exchange	1,111	2,918
Operating profit before working capital changes	168,384	98,274
Increase in inventory	(3,579)	(15,662)
Changes in net of contract assets /contract liabilities	(5,285)	163,007
(Decrease)/ increase in trade and other receivables	11,161	(345,744)
Increase in trade and other payables	13,077	147,561
CASH FROM OPERATIONS	183,758	47,436
Income tax paid	(17,749)	(13,583)
Interest paid	(39)	(64)
Interest received	2,463	470
NET CASH FROM OPERATING ACTIVITIES	168,433	34,259
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(65,898)	(43,088)
Proceeds from disposal of equipments	1,380	284
Proceeds from disposal of subsidiary	220	-
Proceeds from exercise of warrants	18	-
NET CASH FOR INVESTING ACTIVITIES	(64,280)	(42,804)
CASH FLOWS (FOR)/ FROM FINANCING ACTIVITIES		
Dividend paid	(19,317)	(12,860)
Interest paid	(11,327)	(4,439)
Drawdown of revolving credit	17,729	10,500
Repayment of hire purchase	(1,716)	(866)
Repayment of lease liability	(3,845)	(1,573)
Net drawdown of term loan	18,669	19,486
Net (repayment)/ drawdown of invoice financing	(100,367)	153,536
Increase in pledged fixed deposits and bank balances with licensed bank	(1,188)	(6,738)
NET CASH (FOR)/FROM FINANCING ACTIVITIES	(101,362)	157,046
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,791	148,501
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	4,059	(2,862)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	230,685	85,046
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	237,535	230,685

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

Cash and bank balances	235,571	234,381
Fixed deposits	33,427	25,586
	268,998	259,967
Less: bank overdraft	(2,246)	(1,253)
Less: fixed deposits pledged to licensed banks	(25,023)	(24,433)
Less: bank balance pledged to licensed banks	(4,194)	(3,596)
	237,535	230,685

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 FOURTH QUARTER ENDED 31 DECEMBER 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.

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

31.12.2023

Revenue					
External revenue	1,056	113,713	2,132	1,497,018	1,613,919
Inter-segment revenue	1,135	251	91,316	30,044	122,746
	<u>2,191</u>	<u>113,964</u>	<u>93,448</u>	<u>1,527,062</u>	<u>1,736,665</u>
Consolidated Adjustments					(122,746)
					<u>1,613,919</u>

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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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

31.12.2022

Revenue

External revenue	1,286	62,355	816	1,214,380	1,278,837
Inter-segment revenue	225	504	23,887	8,269	32,885
	<u>1,511</u>	<u>62,859</u>	<u>24,703</u>	<u>1,222,649</u>	<u>1,311,722</u>

Consolidated Adjustments

(32,885)
<u>1,278,837</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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Malaysia	699,222	571,623	159,034	97,324
China	238,221	178,995	5,627	3,709
Taiwan	30,273	33,612	39	58
Singapore	610,537	477,616	19,546	9,261
Indonesia	7,110	2,096	-	-
Philippines	8,891	7,173	-	-
Australia	7,372	1,040	-	-
Fiji	5,481	2,899	-	-
New Zealand	5,579	2,905	-	-
Others	1,233	878	-	-
	<u>1,613,919</u>	<u>1,278,837</u>	<u>184,246</u>	<u>110,352</u>

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 31 December 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 2 October 2023, KGB had paid the first interim tax-exempt dividend of 1.5 sen per ordinary share in respect of the FYE 31 December 2023 amounting to RM9,671,750.

8. Valuation of Property, Plant and Equipment

Property, plant and equipment of the Group were not revalued during the current quarter under review. As at 31 December 2023, all the property, plant and equipment were stated at cost less accumulated depreciation.

9. Movement of Debt And Equity Securities

Saved as disclosed in the following, there were no issuance, cancellation, resale and repayment of debt and equity securities during the current quarter under review:

Exercise of Warrants

During the quarter under review, KGB increased its number of issued and paid up shares by the exercise of 13,333 convertible warrants at an issue price of RM1.38.

10. Changes in Composition of the Group

Saved as disclosed in the following, there were no change in the composition of the Group during the current quarter under review:

(a) Disposal of Kelington Analytical Services Sdn Bhd ("KASSB")

On 4 October 2023, KGB had disposed all its shareholding of 220,000 shares in KASSB, representing a 55% equity interest in KASSB. As a result, KASSB ceased to be a subsidiary of KGB.

(b) Internal group restructuring

On 28 November 2023, KGB had disposed all its shareholding of 100 shares in Cryotech Logistics Sdn Bhd ("CLSB"), representing 100% of the total issued share capital in CLSB, to Ace Gases Sdn Bhd ("AGSB"). As a result, CLSB ceased to be a direct subsidiary of KGB, and become a wholly-owned subsidiary of AGBS.

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
	31.12.2023
	RM'000
Purchase of plant & equipment	<u>40,476</u>

13. Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities and contingent assets as at 31 December 2023.

14. Material Subsequent Events

There has been no material subsequent events after the quarter ended 31 December 2023.

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EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023

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

1 Review Of Performance

	Current Year Quarter 31.12.2023 RM'000	Preceding Year Corresponding Quarter 31.12.2022 RM'000	Changes		Current Year-to-date 31.12.2023 RM'000	Preceding Year Corresponding Period 31.12.2022 RM'000	Changes	
			Amount RM'000	%			Amount RM'000	%
Revenue	478,257	426,718	51,539	12%	1,613,919	1,278,837	335,082	26%
Operating profit	49,945	29,553	20,392	69%	144,059	79,807	64,252	81%
Profit before tax ("PBT")	46,896	26,925	19,971	74%	133,003	74,391	58,612	79%
Profit after tax ("PAT")	36,204	19,725	16,479	84%	105,133	58,506	46,627	80%
Profit attributable to shareholders of the company	35,731	18,185	17,546	96%	102,651	55,752	46,899	84%

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Revenue 4Q2023 31.12.2023 RM'000	% of total	Revenue 4Q2022 31.12.2022 RM'000	% of total	Changes %
Service segment:	427	0%	423	0%	1%
Manufacturing & trading segment:	30,854	6%	20,409	5%	51%
- Industrial gases - Equipments and - materials	42,957	9%	7,792	2%	451%
Construction segment	295,880	62%	304,451	71%	-3%
- Ultra High Purity ("UHP")	32,351	7%	13,341	3%	142%
- Process Engineering	127,200	27%	98,004	23%	30%
- General Contracting	(51,412)	-11%	(17,702)	-4%	
Consolidated Adjustments					
Total	478,257		426,718		12%

Kelington's revenue grew 12% YoY to RM478.3 million in 4Q2023 compared to 4Q2022, as the Group recorded a rise in contribution mainly from its key operating markets of Malaysia and Singapore.

In terms of geographical breakdown, revenue contribution was led by Singapore (44%), followed by Malaysia (43%), China (11%), and Taiwan (1%).

Revenue from Singapore increased by 12% YoY to RM208.3 million compared to RM185.7 million in 4Q2022. This increase is attributed to contributions from General Contracting projects currently in progress.

Meanwhile, revenue generated from Malaysia rose 20% to RM207.4 million from RM172.5 million in 4Q2022. This growth primarily resulted from enhanced contribution of one UHP project and one process engineering project, both of which were awarded in the second half of FY2022. Additionally, the improved contribution from general contracting jobs and favourable impact from industrial gases division in Malaysian market has further fueled the increase in revenue.

China contributed RM50.2 million in revenue, marking a marginally increased of 1% as compared to RM49.4 million in the same period last year.

Revenue from Taiwan reduced by 61% to RM4.0 million from RM10.4 million in 4Q2022 mainly due to the lower recognition during the quarter compared to same period last year.

In terms of business segment, the UHP division remained the leading contributor to revenue, representing 62% of the Group's total revenue in 4Q2023.

The revenue contribution from the Process Engineering division experienced a significant increase of 142%, reaching RM32.4 million in 4Q2023, primarily due to a process engineering project awarded in Malaysia during 4Q2022.

The General Contracting division increased by 30% in revenue to RM127.2 million from RM98.0 million in 4Q2022, mainly due to the contribution from the positive operating condition in Singapore.

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FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023

1 Review Of Performance (Cont'd)

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

The Industrial Gases division demonstrated steady improvement in 4Q2023, propelled by a consistent demand for liquid carbon dioxide from both local and export markets. As a result, revenue surged by 51% to RM30.9 million, compared to RM20.4 million in 4Q2022.

Due to the robust revenue performance during 4Q2023, the gross profit demonstrated a notable YoY increase of 68%, reaching RM86.0 million, up from RM51.2 million in the 4Q2022. The remarkable improvement in the gross profit margin, which rose to 18.0% from 12.0% in 4Q2022, was primarily attributed to shifts in the composition of revenue and favourable project mix. Additionally, the PBT and PAT for the current quarter exhibited robust growth, expanding by 74% and 84% respectively when compared to the 4Q2022.

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

	Revenue 12M2023 RM'000	% of total		Revenue 12M2022 RM'000	% of total	Changes
Service segment:	2,191	0%		1,511	0%	45%
Manufacturing & trading segment:	113,964	7%		62,859	5%	81%
- Industrial gases						
- Equipments and materials	93,448	6%		24,703	2%	278%
Construction segment - ("UHP")	1,022,982	63%		816,187	64%	25%
- Process Engineering	123,885	8%		51,017	4%	143%
- General Contracting	380,195	24%		355,445	28%	7%
Consolidated Adjustments	(122,746)	-8%		(32,885)	-3%	
Total	1,613,919			1,278,837		26%

The Group's revenue increased by 26% to RM1,613.9 million in 12M2023 as compared to RM1,278.8 million in the previous year's corresponding period ("12M2022"). This notable growth was primarily fueled by contributions from all major segments within the organization.

The revenue from the UHP division experienced a 25% YoY growth, totalling RM1,023.0 million in the 12M2023 in comparison to RM816.2 million in the same period of 2022. This substantial growth was primarily attributed to increased project recognition across all of Kelington's key operating markets.

The improved performance of the Process Engineering division was due to a significant project in Malaysia, resulting in a remarkable 143% increase in revenue to RM123.9 million in 12M2023 from RM51.0 million in 12M2022.

Furthermore, revenue from the Industrial Gases division rose 81% YoY to RM114.0 million in 12M2023 compared to RM62.9 million in 12M2022, mainly driven by heightened sales of liquid carbon dioxide and other gases.

In terms of geographical breakdown in 12M2023, revenue contribution was led by Malaysia (43%) followed by Singapore (38%), China (15%), and Taiwan (2%).

In line with the impressive surge of overall revenue, the gross profit, PBT, and PAT exhibited remarkable YoY gains of 55% to RM229.3 million, 79% to RM133.0 million, and 80% to RM105.1 million, respectively.

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1 Review Of Performance (Cont'd)

(c) Variation of Results Against Preceding Quarter

	Current Quarter 4Q2023 Unaudited 31.12.2023 RM'000	Immediate Preceding Quarter 3Q2023 Unaudited 30.9.2023 RM'000	Changes	
			Amount RM'000	%
Revenue	478,257	401,824	76,433	19%
Operating profit	49,945	41,958	7,987	19%
Profit before tax ("PBT")	46,896	39,142	7,754	20%
Profit after tax ("PAT")	36,204	32,009	4,195	13%
Profit attributable to shareholders of the company	35,731	31,668	4,063	13%

In tandem with the surge in revenue in 4Q2023, there was a 20% improvement in PBT and 13% increase in PAT along with an enhanced gross profit. This growth can be attributed to the favourable project mix.

(d) Statement of Financial Position

Financial Indicators	As at 31.12.2023 Unaudited RM'000	As at 31.12.2022 Audited RM'000
Total assets	1,073,130	1,055,641
Total equity	338,610	243,115
Debt	187,984	245,039
Fixed deposits, cash & bank balances	268,998	259,967
Net cash	81,014	14,928
Debt-to-Equity (Gearing)	0.56	1.01

As at 31 December 2023, the Group's shareholder equity (excluding non-controlling interests) experienced growth, reaching RM332.3 million from RM239.3 million as at 31 December 2022, on the back of consistent quarterly profits. Throughout the financial period, the Group distributed dividends of RM19.3 million to its shareholders.

The Group's total debt reduced to RM188.0 million as at 31 December 2023 against RM245.0 million as at 31 December 2022. The reduction in debt was mainly due to the repayment of borrowing in Malaysia and Singapore. The notable improvement in net cash balance to RM81.0 million in 2023 from RM14.9 million in 2022 attributed primarily to both debt repayment and the proactive utilisation of working capital.

Consequently, the Group's financial position remains strong and healthy with gearing ratio at 0.56 times.

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 12-month ended 31 December 2023, the Group has secured new contracts amounting to RM1.10 billion in 2023. Including the projects carried forward from the previous years, our total orderbook stood at RM2.80 billion of which RM1.30 billion remains outstanding.

In addition, we clinched another major contract amounting to RM143 million in China in early January 2024. The contract is awarded from China's largest semiconductor foundry, to perform design, procurement, construction, and commissioning of gas hookup system in Shanghai, China.

Prospects in 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 experiencing growing export demand for LCO₂ from Oceania countries. To cater to this increased demand, the commencement of our second LCO₂ plant in Kerteh in the first quarter of 2024 will more than double our production capacity and further enhance the industrial gas division's financial performance.

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2 Commentary Of Prospects (Cont'd)

Additionally, the commencement of our second on-site gas supply scheme in 2Q2024, 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 FY2024 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	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	1,118	331	2,463	470
Interest expense #	(3,049)	(1,377)	(11,366)	(4,503)
Net (provision)/ reversal of impairment loss on trade receivables:				
- specified	(374)	739	(498)	(683)
- in accordance to MFRS 9	-	300	-	-
Net (provision)/ reversal of impairment loss on contract assets:				
- specified	(11,169)	(2,430)	(11,169)	(3,360)
- in accordance to MFRS 9	-	200	-	-
Depreciation and amortisation	(1,963)	(1,605)	(7,157)	(5,958)
Depreciation of right-of-use assets	(2,176)	(288)	(3,888)	(1,210)
Equipment written off	-	-	(3)	-
Unrealised Foreign exchange loss	(1,087)	(2,154)	(1,111)	(2,918)
Realised Foreign exchange (loss)/ gain	(817)	1,742	(1,385)	1,623
Provision for gratuity	-	-	(5,466)	-
Net addition of provision for warranty costs	(417)	(258)	(300)	(286)
Net reversal/ (addition) of provision for unutilised leaves	31	(453)	31	(453)
Gain/ (loss) on disposal of equipment	36	(30)	(174)	(66)
Loss on lease termination	(2)	(342)	(153)	(342)
Net fair value adjustments of financial derivatives	(344)	(2,943)	2,528	(2,943)

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 31.12.2023 RM'000	Cumulative Year to date ended 31.12.2023 RM'000
Company taxation	8,921	24,899
Deferred taxation	1,771	2,971
	<u>10,692</u>	<u>27,870</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

As at 31 December 2023, the Group has entered into the short-term foreign currency forward contracts, to hedge it's purchases denominated in foreign currency so as to limit the exposure to fluctuations in foreign exchange rates. The details of the foreign currency forward contracts are as follows:

	31.12.2023 RM'000
Type of Derivatives	
Forward Contract (US Dollar)	
Contract (Notional Value)	31,760
Less: Fair value	(31,326)
Total derivatives liabilities	<u>434</u>

The Group maintains a natural hedge, whenever is possible, by matching the receivables and the payables in the same currency, any unmatched balances will be hedged by the forward foreign currency contracts

8 Lease Liability and Group Borrowings

(a) Lease liability

The lease liability as at 31 December 2023 versus 31 December 2022 were as follows:

	31.12.2023 RM'000	31.12.2022 RM'000
Non-current	4,360	2,018
Current	2,318	1,423
Total	<u>6,678</u>	<u>3,441</u>

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

(b) Group Borrowings

The borrowings as at 31 December 2023 versus 31 December 2022 were as follows.

	As At 31 December 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>RM14,821</i>	14,821	<i>RM55,617</i>	55,617	<i>RM70,438</i>	70,438
Revolving loan	<i>SGD1,000, RM23,000</i>	26,479	<i>RM3,250</i>	3,250	<i>SGD1,000, RM26,250</i>	29,729
Post buyer Loan/ Invoice financing	<i>RMB67,034, SGD7,181, RM4,688</i>	72,958			<i>RMB67,034, SGD7,181, RM4,688</i>	72,958
Hire Purchase Payable	<i>SGD43, RM1,311</i>	1,460	<i>SGD323, RM3,351</i>	4,475	<i>SGD366, RM4,662</i>	5,935
Bank overdraft	<i>RM2,246</i>	2,246			<i>RM2,246</i>	2,246
<u>Unsecured</u>						
Nil	-	-	-	-	-	-
		<u>117,964</u>		<u>63,342</u>		<u>181,306</u>
Weighted average interest rate of borrowings						4.79%
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 decrease in borrowing during the year ended 31 December 2023 compared to previous year was mainly attributed to the settlement of project financing loan as specific projects reached their final stage. However, the upswing in term loans and revolving credit is primarily a result of capital expenditure and working capital for the industrial gases division.

The improved in weighted average interest rate mainly a result of the reduction in the interest rate of term loan.

	As At 31 December 2022					
	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>SGD2,000, RMB2,300, RM11,903</i>	19,906	<i>RM31,863</i>	31,863	<i>SGD2,000, RMB2,300, RM43,766</i>	51,769
Revolving loan	<i>RM12,000</i>	12,000	-	-	<i>RM12,000</i>	12,000
Post buyer loan/Invoice financing	<i>RMB82,687, SGD25,223, RM38,471</i>	173,325	-	-	<i>RMB82,687, SGD25,223, RM38,471</i>	173,325
Hire Purchase Payable	<i>SGD52, RM895</i>	1,065	<i>SGD73, RM1,946</i>	2,186	<i>SGD125, RM2,841</i>	3,251
Bank overdraft	<i>RM1,253</i>	1,253	-	-	<i>RM1,253</i>	1,253
<u>Unsecured</u>						
Nil	-	-	-	-	-	-
		207,549		34,049		241,598
Weighted average interest rate of borrowings						5.22%
Proportion of borrowings between fixed interest rate and floating interest rate						2%:98%

The increase in borrowing during the year ended 31 December 2022 is mainly due to the financing for the projects undertaken in China, Singapore and Malaysia. The relatively higher weighted average interest rate for the year ended 31 December 2022 as compared to the previous year is mainly due to the increase of interest rate in Malaysia and Singapore.

9 Material Litigation

Save as disclosed below, as at the date of this quarterly report, neither KGB nor any of its subsidiaries is engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board has no knowledge of any proceedings pending or threatened against the Company and/or its subsidiaries or of any fact likely to give rise to any proceedings, which may materially or adversely affect the financial position or business of the Group:-

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

On 29 June 2016, the Judge has decided in favour of Kelington Taiwan and allowed Kelington Taiwan's claim of NTD34,234,442 (equivalent to RM4,279,305) being the net amount after deducting Hui Neng's progress claim of NTD1,765,558, plus all interest thereon since 13 March 2015 until full and final settlement and that all litigation cost shall be borne by Hui Neng.

On 25 July 2016, Hui Neng has submitted an appeal to the Court.

On 14 October 2016, Hui Neng has submitted a written plea to the High Court, Taiwan. On 9 December 2016, Kelington Taiwan answered to the plea submitted by Hui Neng to the High Court.

On 19 January 2017, High court decided to call the witnesses to Court to give evidence on the next hearing. On 24 February 2017, 7 April 2017, 18 May 2017, 6 July 2017, 25 August 2017, 28 September 2017, 16 November 2017, 21 December 2017, 2 February 2018, 15 March 2018, 22 June 2018, 5 July 2018, 1 August and 29 August, High court had heard the evidences given by the witnesses and fixed the final hearing on 12 September 2018.

On 12 September 2018, High Court Taiwan has delivered its court decision and ordered that Hui Neng shall pay Kelington Taiwan the sum of NTD 29,328,814 (equivalent to RM3,946,129) plus interest of 5% per annum thereon since 10 October 2015.

On 11 January 2021, Kelington Taiwan received a judgement from the Supreme Court of Taiwan which in response to Hui Neng's petition made on 23 October 2018 that the original court judgment made on 12 September 2018 was set aside except for the provisional execution, and the case shall re-submit to the Taiwan High Court in Kaohsiung.

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

(2) 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 28 February 2024, the Board of Directors of KGB proposed the payment of second interim tax-exempt dividend of 2.5 sen per ordinary share in respect of the FYE 31 December 2023 amounting to RM16,175,912. This will be paid on 5 Apr 2024.

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11 Earnings Per Share

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

	Current Quarter Ended		Cumulative Year To Date Ended	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Profit After Taxation attributable to owners of the company (RM'000)	35,731	18,185	102,651	55,752
Weighted average number of ordinary shares in issue ('000)	644,785	643,007	643,869	643,007
Basic Earnings Per Share (Sen)	5.54	2.77	15.94	8.67
Diluted Earnings Per Share (Sen) # ^	5.29	2.76	14.84	8.67

Note :

- Assuming the full exercise of 214,320,488 convertible warrants

^ - Assuming the exercise of 23,943,800 shares, which is the remaining unexercised options of Employee Shares Scheme.

12 Comparative Figures

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

	As Restated	As Previously Reported
	RM'000	RM'000
Condensed Consolidated Statements of Changes in Equity (Extract):-		
Capital reserve 1.1.2022	9,474	10,518
Capital reserve 1.1.2023	10,150	11,194
Retained earnings 1.1.2022	104,613	103,569
Retained earnings 1.1.2023	146,829	145,785
Group Borrowings (Extract):-		
Weighted average interest rate of borrowings	5.22%	5.26%