

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 2024

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the period ended 30 June 2024 are as follow:-

		Unaudited	Unaudited			Unaudited	Unaudited		
		Current	Previous	+		6-months	6-months	+	
		Qtr Ended	Qtr Ended	-		Period	Period	-	
		30.6.2024	30.6.2023	%		up to	up to	%	
	Note	RM'000	RM'000			30.6.2024	30.6.2023		
						RM'000	RM'000		
Revenue		321,206	424,913	-	24	660,485	733,838	-	10
Cost of sales		(265,736)	(378,922)			(552,081)	(649,904)		
Gross profit		<u>55,470</u>	<u>45,991</u>	+	21	<u>108,404</u>	<u>83,934</u>	+	29
Other income		3,328	3,327			4,320	4,866		
Administrative expenses		(17,573)	(18,558)			(32,825)	(31,382)		
Selling and distribution expenses		(973)	(725)			(1,824)	(1,355)		
Other expenses		(3,040)	(2,188)			(5,741)	(3,907)		
Results from operating activities		<u>37,212</u>	<u>27,847</u>	+	34	<u>72,334</u>	<u>52,156</u>	+	39
Finance costs		(2,375)	(1,899)			(4,772)	(5,191)		
Profit before taxation for the financial period		<u>34,837</u>	<u>25,948</u>	+	34	<u>67,562</u>	<u>46,965</u>	+	44
Taxation	B5	(7,667)	(5,644)			(14,749)	(10,045)		
Profit after taxation for the financial period		<u>27,170</u>	<u>20,304</u>	+	34	<u>52,813</u>	<u>36,920</u>	+	43
Other comprehensive income, net of tax									
Foreign currency translation		(486)	1,269			1,198	3,201		
		<u>(486)</u>	<u>1,269</u>			<u>1,198</u>	<u>3,201</u>		
Total comprehensive income for the period		<u>26,684</u>	<u>21,573</u>			<u>54,011</u>	<u>40,121</u>		
Profit attributable to:									
Shareholders of the Company		26,668	19,064	+	40	51,490	35,252	+	46
Non-controlling interests		502	1,240			1,323	1,668		
Profit after taxation for the financial period		<u>27,170</u>	<u>20,304</u>	+	34	<u>52,813</u>	<u>36,920</u>	+	43
Total comprehensive income attributable to:									
Shareholders of the Company		26,182	20,418			52,685	38,538		
Non-controlling interests		502	1,155			1,326	1,583		
Total comprehensive income for the period		<u>26,684</u>	<u>21,573</u>			<u>54,011</u>	<u>40,121</u>		
Basic earnings per ordinary share (sen):									
Basic earnings per share (sen)	B11	3.99	2.96			7.81	5.48		
Diluted earnings per share (sen)	B11	3.50	2.90			6.78	5.36		

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 2023 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 2024

	Note	Unaudited As At 30.6.2024 RM'000	Audited As At 31.12.2023 RM'000
ASSETS			
Non-current assets			
Property, plant & equipment		194,552	168,750
Goodwill on consolidation		7,210	7,211
Deferred tax assets		1,341	1,333
Right-of-use assets		5,352	6,756
		<u>208,455</u>	<u>184,050</u>
Current assets			
Inventories		20,765	25,450
Contract assets		215,394	159,382
Trade receivables		265,688	386,584
Other receivables, prepayments and deposits		37,263	46,293
Current tax assets		1,122	308
Fixed deposits with licensed banks		123,320	36,129
Cash and bank balances		210,763	233,132
		<u>874,315</u>	<u>887,278</u>
TOTAL ASSETS		<u>1,082,770</u>	<u>1,071,328</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		114,950	73,792
Retained earnings		224,473	204,797
Other reserve		57,534	54,541
Treasury share		(534)	(534)
Total Equity attributable to Shareholders of the Company		<u>396,423</u>	<u>332,596</u>
Non-controlling interests		7,122	5,796
Total Equity		<u>403,545</u>	<u>338,392</u>
Non-current liabilities			
Deferred tax liabilities		8,338	5,922
Lease liability	B8 (a)	1,627	2,598
Hire purchase payables	B8 (b)	5,009	4,430
Long term borrowings	B8 (b)	74,970	55,617
		<u>89,944</u>	<u>68,567</u>
Current liabilities			
Contract liabilities		204,550	249,714
Trade payables		208,561	223,841
Other payables and accruals		35,806	52,040
Derivative liabilities	B7	-	434
Lease liability	B8 (a)	3,635	4,080
Current tax liabilities		10,817	12,773
Dividend payable		13,433	-
Short term borrowings	B8 (b)	112,293	119,241
Bank overdraft	B8 (b)	186	2,246
		<u>589,281</u>	<u>664,369</u>
Total liabilities		<u>679,225</u>	<u>732,936</u>
TOTAL EQUITY AND LIABILITIES		<u>1,082,770</u>	<u>1,071,328</u>
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)		0.5943	0.5230

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 2023 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 2024

	<----- Attributable to Equity Holders of the Company ----->						Total Equity RM'000	Non-Controlling Interest RM'000	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		
As at 1 January 2024	73,792	(534)	36,651	4,697	13,193	204,797	332,596	5,796	338,392
Profit after taxation for the financial period	-	-	-	-	-	51,490	51,490	1,323	52,813
Other comprehensive expense, net of tax:									
- Foreign currency translation	-	-	-	-	1,195	-	1,195	3	1,198
Total comprehensive income for the financial period	-	-	-	-	1,195	51,490	52,685	1,326	54,011
Contributions by and distribution to owners of the company:									
- Employees' share scheme exercised	723	-	-	(723)	-	-	-	-	-
- Dividend payable for the period	-	-	-	-	-	(30,038)	(30,038)	-	(30,038)
- Warrants exercised	40,435	-	-	-	-	-	40,435	-	40,435
- Transfer to reserve fund in accordance to subsidiary's local regulatory requirement	-	-	745	-	-	-	745	-	745
- Transfer of non-distributable reserve funds by a subsidiary	-	-	1,776	-	-	(1,776)	-	-	-
Total recognised income and expense for the period	41,158	-	2,521	(723)	-	(31,814)	11,142	-	11,142
As at 30 June 2024	114,950	(534)	39,172	3,974	14,388	224,473	396,423	7,122	403,545
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 year	-	-	-	-	-	35,252	35,252	1,668	36,920
Other comprehensive income, net of tax:									
- Foreign currency translation differences	-	-	-	-	3,286	-	3,286	(85)	3,201
Total comprehensive income/ (expenses) for the financial year	-	-	-	-	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	-	-	-	-	-	(272)	(272)	272	-
- Bonus shares issued by a subsidiary	-	-	250	-	-	(250)	-	-	-
- Dividends paid for the period	-	-	-	-	-	(9,645)	(9,645)	-	(9,645)
Total transactions with owners	-	-	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

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 2023 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 2024

	Unaudited 6-Months Ended 30.6.2024 RM'000	Unaudited 6-Months Ended 30.6.2023 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	67,562	46,965
Adjustments for:-		
Depreciation of property, plant and equipment	4,865	3,377
Depreciation of right-of-use assets	2,366	1,146
Property, plant and equipment written off	6	3
Impairment loss on trade receivables	-	124
Interest expense	4,772	5,502
Interest income	(1,957)	(692)
Loss on disposal of equipment	-	177
Net fair value adjustments of financial derivatives	(434)	-
Reversal of provision of warranty costs	-	(117)
Share-based payments	-	590
Safety production reserve fund	745	-
Writeback of impairment loss on trade receivables	(1,922)	-
Unrealised loss/ (gain) on foreign exchange	488	(331)
	76,491	56,744
Operating profit before working capital changes	76,491	56,744
Decrease/ (Increase) in inventory	4,685	(18,435)
Changes in net of contract assets /contract liabilities	(101,176)	(33,843)
Decrease in trade and other receivables	131,604	42,435
Decrease in trade and other payables	(31,758)	(19,360)
	79,846	27,541
CASH FROM OPERATIONS	79,846	27,541
Income tax paid	(14,827)	(6,728)
Interest paid	(39)	(17)
Interest received	1,957	692
	66,937	21,488
NET CASH FROM OPERATING ACTIVITIES	66,937	21,488
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(19,039)	(29,459)
Proceeds from disposal of equipments	-	1,368
Net decrease/ (increase) in pledged fixed deposits and bank balances with licensed bank	1,258	(2,329)
	(17,781)	(30,420)
NET CASH FOR INVESTING ACTIVITIES	(17,781)	(30,420)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES		
Dividend paid	(16,605)	(9,645)
Interest paid	(4,733)	(5,485)
Drawdown of revolving credit	2,848	25,862
Net repayment of hire purchase	(1,012)	(508)
Repayment of lease liability	(2,363)	(993)
Net drawdown/ (repayment) of term loan	4,033	(1,647)
Repayment of invoice financing	(4,492)	(82,111)
Proceeds from exercise of warrants	40,435	-
	18,111	(74,527)
NET CASH FROM/(FOR) FINANCING ACTIVITIES	18,111	(74,527)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	67,267	(83,459)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	873	1,986
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	237,322	230,685
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	305,462	149,212

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

Cash and bank balances	210,763	149,342
Fixed deposits	123,320	30,380
	334,083	179,722
Less: bank overdraft	(186)	(151)
Less: fixed deposits pledged to licensed banks	(22,987)	(26,414)
Less: bank balance pledged to licensed banks	(5,448)	(3,945)
	305,462	149,212

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 2023 and the accompanying explanatory notes enclosed to the interim financial statements.

Part A - Explanatory Notes Pursuant to MFRS 134

1. Basis of Preparation

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 : Interim Financial Reporting and in accordance to the requirements of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Malaysia**").

The interim financial statements should be read in conjunction with KGB's audited consolidated financial statements for the financial year ended ("**FYE**") 31 December 2023. 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 2023.

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 2023. The new, revised and amended MFRS and IC Interpretations, which are effective for the financial periods beginning on January 1, 2024, did not have any material impact on the financial results of the Group.

The Group have adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):

MFRSs and/or IC Interpretations (Including the Consequential Amendments)

Amendments to MFRS 16: Lease Liability in a Sale and Leaseback
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current
Amendments to MFRS 101: Non-current Liabilities with Covenants
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements

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 121: Lack of Exchangeability	1 January 2025
Amendments to MFRS 9 and MFRS 7: Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
MFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
MFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027

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 and of the Company 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 2023.

3. Segmental Information

(a) Business Segment

The Group is organised into 3 main reportable segments as follows:

- (i) Service segment - involved in the provision of scientific and technical researches, laboratory testing service and experiments;
- (ii) Manufacturing, trading and rental segment - (1) industrial gases and leasing of tanks;
- (2) equipments and materials for contracts; and
- (iii) Construction segment - involved in the provision of engineering services and construction.

KELINGTON GROUP BERHAD ("KGB")
[Company No. 199901026486 (501386-P)]
EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2024

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

30.6.2024

Revenue					
External revenue	-	71,127	402	588,956	660,485
Inter-segment revenue	-	193	30,652	5,600	36,445
	-	71,320	31,054	594,556	696,930
Consolidated Adjustments					(36,445)
					<u>660,485</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

30.6.2023

Revenue					
External revenue	336	53,109	5,494	674,899	733,838
Inter-segment revenue	-	538	15,243	10,400	26,181
	336	53,647	20,737	685,299	760,019
Consolidated Adjustments					(26,181)
					<u>733,838</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	
	30.6.2024 RM'000	30.6.2023 RM'000	30.6.2024 RM'000	30.6.2023 RM'000
Malaysia	275,707	308,297	183,811	122,125
China	205,092	123,616	5,392	3,672
Taiwan	8,215	15,481	29	48
Singapore	153,201	268,053	19,223	17,905
Indonesia	5,211	3,091	-	-
Philippines	3,375	4,490	-	-
Australia	4,527	3,732	-	-
Fiji	2,654	2,915	-	-
New Zealand	1,706	3,608	-	-
Others	797	555	-	-
	<u>660,485</u>	<u>733,838</u>	<u>208,455</u>	<u>143,750</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 2024.

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 5 April 2024, KGB had paid the second interim tax-exempt dividend of 2.5 sen per ordinary share in respect of the FYE 31 December 2023 amounting to RM16,605,843.

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 2024, 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:

(a) Exercise of Warrants

During the quarter under review, KGB issued 9,448,297 new ordinary shares from the exercise of Warrants 2021/2026 at the exercise price of RM1.38 which amounted to RM13,038,650.

(b) Employee Shares Scheme ("ESS")

On 28 June 2024, the Company increased its issued and paid up capital by the issuance of 2,661,900 ordinary shares at an issue price of RM0.2715 per ordinary share, subsequent to the vesting of ESS shares to the eligible employees.

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
	30.6.2024
	RM'000
Purchase of plant & equipment	<u>24,344</u>

13. Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities and contingent assets as at 30 June 2024.

14. Material Subsequent Events

Saved as disclosed in note 6 of part B, there has been no material subsequent events after the quarter ended 30 June 2024.

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

1 Review Of Performance

	Current Year Quarter 30.6.2024 RM'000	Preceding Year Corresponding Quarter 30.6.2023 RM'000	Changes		Current Year-to-date 30.6.2024 RM'000	Preceding Year Corresponding Period 30.6.2023 RM'000	Changes	
			Amount RM'000	%			Amount RM'000	%
Revenue	321,206	424,913	(103,707)	-24%	660,485	733,838	(73,353)	-10%
Operating profit	37,212	27,847	9,365	34%	72,334	52,156	20,178	39%
Profit before tax ("PBT")	34,837	25,948	8,889	34%	67,562	46,965	20,597	44%
Profit after tax ("PAT")	27,170	20,304	6,866	34%	52,813	36,920	15,893	43%
Profit attributable to shareholders of the company	26,668	19,064	7,604	40%	51,490	35,252	16,238	46%

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Revenue 2Q2024 30.6.2024 RM'000	% of total	Revenue 2Q2023 30.6.2023 RM'000	% of total	Changes %
Service segment:	-	0%	171	0%	-100%
Manufacturing & trading segment:	35,386	11%	29,240	7%	21%
- Industrial gases					
- Equipments and materials	14,903	5%	16,080	4%	-7%
Construction segment	222,052	69%	295,992	70%	-25%
- Ultra High Purity ("UHP")					
- Process Engineering	17,421	5%	25,572	6%	-32%
- General Contracting	49,825	16%	79,300	19%	-37%
Consolidated Adjustments	(18,381)	-6%	(21,442)	-5%	
Total	321,206		424,913		-24%

Kelington's revenue declined by 24% YoY to RM321.2 million in 2Q2024 compared to 2Q2023. This decrease was primarily due to lower revenue contributions from Singapore and Malaysia, as several major projects in these regions had moved out of their accelerated phases and were nearing completion.

In terms of geographical breakdown, revenue contribution was led by Malaysia (40%), followed by China (32%), Singapore (26%), and Taiwan (2%).

Meanwhile, revenue from China surged to RM101.1 million, marking a significant 29.5% increase from RM78.1 million in the same period last year. This substantial growth was primarily driven by several large UHP projects awarded in the second half of 2023 and the first half of 2024.

Revenue from Taiwan reduced by 39.1% to RM4.9 million from RM8.1 million in 2Q2023 mainly due to the lower revenue recognition during the quarter compared to same period last year.

In terms of business segments, the UHP division remained the primary revenue generator, contributing 69% of the Group's total revenue in 2Q2024. However, UHP revenue decreased by 25% to RM222.1 million compared to the same period last year, primarily due to the completion of several UHP projects in Singapore.

The Process Engineering division's revenue contribution experienced a significant decrease of 32%, totaling RM17.4 million in the 2Q2024, compared to 2Q2023. This decline was primarily due to a process engineering project awarded in Malaysia in 2022, which has since progressed at a slower pace following its period of accelerated activity.

Revenue from the General Contracting division decreased by 37%, dropping to RM49.8 million in the 2Q2024 from RM79.3 million in the same quarter of 2023. This reduction was mainly due to slower progress on General Contracting projects in Malaysia following their period of accelerated activity.

The Industrial Gases division demonstrated steady improvement in 2Q2024, propelled by a consistent demand for liquid carbon dioxide from both local and export markets. As a result, revenue surged by 21% to RM35.4 million, compared to RM29.2 million in 2Q2023.

Despite the decline in revenue in 2Q2024, gross profit increased by 21%, rising from RM46.0 million in 2Q2023 to RM55.5 million. This significant improvement in the gross profit margin, which increased to 17.3% from 10.8% in 2Q2023, was primarily driven by changes in revenue composition and a favorable project mix, as well as the contribution from industrial gases division. Additionally, PBT and PAT for the current quarter showed robust growth, each expanding by 34% compared to 2Q2023.

1 Review Of Performance (Cont'd)

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

	Revenue 6M2024 RM'000	% of total		Revenue 6M2023 RM'000	% of total	Changes
Service segment:	-	0%		336	0%	-100%
Manufacturing & trading segment:	71,320	11%		53,647	7%	33%
- Industrial gases						
- Equipments and materials	31,054	5%		20,737	3%	50%
Construction segment - Ultra High Purity ("UHP")	427,570	65%		479,964	65%	-11%
- Process Engineering	38,778	6%		61,270	8%	-37%
- General Contracting	128,208	19%		144,065	20%	-11%
Consolidated Adjustments	(36,445)	-6%		(26,181)	-4%	
Total	660,485			733,838		-10%

The Group's revenue fell by 10% to RM660.5 million in 6M2024, compared to RM733.8 million in the same period in 2023. This decline was mainly attributed to reduced revenue contributions from Singapore and Malaysia, as several major projects in these regions transitioned out of their accelerated phases and approached completion. Furthermore, the timing gap between the completion of existing projects and start of new projects contributed to the revenue decrease.

Revenue from the UHP division decreased by 11% to RM427.6 million in 6M2024, compared to RM480.0 million in the same period of 2023. This drop was primarily due to the completion of several UHP projects in Singapore.

The decline in the Process Engineering division's revenue was caused by a major project in Malaysia, leading to a 37% decrease to RM38.8 million in 6M2024, down from RM61.3 million in the same period of 2023.

The 11% decrease in revenue for the General Contracting division, falling to RM128.2 million in 6M2024 from RM144.1 million in the same period of 2023, was primarily due to reduced contributions from operations in Malaysia.

Furthermore, revenue from the Industrial Gases division rose 33% YoY to RM71.3 million in 6M2024 compared to RM53.6 million in 6M2023, mainly driven by heightened sales of liquid carbon dioxide and other gases.

In terms of geographical breakdown in 6M2023, revenue contribution was led by Malaysia (42%) followed by China (31%), Singapore (23%), and Taiwan (1%).

Despite the overall revenue decline, the Group saw significant improvements in gross profit, which rose from RM83.9 million in 6M2023 to RM108.4 million in 6M2024 due to a favorable project mix as well as the contribution from industrial gases division. As a result, PBT and PAT both showed impressive year-on-year growth, rising by 44% to RM67.6 million and 43% to RM52.8 million, respectively.

(c) Variation of Results Against Preceding Quarter

	Current Quarter 2Q2024	Immediate Preceding Quarter 1Q2024	Changes	
	Unaudited 30.6.2024 RM'000	Unaudited 31.3.2024 RM'000	Amount RM'000	%
Revenue	321,206	339,279	(18,073)	-5%
Operating profit	37,212	35,122	2,090	6%
Profit before tax ("PBT")	34,837	32,725	2,112	6%
Profit after tax ("PAT")	27,170	25,643	1,527	6%
Profit attributable to shareholders of the company	26,668	24,822	1,846	7%

Compared to the 1Q2024, revenue in the 2Q2024 declined by 5% to RM321.2 million, largely due to reduced contributions from operations in Malaysia. However, both PBT and PAT grew by 6% each, driven primarily by improved gross profit.

1 Review Of Performance (Cont'd)

(d) Statement of Financial Position

Financial Indicators	As at 30.6.2024 Unaudited RM'000	As at 31.12.2023 Audited RM'000
Total assets	1,082,770	1,071,328
Total equity	403,545	338,392
Debt	197,720	188,212
Fixed deposits, cash & bank balances	334,083	269,261
Net cash	136,363	81,049
Debt-to-Equity (Gearing)	0.49	0.56

As of 30 June 2024, the Group's shareholders' equity (excluding non-controlling interests) increased to RM396.4 million, up from RM332.6 million as of 31 December 2023. This growth was driven by the exercise of warrants and quarterly profits. During the 6-month period, the Group proposed dividends totaling RM30.0 million to its shareholders, of which RM16.6 million was paid during this quarter.

As of 30 June 2024, the Group's total debt increased to RM197.7 million from RM188.2 million as of 31 December 2023. This rise in debt was mainly due to loan drawn down for capital expenditures in the industrial gases division. However, the net cash balance saw a significant improvement, rising to RM136.4 million in the second quarter of 2024 from RM81.0 million in 2023. This increase in net cash was primarily driven by debt repayments, proceeds from various projects, and funds from the exercise of warrants.

Consequently, the Group's financial position remains strong and healthy with the improved gearing ratio at 0.49 times.

2 Commentary Of Prospects

According to SEMI, global sales of semiconductor manufacturing equipment by original equipment manufacturers are forecast to set a new industry record, reaching \$109 billion in 2024, growing 3.4% year-on-year. This growth is expected to continue in 2025, with sales forecast to set a new high of \$128 billion in 2025, driven by both the front-end and back-end segments.

As a reputable player in providing Ultra High Purity solutions for the semiconductor segment, the Group is well-positioned to benefit from this industry expansion. During the 6-months ended 30 June 2024, the Group has secured new contracts amounting to RM564 million. Combined with projects carried forward from previous years, our total orderbook stood at RM1.87 billion of which RM1.29 billion remains outstanding.²

The Group remains proactive in tendering for additional projects, with a focus on the semiconductor sector in Malaysia, China, Singapore, Hong Kong and Germany.²

The Group's second LCO₂ plant in Kerteh, which commenced operations on 25 March 2024, has increased our production capacity to 120,000 mt/year. This strategic expansion positions the Group well to meet the growing export demand amid the global CO₂ shortage.

Barring unforeseen circumstances, we are confident of delivering a commendable financial performance in FY2024, driven by the execution of our existing orderbook across key markets and the continued growth of our Industrial Gas business.²

3 Profit Forecast and Profit Guarantee

The Company did not announce any profit forecast or profit estimate for the FYE 31 December 2024 in any public document and hence this information is not applicable.

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4 Profit for the Period

	Quarter ended		Year-to-date ended	
	30.6.2024	30.6.2023	30.6.2024	30.6.2023
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	1,147	553	1,957	692
Interest expense	(2,375)	(1,910)	(4,772)	(5,502)
Net (provision)/ reversal of impairment loss on trade receivables:				
- specified	1,922	(124)	1,922	(124)
Depreciation and amortisation	(2,499)	(1,733)	(4,865)	(3,377)
Depreciation of right-of-use assets	(1,181)	(601)	(2,366)	(1,146)
Property, plant and equipment written off	-	(3)	(6)	(3)
Unrealised Foreign exchange loss	(395)	(147)	(488)	331
Realised Foreign exchange (loss)/ gain	181	366	56	177
Provision for gratuity	-	(5,466)	(1,264)	(5,466)
Gain/ (loss) on disposal of equipment	-	(111)	-	(177)
Net fair value adjustments of financial derivatives	-	-	434	-

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 30.6.2024 RM'000
Company taxation	5,787
Deferred taxation	1,880
	<u>7,667</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.

6 Corporate Proposal

Saved as disclosed in the following, there were no outstanding corporate proposals announced but not completed as at the date of this quarterly report.

Proposed Acquisition of the Remaining 9.29% Equity Interest in Ace Gases Sdn Bhd ("Proposed Acquisition")

On 29 July 2024, the Company had entered into a conditional share sale agreement with Palace Star Sdn Bhd, Chong Ann Tsun and Alan Lim Chui Boon for the proposed acquisition of 2,539,000 ordinary shares in Ace Gases Sdn Bhd ("AGSB"), representing the remaining 9.29% equity interest in AGBS for a purchase consideration of RM35,692,893 to be satisfied via cash consideration amounting to RM10,079,482 and issuance of 7,590,958 new ordinary shares in KGB ("Consideration Shares") at an issue price of RM3.3742 per Consideration Share.

The Proposed Acquisition is deemed as a related party transaction pursuant to Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, by virtue of the interests of the directors and/ or major shareholders in relation to the Proposed Acquisition.

7 Derivative Financial Instruments

There were no outstanding foreign currency forward contracts as at 30 June 2024.

8 Lease Liability and Group Borrowings

(a) Lease liability

The lease liability as at 30 June 2024 versus 30 June 2023 were as follows:

	30.6.2024 RM'000	30.6.2023 RM'000
Non-current	1,627	879
Current	3,635	2,034
Total	<u>5,262</u>	<u>2,913</u>

The lease liability comprises tenancy agreements of more than one year. The increase in lease liability as of 30 June 2024, compared to the same period last year, was primarily due to tenancy agreements for ISO tanks in the industrial gases division.

8 Lease Liability and Group Borrowings (Cont'd)

(b) Group Borrowings

The borrowings as at 30 June 2024 versus 30 June 2023 were as follows.

	As At 30 June 2024					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
Secured						
Term Loan	RM14,987	14,987	RM72,470	72,470	RM87,457	87,457
Revolving loan	RM26,598	26,598	RM2,500	2,500	25,750	29,098
Post buyer Loan/ Invoice financing	RMB98,026, RM5,016	68,694	-	-	RMB98,026, RM5,016	68,694
Hire Purchase Payable	SGD43, RM1,866	2,014	SGD299, RM3,968	5,009	SGD342, RM5,834	7,023
Bank overdraft	RM186	186			RM186	186
Unsecured						
Nil	-	-	-	-	-	-
		112,479		79,979		192,458
Weighted average interest rate of borrowings						4.19%
Proportion of borrowings between fixed interest rate and floating interest rate						4%:96%

The increase in borrowing as of 30 June 2024, compared to the same period last year, was primarily due to capital expenditure and working capital for the industrial gases division. This rise in borrowing was partially offset by reduced project financing in Malaysia, Singapore and Taiwan.

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

	As At 30 June 2023					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
Secured						
Term Loan	RM14,257	14,257	RM35,865	35,865	RM50,122	50,122
Revolving loan	NTD16,000; SGD3,990; RM17,000	34,112	RM3,750	3,750	NTD16,000, SGD3,990; RM20,750	37,862
Post buyer loan/Invoice financing	RMB62,769, SGD12,922, RM6,490	91,214	-	-	RMB62,769, SGD12,922, RM6,490	91,214
Bank overdraft	RM151	151	-	-	RM151	151
Hire Purchase Payable	RM1,245	1,245	RM3,625	3,625	RM4,870	4,870
Unsecured						
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%

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.

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.

On 8 May 2024, High Court of Taiwan has delivered its court decision and ordered that Hui Neng shall pay Kelington Taiwan the sum of NTD 28,067,575 (approximately RM4,108,279), plus an interest of 5% per annum thereon since 11 August 2018.

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.

On 22 April 2024, KTSB served a statement of case to JCT pursuant to Article 10 of the Pertubuhan Arkitek Malaysia Rules 2019 (PAM Rules 2019).

Particulars of the Primarily Reliefs

In this arbitral proceeding, the Claimant seeks from the Respondent, amongst others, the outstanding payment of RM6,272,033.97, and costs and interests arising from the same.

On 18 July 2024, KTSB received a statement of defence dated 18 July 2024 ("Defence") from JCT in response to the KTSB's Statement of case ("SOC"). In the Defence from JCT, JCT denied KTSB's claim and has prayed for Kelington's claim sum of RM6,272,033.97 with interests to be dismissed.

On 12 August 2024, KTSB served a Statement of Reply to Defence ("SOR") to JCT in response to JCT's Defence. In the SOR to JCT, KTSB denied the Defence filed by JCT and has requested that the reliefs set forth in KTSB's SOC to be allowed with costs.

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

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10 Dividends Payable

On 23 May 2024, the Board of Directors of KGB proposed the payment of first interim tax-exempt dividend of 2 sen per ordinary share in respect of the FYE 31 December 2024 amounting to RM13,432,803. This had been paid on 10 July 2024.

On 21 August 2024, the Board of Directors of KGB proposed the payment of second interim tax-exempt dividend of 2 sen per ordinary share in respect of the FYE 31 December 2024 amounting to RM13,599,160. This will be paid on 10 October 2024.

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	
	30.6.2024	30.6.2023	30.6.2024	30.6.2023
Profit After Taxation attributable to owners of the company (RM'000)	26,668	19,064	51,490	35,252
Weighted average number of ordinary shares in issue ('000)	667,861	643,007	659,695	643,007
Basic Earnings Per Share (Sen)	3.99	2.96	7.81	5.48
Diluted Earnings Per Share (Sen) # ^	3.50	2.90	6.78	5.36

Note :

- Assuming the full exercise of the remaining 185,020,142 convertible warrants

^ - Assuming the exercise of 21,281,900 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:

Business segment

	As previously reported		As restated	
	Service Segment RM'000	Manufacturing and Trading Segment: Industrial Gases RM'000	Service Segment RM'000	Manufacturing and Trading Segment: Industrial Gases RM'000
30.6.2023				
Revenue				
External revenue	594	52,851	336	53,109
Inter-segment	423	115	-	538
	1,017	52,966	336	53,647