THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, bank manager or other professional adviser immediately.

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KELINGTON GROUP BERHAD
(Registration No.: 199901026486 (501386-P))
(Incorporated in Malaysia)

PART A

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED ACQUISITION OF THE REMAINING 9.29% EQUITY INTEREST IN ACE GASES SDN BHD FOR A PURCHASE CONSIDERATION OF RM35,692,893 TO BE SATISFIED VIA A COMBINATION OF RM10,079,482 IN CASH AND RM25,613,411 VIA THE ISSUANCE OF 7,590,958 NEW ORDINARY SHARES IN KELINGTON GROUP BERHAD ("KGB" OR THE "COMPANY") ("KGB SHARE(S)" OR "SHARE(S)") ("CONSIDERATION SHARE(S)") AT AN ISSUE PRICE OF RM3.3742 PER CONSIDERATION SHARE ("PROPOSED ACQUISITION")

PART B

INDEPENDENT ADVICE LETTER FROM MAINSTREET ADVISERS SDN BHD TO THE NON-INTERESTED SHAREHOLDERS OF KGB IN RELATION TO THE PROPOSED ACQUISITION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A

UOBKayHian

UOB Kay Hian Securities (M) Sdn Bhd
(Registration No.: 199001003423 (194990-K))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B

MainStreet

MainStreet Advisers Sdn Bhd
(Registration No.: 200701032292 (790320-P))

The Notice of the Extraordinary General Meeting ("**EGM**") of KGB and the Form of Proxy are enclosed with this Circular. Please refer to the Administrative Details issued to all Members of the Company on the conduct of the EGM.

As a member of KGB, you are entitled to attend, participate and vote at the fully virtual EGM. You may appoint a proxy or proxies to attend, participate and vote on your behalf. If you wish to do so, the completed and signed Form of Proxy should be lodged at the office of the Poll Administrator at Lot 9-7, Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur if in hard copy or at dvoteservice@gmail.com if by electronic means not less than forty-eight (48) hours before the time appointed for holding the fully virtual EGM or any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from attending, participating and voting in person at the fully virtual EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	:	Monday, 21 October 2024 at 10:00 a.m.
Date and time of the EGM	:	Wednesday, 23 October 2024 at 10:00 a.m.
Broadcast Venue of the EGM	:	Lot 9-11, Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur
Meeting Platform	:	https://www.dvote.my

This Circular is dated 8 October 2024

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

"Act"	:	The Companies Act 2016
"AGMSB"	:	Ace Gases Marketing Sdn Bhd (Registration No.: 201601030235 (1201176-A))
"AGSB"	:	Ace Gases Sdn Bhd (Registration No.: 201601024362 (1195301-A))
"AGSB Group"	:	AGSB and its subsidiaries, collectively
"AIGPL"	:	Asia Industrial Gases Pte Ltd (197201287D)
"Board"	:	Board of Directors of KGB
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd (Registration No.: 198701006854 (165570-W))
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W))
"CAGR"	:	Compound annual growth rate
"Cash Consideration"	:	RM10,079,482 of the Purchase Consideration to be satisfied via cash
"CEO"	:	Chief Executive Officer
"Circular"	:	This circular to shareholders of KGB dated 8 October 2024 in relation to the Proposed Acquisition
"Completion Date"	:	On a date within 30 days after the date the last of the conditions precedent of the SSA is satisfied or such other date as the parties of the SSA may agree in writing
"Consideration Share(s)"	:	7,590,958 new KGB Shares to be issued at an issue price of RM3.3742 each to satisfy RM25,613,411 of the Purchase Consideration pursuant to the Proposed Acquisition
"DCF"	:	Discounted cash flow
"Director(s)"	:	The director(s) of KGB and shall have the meaning given in Section 2(1) of the Capital Markets And Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the Proposed Acquisition were agreed upon:- i. a director of KGB, its subsidiaries or holding company; and ii. a chief executive of KGB, its subsidiaries or holding company
"E&E"	:	Electrical and electronic
"EGM"	:	Extraordinary general meeting of KGB
"EPS"	:	Earnings per Share
"ESS"	:	Employees' share scheme. The ESS is governed by the ESS by-laws and is to be in force for a period of 5 years effective from 6 July 2022 and may be extended further by the Board at its absolute discretion for up to another 5 years immediately from the expiry of the first 5 years

"ESS Option(s)"	:	21,281,900 unexercised ESS option(s) in the Company
"EV/ EBITDA"	:	Enterprise value/ Earnings before interests, taxes, depreciation and amortisation
"FPE"	:	Financial period ended/ ending
"FYE"	:	Financial year ended/ ending
"GDP"	:	Gross domestic product
"IAL"	:	The independent advice letter from MainStreet to the non-interested shareholders of KGB in relation to the Proposed Acquisition, as set out in Part B of this Circular
"Interested Directors"	:	Ir. Gan Hung Keng, Ong Weng Leong, Cham Teck Kuang, Hu Keqin and Soh Tong Hwa, collectively
"Interested Parties"	:	Palace Star, Ir. Gan Hung Keng, Ong Weng Leong, Cham Teck Kuang, Hu Keqin, Soh Tong Hwa, Mr. Chong and Mr. Alan Lim, collectively
"Issue Price"	:	The issue price of RM3.3742 per Consideration Share
"KGB" or the "Company" or the "Purchaser"	:	Kelington Group Berhad (Registration No.: 199901026486 (501386-P))
"KGB Group" or the "Group"	:	KGB and its subsidiaries, collectively
"KGB Share(s)" or the "Share(s)"	:	Ordinary share(s) in KGB
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	23 September 2024, being the latest practicable date prior to the printing and despatch of this Circular
"LTD"	:	26 July 2024, being the latest trading date prior to the date of the SSA
"MainStreet" or the "Independent Adviser"	:	MainStreet Advisers Sdn Bhd (Registration No.: 200701032292 (790320-P))
"Market Day(s)"	:	Any day on which Bursa Securities is open for trading in securities, which may include a surprise holiday* *A "surprise holiday" refers to a day declared as a public holiday in the Federal Territory of Kuala Lumpur that has not been gazetted as a public holiday at the beginning of the calendar year
"MFRS 10"	:	Malaysian Financial Reporting Standards 10
"MGO"	:	Mandatory general offer
"Mr. Alan Lim"	:	Alan Lim Chui Boon
"Mr. Chong"	:	Chong Ann Tsun
"NA"	:	Net assets attributable to the owners of KGB

"P/E"	:	Price-to-earnings
"Palace Star"	:	Palace Star Sdn Bhd (Registration No.: 200101004154 (539910-V))
"Party(ies)"	:	KGB, Mr. Alan Lim, Mr. Chong and Palace Star, collectively
"PAT"/ "(LAT)"	:	Profit/ (Loss) after taxation
"PBT"/ "(LBT)"	:	Profit/ (Loss) before taxation
"Proposed Acquisition"	:	The proposed acquisition of the remaining 9.29% equity interest in AGSB from the Vendors at the Purchase Consideration to be satisfied via the Cash Consideration and issuance of Consideration Shares
"Purchase Consideration"	:	RM35,692,893, being the consideration for the Proposed Acquisition to be satisfied via the Cash Consideration and Consideration Shares
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"RPT"	:	Related party transaction
"Sale Share(s)"	:	2,539,000 ordinary shares in AGSB to be acquired by KGB from the Vendors pursuant to the Proposed Acquisition
"SSA"	:	Conditional share sale agreement dated 29 July 2024 entered into between KGB and the Vendors for the Proposed Acquisition
"UHP"	:	Ultra high purity
"UOBKH" or the "Principal Adviser"	:	UOB Kay Hian Securities (M) Sdn Bhd (Registration No.: 199001003423 (194990-K))
"Vendors"	:	Mr. Alan Lim, Mr. Chong and Palace Star, collectively
"VWAP"	:	Volume weighted average market price
"Warrant(s)"	:	175,272,332 outstanding warrants 2021/2026 in the Company. The Warrants are constituted under a deed poll dated 6 July 2021 and each Warrant entitles the registered holder the right at any time during the exercise period from 27 July 2021 to 24 July 2026 to subscribe in cash for one new Share at an exercise price of RM1.38 each

Unless otherwise stated and wherever applicable, the amount represented in this Circular has been rounded to the nearest whole sen, for ease of reference.

All references to "**you**" or "**your(s)**" in this Circular are made to the shareholders of KGB, who are entitled to attend and vote at the EGM.

Unless specifically referred to, words denoting incorporating the singular shall, where applicable include the plural and vice versa and words denoting incorporating the masculine gender shall where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date, respectively, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding adjustments.

TABLE OF CONTENTS

EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposed Acquisition. The shareholders of KGB are advised to read the Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposed Acquisition before voting at the EGM.

Key information	Description	Reference to Circular
Summary of the Proposed Acquisition	KGB, had on 29 July 2024, entered into a conditional SSA with the Vendors for the proposed acquisition of 2,539,000 Sale Shares, representing the remaining 9.29% equity interest in AGSB 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 at an issue price of RM3.3742 per Consideration Share.	**Section 2**
Rationale and justifications for the Proposed Acquisition	The Proposed Acquisition will allow KGB obtain full control of AGSB which will provide greater flexibility in the planning and implementation of long term strategies for its business/ services to enhance its growth potential. KGB may have the potential to pursue additional growth opportunities within the industrial gas industry either by way of organic or inorganic expansion by leveraging on the AGSB Group's business network, expertise and technical know-how of manufacturing and distribution of industrial gases and related solutions. Over the past 3 financial years and up to the LPD, AGSB Group has been increasingly expanding its industrial gas manufacturing business and building its customer base comprising numerous multinational companies that are based domestically and overseas. In recent times since beginning of 2024, AGSB Group has received some investment opportunities to participate in the manufacturing and distribution of industrial gas development projects in Malaysia and the Asia region, mainly stemming from the rising demand for industrial gases supply and solution requirements from customers in the manufacturing, industrial and commercial sectors. In this regard, KGB believes that AGSB Group has the potential to pursue additional growth opportunities in the industrial gas business. Depending on the availability of opportunities vis-à-vis prevailing macroeconomic conditions, AGSB Group may require substantial capital expenditure to pursue such growth opportunities, which may also be subject to medium-to-long term gestation periods for a project cycle. Accordingly, the Proposed Acquisition will accord KGB Group full control and greater flexibility in planning and implementing expansion strategies for AGSB Group as well as assisting and/ or arranging for capital raising on its own as and when needed, all in all to realise the growth potential of AGSB Group going forward.	**Section 3**
Risk factors	The Proposed Acquisition is not expected to materially change the risk profile of the business of KGB as AGSB is already a subsidiary of KGB. Nevertheless, the Proposed Acquisition will result in KGB being subject to certain transaction risks, which include amongst other, the following:- i. Acquisition risks; ii. Completion risks; and iii. Dependency on key management personnel	**Section 5**
Approvals required/ obtained	The Proposed Acquisition is subject to the following approvals being obtained:- i. Bursa Securities, which was obtained on 19 September 2024; ii. the non-interested shareholders of the Company at the forthcoming EGM of the Company; and iii. any other relevant authority and/ or party, if required.	**Section 9**

Key information	Description	Reference to Circular
Interests of directors, major shareholders and/ or persons connected to them	Save as disclosed in **Section 10**, Part A of this Circular, none of the Directors and/ or major shareholders, chief executive of KGB and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Acquisition.	**Section 10**
Directors' statement and recommendation	The Board (save for the Interested Directors), having considered and deliberated on all aspects of the Proposed Acquisition, including but not limited to the terms and conditions of the SSA, basis and justification in arriving at the Purchase Consideration, the rationale of the Proposed Acquisition, as well as the pro forma effects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interests of the Company. Accordingly, the Board (save for the Interested Directors), recommends that you **vote in favour** for the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.	**Section 12**

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PART A

LETTER TO THE SHAREHOLDERS OF KGB IN RELATION TO THE PROPOSED ACQUISITION

KELINGTON GROUP BERHAD

(Registration No.: 199901026486 (501386-P))
(Incorporated in Malaysia)

Registered Office

Level 13, Menara 1 Sentrum
201, Jalan Tun Sambanthan, Brickfields
50470 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur

8 October 2024

Board of Directors

Ir. Gan Hung Keng *(Executive Chairman/ Chief Executive Officer)*
Ong Weng Leong *(Executive Director/ Chief Operating Officer)*
Soo Yuit Weng *(Senior Independent Non-Executive Director)*
Soh Tong Hwa *(Non-Independent Non-Executive Director)*
Cham Teck Kuang *(Non-Independent Non-Executive Director)*
Hu Keqin *(Non-Independent Non-Executive Director)*
Ng Meng Kwai (*Independent Non-Executive Director)*
Rahima Beevi Binti Mohamed Ibrahim (*Independent Non-Executive Director)*
Chin Wei Min (*Independent Non-Executive Director)*
Chow Meow Luan (*Independent Non-Executive Director)*

To: The shareholders of Kelington Group Berhad

Dear Sir/ Madam,

PROPOSED ACQUISITION

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1. INTRODUCTION

On 29 July 2024, UOBKH had, on behalf of the Board, announced that the Company has entered into a conditional SSA dated 29 July 2024 with the Vendors for the proposed acquisition of 2,539,000 Sale Shares, representing the remaining 9.29% equity interest in AGSB for the Purchase Consideration to be satisfied via the Cash Consideration and the issuance of Consideration Shares at an issue price of RM3.3742 per Consideration Share.

The Proposed Acquisition is deemed as an RPT pursuant to Paragraph 10.08 of the Listing Requirements, by virtue of the interests of the Interested Parties in relation to the Proposed Acquisition as set out in **Section 10**, Part A of this Circular. Pursuant thereto, the Board (save for the Interested Directors) had on 9 July 2024 appointed MainStreet to act as the Independent Adviser to advice the non-interested directors and non-interested shareholders of the Company in relation to the Proposed Acquisition.

On 20 September 2024, UOBKH had on behalf of the Board, announced that Bursa Securities had vide its letter dated 19 September 2024 resolved to approve the listing and quotation of the Consideration Shares to be issued pursuant to the Proposed Acquisition on the Main Market of Bursa Securities, subject to terms and conditions as set out in **Section 9**, Part A of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED ACQUISITION AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART A OF THIS CIRCULAR AND THE IAL (AS SET OUT IN PART B OF THIS CIRCULAR) TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

The Vendors have agreed to sell and the Purchaser has agreed to purchase the Sale Shares free from all encumbrances together with all attached and accrued rights for a Purchase Consideration of RM35,692,893 based upon the terms and conditions contained in the SSA. The salient terms of the SSA are set out in **Appendix II** of this Circular. The Purchase Consideration will be satisfied via the payment of Cash Consideration and issuance of Consideration Shares to the Vendors in the following proportion:-

Vendors	No. of Sale Shares	Percentage shareholding in AGSB %	Purchase Consideration RM	No. of Consideration Shares to be issued	Cash Consideration to be paid RM
Mr. Chong	1,549,000	5.67	21,775,617	6,453,564[*1]	Nil
Palace Star	717,000	2.62	10,079,482	Nil	10,079,482[*2]
Mr. Alan Lim	273,000	1.00	3,837,794	1,137,394[*1]	Nil
TOTAL	**2,539,000**	**9.29**	**35,692,893**	**7,590,958**	**10,079,482**

Notes:-

[*1] *Both Mr. Chong and Mr. Alan Lim have mutually agreed with KGB to opt to receive their respective portion of Purchase Consideration in the form of Consideration Shares. This arrangement is arrived at after taking into consideration the need to ensure both Mr. Chong and Mr. Alan Lim remain financially interested in the enlarged KGB Group, and to align their interests and commitment to the business of AGSB (through the enlarged KGB Group) post completion. There are no existing or proposed management agreement between KGB Group or AGSB Group and Mr. Chong and Mr. Alan Lim other than their normal employment contract with AGSB Group. As a sign of commitment to ensure business continuity on their part, the Vendors including Mr. Chong and Mr. Alan Lim have covenanted and undertaken under the SSA to not compete directly or indirectly with the business of AGSB Group or to distribute any brands and/ or products carried and/ or in competition with the brands and/ or products carried by AGSB Group for a period of 3 years from the Completion Date, as further set out in **Section 6.2, Appendix II** of this Circular.*

As at the LPD, Mr. Chong and Mr. Alan Lim hold 35,000 KGB Shares and 60,500 KGB Shares representing approximately 0.005% and 0.009% equity interests in KGB respectively. Therefore, the settlement in the form of Consideration Shares to Mr. Chong and Mr. Alan Lim are aimed at increasing their equity participation in KGB to 0.9% and 0.2% respectively, in order to incentivise and motivate them to continue spearheading and growing the industrial gases business prospect and performance of KGB Group, in which they will also be entitled to earn any reward or return attached to their increased equity in KGB such as capital appreciation, distribution and/ or dividends, if any, in the future.

[*2] *Palace Star has mutually agreed with KGB to opt to receive its portion of Purchase Consideration in the form of Cash Consideration. This arrangement is arrived at after taking into consideration that Palace Star is already an existing major shareholder of KGB (with 19.7% equity interest in KGB) as at the LPD, and is therefore reasonably satisfied with cash payment vis-à-vis its level of shareholdings held in KGB which will not result in further dilution to the interests of minority shareholders in KGB.*

Please refer to **Section 6.4**, Part A of this Circular for the effect on the shareholdings held by the Vendors in KGB before and after the Proposed Acquisition.

Presently, AGSB is a 90.71%-owned subsidiary company of KGB. Upon completion of the Proposed Acquisition, AGSB will become a wholly-owned subsidiary company of KGB.

2.1 Information on AGSB

Background and principal activities

AGSB was incorporated in Malaysia on 20 July 2016 under the Companies Act 1965 as a private limited company. AGSB had commenced its business at incorporation (i.e. 20 July 2016) and is principally involved in distribution, supply, import, trading, manufacture of industrial gas, provision of industrial gas solutions, designs, installation, commissioning of industrial gas system and related equipment. For information purposes, industrial gases are gaseous substances that are used in a wide range of industries for various industrial applications, comprising industrial and manufacturing processes, to facilitate the processes or be used as raw materials. The main gas product offerings that AGSB Group manufactures are liquid carbon dioxide, nitrogen and dry ice.

AGSB's main target market are local and overseas customers who primarily comprise of manufacturers (i.e. beverage bottlers and chemicals manufacturers), industrial companies (i.e. construction companies and oil and gas companies) and commercial businesses (i.e. airlines and food and beverage) that utilise industrial gases, specialty and electronic gases, and industrial gas systems to support their daily operational processes, manufacturing activities and industrial applications, amongst others. AGSB may also offer its products and services to industrial gas companies and intermediaries (i.e. industrial gas re-fillers).

Issued share capital

As at the LPD, the issued share capital of AGSB is RM30,692,700 comprising 27,322,000 ordinary shares.

Key financial information

A summary of the consolidated financial information of AGSB for the past 3 financial years up to the audited FYE 31 December 2023 is set out below:-

	Audited FYE 31 December		
	2021	**2022**	**2023**
	RM	**RM**	**RM**
Revenue	35,384,059	83,202,493	120,894,606
Gross profit	12,466,220	29,511,345	38,789,576
PBT	5,869,075	20,471,953	24,917,992
PAT	5,202,196	15,728,393	19,204,435
NA	25,512,133	41,356,342	61,119,494
Gross profit margin (%)	35.23	35.93	32.09
PBT margin (%)	16.59	24.60	20.61
PAT margin (%)	14.70	18.90	15.89
NA per share	1.00	1.62	2.24

Please refer to **Appendix I** of this Circular for further information on AGSB.

2.2 Basis and justification of arriving at the Purchase Consideration

The purchase consideration of RM35,692,893 was arrived at, on a willing buyer willing seller basis, based on direct negotiation after taking into consideration the following:-

i. the Purchase Consideration represents a P/E multiple of 20 times, derived based on the audited PAT of AGSB of RM19.20 million for the FYE 31 December 2023, and multiplied by the 9.29% interests to be acquired under the Proposed Acquisition as summarised below:-

	RM (unless stated)	
Audited PAT of AGSB for the FYE 31 December 2023	19,204,435	A
PE multiple (times)	20.00	B
Implied valuation of AGSB (based on 100% equity interest)	384,088,700	A x B = C
Percentage of equity interest in AGSB to be acquired (%)	9.29	D
Purchase Consideration	**35,692,893**	C x D

ii. the financial track record of AGSB as set out in **Appendix I** of this Circular. The Board (save for the Interested Directors) takes cognisant that, over the past 3 financial years up to the FYE 31 December 2023, AGSB has recorded a CAGR of 84.84% in revenue and CAGR of 92.14% in profit, as well as has consistently generated positive cash flow from operating activities, over the financial years under review; and

iii. the rationale and potential benefits to be accrued to KGB through the Proposed Acquisition including amongst others, the opportunity to fully control and recognise 100% financial results of AGSB, further information as set out in **Section 3**, Part A of this Circular.

The Purchase Consideration was derived with reference to the earnings-based multiples of publicly listed comparable companies which carry similar principal activities to that of AGSB. The P/E multiples and EV/EBITDA multiples (as a secondary check) were used to evaluate the Purchase Consideration in view of the following considerations:-

a. P/E multiple is commonly used to estimate the value of the business, even more so for profit-making companies. For information purpose, AGSB has been operating profitably and has been in the same business operations for the past 3 financial years up to the FYE 31 December 2023.

   For information purpose, the P/E multiple is essentially a measure of the market price of a company's shares relative to its annual net income of the company per share; and

b. EV/EBITDA multiple is capital structure-neutral and therefore, will not be affected by changes and dissimilarities in capital structure such as different leverage level and borrowing costs, whilst comparing the selected comparable companies with varying market capitalisation. It is also not affected by differences in accounting of depreciation and amortisation, which can be computed at different rates over time.

   For information purpose, the EV/EBITDA multiple illustrates the market value of a company's business relative to its historical pre-tax operational cash flow performance, without having regard to the company's capital structure.

The comparable companies were selected mainly with reference to the substantial similarity of the business activities to AGSB, those having industrial gas business segmental contribution of 50% or more to total revenue, and are publicly listed in Malaysia and other exchanges. However, please take note that there is no one comparable company that may be identical to AGSB in terms of composition of business, scale of operations, geographical spread of activities, track record, asset base, risk profile, future prospects and other criteria. As such, it should be noted that this comparable valuation statistics is carried out on a best effort basis, purely to provide a benchmark valuation for the Purchase Consideration.

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Table 1: The valuation statistics of the comparable companies using P/E multiples and EV/EBITDA multiples

Company	Country of listing	Principal activities	Latest FYE	Market Capitalisation[*1]	P/E[*2] (times)	EV/EBITDA[*2] (times)	Adjusted P/E[*3] (times)	Adjusted EV/EBITDA[*3] (times)
B.I.G Industries Berhad	Malaysia	Manufacturing, distributing and marketing of industrial gases, property development and manufacturing and sale of ready-mix concrete products, manufacturing and trading of reinforced concrete piles and distribution of cement. For the FYE 30 June 2023, the industrial gas business and solutions segment generated a revenue of RM24.18 million, which represented approximately 64.9% of the group's total revenue of RM37.23 million.	30 Jun 2023	RM45.71 mil	17.06	7.42	17.06	7.42
Samator Indo Gas Tbk Pt	Indonesia	Supplying industrial gases such as oxygen, nitrogen, and many other gases and related services to many industries including metal works, metallurgy, and chemical processes. The company also supplies gases for drinking water and wastewater treatment. For the FYE 31 December 2023, the industrial gas business and solutions segment generated a revenue of IDR2.60 trillion, which represented approximately 90.3% of the group's total revenue of IDR2.88 trillion.	31 Dec 2023	IDR5,289,988.5 mil *(or RM1,512.9 mil)*	31.93	13.92	23.94	10.44
Nippon Sanso Holdings Corporation	Japan	Provision of industrial gases such as oxygen, nitrogen, argon, and acetylene for all industrial fields including steel production, chemicals, automobiles, construction, shipbuilding, and food, as well as electronic material gases for the electronics industry. For the FYE 31 March 2024, the industrial gas business and solutions segment generated a revenue of JPY1.22 trillion, which represented approximately 96.8% of the group's total revenue of JPY1.26 trillion.	31 Mar 2024	JPY1,876,646.8 mil *(or RM56,911.2 mil)*	17.72	9.34	13.29	7.00
L'Air Liquide S.A.	France	Produces, markets, and sells industrial and healthcare gases, including liquid nitrogen, argon, carbon dioxide, and oxygen worldwide. The company also produces welding, diving, and technical-medical equipment. For the FYE 31 December 2023, the industrial gas business and solutions segment generated a revenue of EUR26.36 billion, which represented approximately 95.5% of the group's total revenue of EUR27.61 billion.	31 Dec 2023	EUR86,995.91 mil *(or RM440,460.3 mil)*	28.26	13.55	21.20	10.16

Company	Country of listing	Principal activities	Latest FYE	Market Capitalisation[*1]	P/E[*2] (times)	EV/EBITDA[*2] (times)	Adjusted P/E[*3] (times)	Adjusted EV/EBITDA[*3] (times)
Air Products and Chemicals Inc	USA	Manufacturing of industrial and specialty gases and performance materials and equipment. For the FYE 30 September 2023, the industrial gas business and solutions segment generated a revenue of USD11.71 billion, which represented approximately 92.9% of the group's total revenue of USD12.60 billion.	30 Sep 2023	USD57,469.77 mil *(or RM267,952.8 mil)*	25.07	15.24	18.80	11.43
Linde PLC	USA	Provision of industrial gases such as oxygen, nitrogen, argon, rare gases, carbon dioxide, helium, hydrogen, electronic gases, specialty gases and acetylene. For the FYE 30 December 2023, the industrial gas business and solutions segment generated a revenue of USD31.57 billion, which represented approximately 96.1% of the group's total revenue of USD32.85 billion.	31 Dec 2023	USD210,050.85 mil *(or RM979,362.1 mil)*	33.88	19.04	25.41	14.28
						High	**25.41**	**14.28**
						Low	**13.29**	**7.00**
						Average	**19.95**	**10.12**
AGSB (included herein for comparison purpose)							**20.00**	**13.55**[*4]

(Source: Bloomberg and the latest audited financial statements of the respective companies as at the LTD)

Notes:-

*1 *Being the last traded price as at the LTD.*

*2 *The P/E multiples are computed based on the market capitalisation over the latest available audited PAT of the respective comparable companies as at the LTD. The EV/EBITDA multiples are computed based on the enterprise value over the EBITDA of the respective comparable companies based on latest available audited financial statements as at the LTD.*

*3 *The P/E multiples and EV/EBITDA multiples have been discounted by 25% to adjust for the lack of marketability and size of AGSB as compared to the comparable companies. The basis of the 25% discount follows Aswath Damodaran's 2005 study, "Marketability and Value: Measuring the Illiquidity Discount", which found that investors typically pay higher prices for liquid assets compared to similar illiquid ones. The study observed private companies being acquired at 20% - 30% lower multiples than publicly traded firms. Aswath Damodaran is a well-respected professor in the field of finance and the practice of discounting P/E multiples and EV/EBITDA multiples for lack of marketability and liquidity is widely applied to value private companies. In addition, the determinants of the illiquidity discount can also be attributed to amongst others, financial health and cash flow of the firm, possibility of going public in the future, size of the firm, and control component. Nevertheless, the adjusted P/E multiple and EV/EBITDA multiple is purely indicative for shareholders' information only. For the avoidance of doubt, the P/E multiple and EV/EBITDA multiple of B.I.G. Industries Berhad ("**B.I.G**") has not been adjusted due to its market capitalisation being of a smaller size in relative to AGSB's implied valuation (based on 100% interest), and (b) B.I.G's total revenue and profit as of FYE 30 June 2023 are contributed by several business segments ranging from industrial gas, concrete and property development, out of which the industrial gas division constituted about 65% and 59% to its total revenue and profit respectively, and that segmental profit margin of B.I.G's industrial gas division stood at 6.49%. In comparison, AGSB derives its revenue and profit entirely from industrial gas activities, and its profit margin for the FYE 31 December 2023 stood at 15.89%, In addition, B.I.G's NA of RM40.6 million is relatively smaller than AGSB's NA of RM61.1 million based on their respective latest audited financial statements.*

*4 *Computed as follows:-*

	RM (unless stated)
Implied valuation of 100% equity interest in AGSB attributable to the Purchase Consideration	*384,088,700*
Debt	*96,219,619*
Non-controlling interest	*-*
Cash	*(19,229,115)*
EV	***461,079,204***
Earnings before tax	*24,917,992*
Finance cost	*4,137,148*
Depreciation and amortisation	*4,972,539*
EBITDA	***34,027,679***
EV/EBITDA (times)	***13.55***

In addition, the Board (save for the Interested Directors) has also considered the evaluation of MainStreet using the DCF method, which is deemed by the Independent Adviser to be the most appropriate method to estimate the fair value of the 9.29% equity interest in AGSB. Based on the DCF valuation model, the Independent Adviser have derived the estimated fair value for 9.29% equity interest in AGSB to be in the range of RM35.46 million to RM37.14 million. Accordingly, the Purchase Consideration of RM35.69 million is within the range of the aforesaid estimated fair value. Please refer to Part B of this Circular for further details on the Independent Adviser's evaluation on the Purchase Consideration.

Based on the above, the Board (save for the Interested Directors) deemed the Purchase Consideration reasonable premised on the following:-

- the implied P/E multiple of AGSB of 20.00 times is within the range of the comparable companies' adjusted P/E multiple between 13.29 times to 25.41 times;

- as a secondary check, the implied EV/EBITDA multiple of AGSB of 13.55 times is within the range of the comparable companies' adjusted EV/EBITDA multiple between 7.00 times to 14.28 times; and

- the evaluation of the Independent Adviser using the DCF method as referred hereinabove.

As set out in **Section 2.10**, Part A of this Circular, there were transactions involving the sale and purchase of ordinary shares in AGSB in 2023 by the Vendors at relatively lower valuations when compared to the Proposed Acquisition (ascribed by implied P/E multiple of 20.00 times), as summarised below:-

Vendors	Date	No. of shares	RM	Basis of transaction	Nature of transaction, basis and justification
Palace Star	28 March 2023	717,000	800,626	Based on AIGPL's cost of investment	Palace Star Transaction 2023 AGSB was initially incorporated in July 2016 with KGB as a 90% shareholder and AIGPL as a 10% minority shareholder, whose key role was to assist AGSB to penetrate the Singapore market for industrial gas supply. In 2017 and 2019, KGB increased its shareholdings to 94% and 97.19% while AIGPL's shareholdings was diluted to 6% and 2.81%, pursuant to share subscription exercises. Following the changes in the major shareholdings of AIGPL, AIGPL then decided to exit AGSB when it sold its entire 2.81%^ equity interest in AGSB on 28 March 2023 to Palace Star for RM800,626 wholly satisfied in cash. The said purchase consideration was arrived at based on a willing buyer willing seller basis based upon direct negotiation between Palace Star and AIGPL, after taking into account the mutual commercial understanding between Palace Star and AIGPL to recoup the cost of investment of AIGPL in AGSB of SGD241,152 (translating to approximately RM800,626 as at March 2023). ^ Palace Star's equity interest in AGSB was further diluted from 2.81% to 2.62% as a result of the Internal Restructuring 2023 (as referred in the ensuing column). For shareholder's information, KGB was not a party to the Palace Star Transaction 2023 in that such transaction was carried out directly between Palace Star and AIGPL. However, it is imperative to note that AGSB Group has benefited from the business development leads and opportunities generated by AIGPL (as the Singaporean partner of AGSB to tap into the Singapore market for industrial gas supply) as part of its expansion of regional presence to overseas market apart from Malaysia. KGB's industrial gas foray into the Singapore market commenced in 2019, where AGSB Group expanded its presence to the Singapore market through the supply of liquid carbon dioxide which were mainly derived from the gases manufactured in AGSB's Kerteh Plant 1. For the past 3 financial years up to 31 December 2023, and as set out in **Section 1**, **Appendix I** of this Circular, the Singapore market has been the primary contributor to the revenue of AGSB Group amongst the overseas market and other than Malaysia, as shown below:-

	Audited FYE 31 December					
	2021		2022		2023	
Geographical location	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Singapore	10,045	28.39	13,024	15.65	23,459	19.40
Total Revenue	**35,384**	**100.00**	**83,202**	**100.00**	**120,895**	**100.00**

Vendors	Date	No. of shares	RM	Basis of transaction	Nature of transaction, basis and justification
Mr. Chong	1 June 2023	1,549,000	4,414,650	P/E multiple of 5.00 times	Internal Restructuring 2023
Mr. Alan Lim	1 June 2023	273,000	778,050	P/E multiple of 5.00 times	

<u>Internal Restructuring 2023</u>

On 1 June 2023, pursuant to an internal restructuring, AGSB had acquired the remaining 20% equity interests in AGMSB from Mr. Chong and Mr. Alan Lim, for a total purchase consideration of RM5,192,700 which was fully satisfied via the issuance of 1,822,000 new ordinary shares in AGSB, representing 6.67% of the enlarged equity interest in AGSB. The said purchase consideration was arrived at based on a willing buyer willing seller basis, after taking into account the following:-

(i) the audited PAT of AGMSB of RM10.21 million and the audited PAT of AGSB of RM15.73 million as at 31 December 2022, and the following P/E multiples of the share swap of ordinary shares in AGSB in exchange with 20%% equity interest in AGMSB (hereinafter referred to as "**Share Swap**") were adopted and computed as follows:-

	AGMSB	AGSB
Audited PAT as at 31 December 2022	RM10.21 million	RM15.73 million
P/E multiple	4 times	5 times
Value of sales shares in AGMSB *(representing 20% equity interest in AGMSB)*	RM8.17 million	-
Value of Share Swap *(representing 6.67% of the enlarged equity interest in AGSB after Share Swap)*	-	RM5.19 million

Based on the above, the P/E multiple of 5 times accorded to AGSB (acquiror company) in respect of the value of Share Swap is higher than the P/E multiple of 4 times accorded to AGMSB (acquiree company), which would render the Internal Restructuring 2023 to be earnings accretive to the enlarged AGSB Group's post restructuring, as illustrated in the following pro forma EPS effects in AGSB:-

	Before the internal restructuring	After the internal restructuring
	RM'000	RM'000
PAT attributable to owners of AGSB for the FYE 31 December 2022	13,490	15,532^
No. of ordinary shares in AGSB ('000)	25,500	27,322
EPS (sen)	**52.90**	**56.85**

^ *After adjusting for the consolidation of 100% profit contribution from AGMSB attributable to AGSB.*

Vendors	Date	No. of shares	RM	Basis of transaction	Nature of transaction, basis and justification
					(ii) the prospect of AGMSB, and rationale via Share Swap, in which the Internal Restructuring 2023 resulted in AGMSB becoming a wholly-owned subsidiary of AGSB which thereby provided AGSB with complete control over AGMSB, and formed part of KGB Group's streamlining objective of its organisation over its group of companies to enable the industrial gas business to grow more efficiently. (iii) Further, the Internal Restructuring 2023 also enables both Mr. Chong and Mr. Alan Lim to assume key management roles in AGSB as a result of the shift in the reorganised structure and continue spearheading the business direction and growth of AGSB Group in the future.

The Palace Star Transaction 2023 and Internal Restructuring 2023 are collectively referred to as the "**Previous Transactions 2023**".

As compared to the Previous Transactions 2023, the parties namely KGB and the Vendors have mutually deliberated and agreed to transact the Proposed Acquisition at the Purchase Consideration based on the following reasons and justifications:-

a. The basis and justification for the Purchase Consideration as set out in **Section 2.2**, Part A of this Circular, which includes the basis of adoption of P/E multiple of 20 times to arrive at the value of the Purchase Consideration, the financial track record of AGSB Group, and the rationale and potential benefits to be accrued to KGB through the Proposed Acquisition.

   The Proposed Acquisition provides an outright opportunity for KGB to have full complete control over AGSB, which has further expanded its industrial gas manufacturing business following the Internal Restructuring done in June 2023. In this regards, and premised on the Vendors' expectation to realise their equity investment in AGSB based on market-based valuation approach, the parties have resolved to adopt P/E financial metric (and EV/EBITDA as a cross check) as an indicator to reflect the growth potential and prospect of AGSB, as well as to gauge market expectation and the relative valuation of AGSB against its peers based on the prevailing market and economic conditions.

   On this note, KGB has also considered the evaluation of MainStreet using the DCF method, which is deemed by the Independent Adviser to be the most appropriate method to estimate the fair value of the 9.29% equity interest in AGSB. The DCF valuation model was considered by MainStreet to be the most appropriate method to estimate the value of AGSB Group as this method is able to effectively factor in the earnings and cash flows potential of AGSB Group's business as well as the timing of such future cash flows to be generated on the back of the expansionary plan to facilitate the aforesaid growth potential and prospect of AGSB, further details of which are referred to in **Section 3.2.1**, Part B of this Circular.

b. For information, the Internal Restructuring 2023 merely entails an internal restructuring involving the industrial gas arm subsidiaries (i.e. AGSB and AGMSB) under KGB's common control, where it is a common practice for AGSB (acquiror company) to acquire AGMSB (acquiree company) at net asset value approach, as means to streamline its intra-group financial reporting as well as to reflect the economic reality of the relationship between KGB's commonly controlled entities (i.e. AGSB and AGMSB), in order to reorganise AGSB as the key driving and consolidating entity of industrial gas arm of KGB Group.

   Having said, and as elaborated in the table above, the parties' deliberation (at that material time) to adopt a P/E multiple of 5 times for the Share Swap was premised on the rationale of Internal Restructuring 2023 to accord AGSB with complete control over AGMSB as part of streamlining objective to operate and grow the industrial gas business more efficiently, and that the Share Swap provides earnings accretion to enlarged AGSB Group as the P/E multiple of 5 times accorded to AGSB (acquiror company) is higher than the P/E multiple of 4 times accorded to AGMSB (acquiree company). Meanwhile, the Palace Star Transaction 2023 was not under the purview of KGB as it is not a party to the said transaction.

c. More importantly, KGB believes that AGSB Group has the potential to pursue additional growth opportunities in the industrial gas business. Depending on the availability of opportunities vis-à-vis prevailing macroeconomic conditions, AGSB Group may require substantial capital expenditure to pursue such growth opportunities, which may also be subject to medium-to-long term gestation periods for a project cycle.

   Accordingly, with KGB being a publicly listed company on the Main Market of Bursa Securities and with a healthy financial position and standing (i.e. for the latest audited FYE 31 December 2023, KGB posted a revenue of RM1.61 billion, PAT of RM104.14 million, NA of RM332.60 million, cash and cash equivalent of RM269.26 million, and is in net cash position), KGB believes that the Proposed Acquisition will accord the Group full control and greater flexibility in planning and implementing expansion strategies for AGSB Group as well as assisting and/ or arranging for capital raising on its own as and when needed, all in all to realise the growth potential of AGSB Group going forward.

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2.3 Basis and justification of arriving at the Issue Price of the Consideration Shares

The Issue Price was arrived at on a willing-buyer willing seller basis, based on reference to the 5-day VWAP of RM3.3742 up to and including the LTD, being the last trading date prior to the date of the SSA.

The Board (save for the Interested Directors) is of the view that the Issue Price is reasonable and justifiable after taking into consideration the following:-

i. the pricing of the Issue Price closer to the SSA (without any premium or discount accorded) reflects the prevailing market price of KGB Shares at the point in time on which the terms of the Proposed Acquisition were agreed upon between the buyer and seller;

ii. the partial settlement via issuance of Consideration Shares enables KGB Group to conserve its cash flow position (save to the extent of Cash Consideration payable to Palace Star under the Proposed Acquisition), as compared to full settlement via cash and/ or bank borrowings. For information, despite KGB Group having cash and cash equivalent amounting to RM269.26 million based on its audited financial statements for the FYE 31 December 2023, the partial settlement via issuance of Consideration Shares would allow the Group to conserve its cash reserves as means to maintain flexibility over its cash flow obligations/ allocation and facilitate its working capital requirements to meet existing project or operational needs, or to capitalise on any suitable investment opportunities in the future, as and when required; and

iii. further, the partial settlement via issuance of Consideration Shares is arrived at based on the parties' mutual agreement on the back of Mr. Chong's and Mr. Alan Lim's willingness to receive their respective portion of Purchase Consideration in the form of Consideration Shares, in order to motivate and incentivise themselves to be aligned with their interests and commitment to the business, performance and prospect of the industrial gas division of the enlarged KGB Group. Such Consideration Shares to be assumed by Mr. Chong and Mr. Alan Lim are subject to vagaries of the market forces which may be influenced by amongst others, liquidity, market volatility and general economic conditions.

2.4 Ranking of Consideration Shares

The Consideration Shares shall, upon allotment and issuance, rank equally in all respects with the existing KGB Shares, save and except that the Consideration Shares will not be entitled to any dividends, rights, allotment and/ or other forms of distributions where the entitlement date of such dividends, rights, allotments and/ or any other forms of distribution precedes the date of allotment and issuance of the Consideration Shares.

2.5 Listing and quotation for the Consideration Shares

Bursa Securities had vide its letter dated 19 September 2024, approved for the listing and quotation for the Consideration Shares to be issued pursuant to the Proposed Acquisition on the Main Market of Bursa Securities.

2.6 Mode of settlement

Pursuant to the terms of the SSA, the mode of settlement of the Purchase Consideration, which comprises the Cash Consideration and Consideration Shares, shall be satisfied in the following manner:-

	Payment terms	Timing	RM	%
i.	Cash Consideration to Palace Star	On the Completion Date	10,079,482	28.24
ii.	Issuance of 6,453,564 Consideration Shares at the Issue Price to Mr. Chong	On the Completion Date	21,775,617	61.01
iii.	Issuance of 1,137,394 Consideration Shares at the Issue Price to Mr. Alan Lim	On the Completion Date	3,837,794	10.75
	Total		**35,692,893**	**100.00**

2.7 Source of funding

The Purchase Consideration will be satisfied via the Cash Consideration and issuance of the Consideration Shares to the Vendors in the proportion as set out in **Section 2.6**, Part A of this Circular. The Cash Consideration will be financed entirely via internal generated funds of KGB.

2.8 Liabilities to be assumed by KGB

Save for the obligation and liabilities stated in and arising from, pursuant to or in connection with the SSA, there are no other liabilities including contingent liabilities and/ or guarantees to be assumed by KGB arising from the Proposed Acquisition.

2.9 Additional financial commitment required

Save for the Purchase Consideration, there is no additional financial commitment required by KGB to put the business of AGSB on-stream as it is an ongoing business entity with existing operations.

For shareholders' information, based on the latest audited financial statements of AGSB for the FYE 31 December 2023, AGSB recorded PAT of RM19.20 million and net cash generated from operating activities of RM26.92 million.

2.10 Original cost and date of investment in AGSB

The original dates and cost of investment in AGSB by the Vendors are set out below:-

Vendors	Date	No. of shares	RM
Palace Star	28 March 2023	717,000	800,626
Mr. Chong	1 June 2023	1,549,000[*]	4,414,650
Mr. Alan Lim	1 June 2023	273,000[*]	778,050

Notes:-

[*1] *AGSB was initially incorporated in July 2016 with KGB as a 90% shareholder and AIGPL as a 10% minority shareholder, whose key role was to assist AGSB to penetrate the Singapore market for industrial gas supply. In 2017 and 2019, KGB increased its shareholdings to 94% and 97.19% while AIGPL's shareholdings was diluted to 6% and 2.81%, pursuant to share subscription exercises. Following the changes in the major shareholdings in AIGPL, AIGPL then decided to exit AGSB when it sold its entire 2.81%^ equity interest in AGSB on 28 March 2023 to Palace Star for RM800,626 wholly satisfied in cash. The said purchase consideration was arrived at based on a willing buyer willing seller basis based upon direct negotiation between Palace Star and AIGPL, after taking into account the mutual commercial understanding between Palace Star and AIGPL to recoup the cost of investment of AIGPL in AGSB of SGD241,152 (translating to approximately RM800,626 as at March 2023).*

^ *Palace Star's equity interest in AGSB was further diluted from 2.81% to 2.62% as a result of the internal restructuring undertaken on 1 June 2023 (as referred hereinbelow).*

*2 *On 1 June 2023, pursuant to an internal restructuring, AGSB had acquired the remaining 20% equity interests in AGMSB from Mr. Chong and Mr. Alan Lim, for a total purchase consideration of RM5,192,700 which was fully satisfied via the issuance of 1,822,000 new ordinary shares in AGSB, representing 6.67% of the enlarged equity interest in AGSB. The said purchase consideration was arrived at based on a willing buyer willing seller basis, after taking into account the audited PAT of AGMSB of RM10.21 million and the audited PAT of AGSB of RM15.73 million as at 31 December 2022, prospect of potential and growth of AGMSB, and rationale for the acquisition via share swap as elaborated hereinbelow. The purchase consideration is computed as follows:-*

	AGMSB	***AGSB***
Audited PAT as at 31 December 2022	*RM10.21 million*	*RM15.73 million*
P/E multiple	*4 times*	*5 times*
Value of sales shares in AGMSB (representing 20% equity interest in AGMSB)	*RM8.17 million*	*-*
Value of share swap of ordinary shares in AGSB (representing 6.67% of the enlarged equity interest in AGSB after share swap)	*-*	*RM5.19 million*

The internal restructuring resulted in AGMSB becoming a wholly-owned subsidiary of AGSB which thereby provided AGSB with complete control over AGMSB, and formed part of KGB Group's streamlining objective of its organisation over its group of companies to enable the industrial gas business to grow more efficiently.

2.11 Information on the Vendors

Palace Star

Palace Star was incorporated in Malaysia on 21 February 2001 under the Companies Act 1965 as a private limited company. The principal activity of Palace Star is investment holding. As at the LPD, the issued share capital of Palace Star is RM100 comprising 100 ordinary shares. As at the LPD, Palace Star does not have any convertible securities.

As at the LPD, the directors and substantial shareholders of Palace Star and their respective shareholdings in Palace Star are as follows:-

			Direct		**Indirect**	
	Designation	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
Ir. Gan Hung Keng	Director	Malaysian	20	20.00	-	-
Ong Weng Leong	Director	Malaysian	20	20.00	-	-
Soh Tong Hwa	Director	Malaysian	20	20.00	-	-
Cham Teck Kuang	Director	Singaporean	20	20.00	-	-
Hu Keqin	Director	Singaporean	20	20.00	-	-

Chong Ann Tsun

Mr. Chong, a Malaysian male aged 47, is the CEO of AGSB. He obtained a Bachelor of Engineering (Mechanical) from the University of Leicester, United Kingdom in July 1999. As the CEO, he is responsible for overseeing the business developments and overall operations including the sales and marketing aspects as well as driving and implementing strategic initiatives of AGSB Group. He joined AGSB Group (via AGMSB) in April 2017 as a general manager, and was subsequently appointed as a CEO of AGSB in January 2024.

Alan Lim Chui Boon

Mr. Alan Lim, a Malaysian male aged 42, is the operations director of AGSB. He graduated with First Class Hons of Bachelor Degree in Engineering (Chemical) from Universiti Teknologi Malaysia in August 2005. As the operations director, he is responsible for industrial gas system design, project implementation, operations management and technical support of AGSB Group. He joined AGSB Group (via AGMSB) as the operations manager in July 2017, and was then transferred to AGSB in April 2021 where he assumed the same role. In January 2024, he was promoted to operations director of AGSB.

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED ACQUISITION

At present, AGSB is a 90.71%-owned subsidiary company of KGB and constitute the industrial gases business division of KGB Group, which are principally involved in the provision of engineering services and construction focusing on UHP gas and chemical delivery solutions, and general contracting. The Proposed Acquisition will allow KGB obtain full control of AGSB which will provide greater flexibility in the planning and implementation of long term strategies for its business/ services to enhance its growth potential. In view of AGSB's financial performance in the recent years and its diverse geographical market coverage in which AGSB Group served both domestic and overseas customers such as Singapore, Philippines, Australia, Indonesia and others as shown in **Section 1, Appendix I** of this Circular, KGB may have the potential to pursue additional growth opportunities within the industrial gas industry either by way of organic or inorganic expansion by leveraging on the AGSB Group's business network, expertise and technical know-how of manufacturing and distribution of industrial gases and related solutions.

Over the past 3 financial years up to the FYE 31 December 2023, KGB has been consolidating the growing revenue and profit contribution from AGSB as summarised below:-

	Audited FYE 31 December		
	2021	2022	2023
	RM'000	RM'000	RM'000
Revenue of KGB	514,554	1,278,837	1,614,449
Revenue of AGSB	35,384	83,202	120,895
Percentage contribution of AGSB to KGB (%)	6.88	6.51	7.49
PAT of KGB	29,700	58,506	106,018
PAT of AGSB	5,202	15,728	19,204
Percentage contribution of AGSB to KGB (%)	17.52	26.88	18.11

Currently KGB Group has only been able to recognise PAT from AGSB up to the extent of the Group's equity interest in AGSB. Accordingly, the acquisition of additional equity interest in AGSB is expected to allow the Group to recognise 100% of the PAT from AGSB. By being able to fully recognise AGSB's financial results, KGB will stand to benefit immediately from increasing its PAT attributable to the owners of the Company, and in turn increasing its EPS, as set out in **Section 6.3**, Part A of this Circular.

The Proposed Acquisition may have a dilutive effect on the existing non-interested shareholders' shareholdings. However, KGB anticipates the Proposed Acquisition to be earnings accretive and may enhance shareholders' value in the future, as the Proposed Acquisition provides KGB the opportunity to recognise 100% financial results and EPS contribution of AGSB moving forward.

In addition, in view that the Proposed Acquisition will be partially satisfied via issuance of Consideration Shares, the Proposed Acquisition enables KGB Group to conserve its cash flow position (save to the extent of Cash Consideration payable to Palace Star under the Proposed Acquisition), as compared to full settlement via cash and/ or bank borrowings.

Over the past 3 financial years and up to the LPD, AGSB Group has been increasingly expanding its industrial gas manufacturing business and building its customer base comprising numerous multinational companies that are based domestically and overseas, notably exhibited by AGSB Group's achievements:-

- secured a new project in 2022 from a locally-based MNC customer from the electronic industry, which entails the supply, delivery, installation, inspection and testing of low purity oxygen generation and distribution line system package for a manufacturing facility based in Penang, Malaysia;

- obtained recognition as an approved supplier of liquid carbon dioxide for major beverage producers in 2022, thus allowing AGSB Group to supply liquid carbon dioxide to these companies for their beverage manufacturing activities;

- entered into an agreement with an optoelectronics semiconductor company in 2022 to manufacture and supply nitrogen, oxygen and hydrogen for a period of 10 years through its plant in Kulim, Kedah; and

- commenced construction of its second liquid carbon dioxide plant (Kerteh Plant 2) in July 2023, and the said Kerteh Plant 2 has subsequently begun operations in March 2024. This expansion adds an additional capacity of approximately 70,000 tonnes annually, elevating its total annual production capacity to approximately 120,000 tonnes in the entire Kerteh Plant.

In recent times since beginning of 2024, AGSB Group has received some investment opportunities to participate in the manufacturing and distribution of industrial gas development projects in Malaysia and the Asia region, mainly stemming from the rising demand for industrial gases supply and solution requirements from customers in the manufacturing, industrial and commercial sectors. These investment opportunities include but not limited to, joint venture, mergers and acquisitions, business arrangement and/ or capital investment in the design, installation and commissioning of industrial gas systems and related equipment, and provision of end-to-end gas engineering solutions catering from raw material acquisition and manufacturing of industrial gases through commissioned plants up to the point of delivery of industrial gases to end users through sales and distribution processes.

In this regard, KGB believes that AGSB Group has the potential to pursue additional growth opportunities in the industrial gas business. Depending on the availability of opportunities vis-à-vis prevailing macroeconomic conditions, AGSB Group may require substantial capital expenditure to pursue such growth opportunities, which may also be subject to medium-to-long term gestation periods for a project cycle. Accordingly, with KGB being a publicly listed company on the Main Market of Bursa Securities and with a healthy financial position and standing (i.e. for the latest audited FYE 31 December 2023, KGB posted a revenue of RM1.61 billion, PAT of RM104.14 million, NA of RM332.60 million, cash and cash equivalent of RM269.26 million, and is in net cash position), KGB believes that the Proposed Acquisition will accord the Group full control and greater flexibility in planning and implementing expansion strategies for AGSB Group as well as assisting and/ or arranging for capital raising on its own as and when needed, all in all to realise the growth potential of AGSB Group going forward.

Barring any unforeseen circumstances, the Board, after taking into consideration the outlook of the general economy as well as manufacturing and industrial sectors in Malaysia as set out in **Section 4**, Part A of this Circular, is of the view that AGSB may be able to contribute to the growth and prospect of enlarged KGB Group moving forward.

4. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS OF THE ENLARGED KGB GROUP

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy advanced by 5.9% in the second quarter of 2024 (1Q 2024: 4.2%). The growth is driven by stronger domestic demand and further expansion in exports. Household spending increased amid sustained positive labour market conditions and larger policy support. Investment activity was underpinned by continued progress in multi-year projects and capacity expansion by firms. Exports improved amid higher external demand and positive spillovers from the global tech upcycle. Most supply-side sectors registered higher growth. The manufacturing sector was supported by broad-based improvement across all clusters, particularly in E&E. The services sector recorded strong growth, driven by consumer and business-related subsectors. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 2.9% (1Q 2024: 1.5%).

Growth in the second half of 2024 will be driven by domestic spending with continued strong support from external demand. On the domestic front, household spending will be underpinned by continued employment and wage growth as well as policy measures. Investment activities will be driven by progress in multi-year projects across private and public sectors. Catalytic initiatives announced in national master plans and the higher realisation of approved investments are also key drivers for investment activities. Externally, the ongoing global tech upcycle and continued strong demand for non-electrical and electronics goods are expected to lift exports. Improvement in tourist arrivals and spending are expected to continue. Upside risks to growth include greater spillover from the tech upcycle, robust tourism activities, and faster implementation of existing and new investment projects. Downside risks to Malaysia's growth prospects stem from a downturn in external demand, an escalation in geopolitical conflicts and lower-than-expected commodity production.

Headline and core inflation are expected to edge higher in the second half of 2024 mainly due to the rationalisation of diesel subsidies. However, the impact will remain manageable given mitigation measures by the Government to minimise cost impact to businesses. For the rest of the year, upside risks to inflation depend on the extent of the spillover effects from further domestic policy measures on subsidies and price controls to broader price trends, as well as global commodity prices and financial market developments. Overall, headline and core inflation for the year are projected to remain within the forecast ranges of 2.0% – 3.5% and 2.0% – 3.0% respectively.

(Source: Economic and Financial Developments in Malaysia in the Second Quarter of 2024, Bank Negara Malaysia)

4.2 Overview and outlook of the manufacturing and industrial sectors in Malaysia

Industrial gases play a pivotal role in supporting various industries through its use in many industrial and manufacturing processes. These industries include but not limited to food and beverage, electronics and semiconductor, medicine and pharmaceuticals, construction, oil and gas, chemicals and petrochemicals, and photovoltaics, amongst others. Accordingly, the growth of the manufacturing and industrial sectors is expected to drive the demand for industrial gases as these sectors use a wide range of industrial gases in their industrial and manufacturing processes.

The manufacturing sector is forecast to expand by 4.2% in 2024 driven by better performance in both export- and domestic oriented industries. The export-oriented industries are expected to benefit from the recovery of external demand with E&E segment projected to surge, primarily driven by memory products. This is in line with the rebound in demand for technologically advanced products. Similarly, domestic-oriented industries are anticipated to grow steadily backed by higher output in transport- and construction-related segments, in tandem with better consumer spending and business activities. In addition, the implementation of initiatives under the Chemical Industry Roadmap 2030, National Energy Transition Roadmap ("**NETR**") and New Industrial Master Plan ("**NIMP**") 2030 will further strengthen the sector's growth.

(Source: Economic Outlook 2024, Ministry of Finance Malaysia)

4.3 Future prospects of enlarged KGB Group

For the past 3 years, KGB has been able to secure new orders exceeding RM1 billion annually. With RM1.87 billion new contracts secured, resulting in a total outstanding orderbook of RM1.29 billion as at 30 June 2024 which includes projects carried forward from the previous years. KGB had secured orders totalling RM564 million in the first half of 2024, which includes a major contract amounting to RM143 million in China. The contract was awarded by China's largest semiconductor foundry, to perform design, procurement, construction, and commissioning of gas hookup systems in Shanghai, China. 77% of the total outstanding orderbook is attributable to the UHP division, amounting to RM986 million. The general contracting and process engineering divisions have contracts worth RM238 million and RM62 million respectively to contribute the remaining 23% to the orderbook.

In addition, the outlook for the Group's industrial gas segment (undertaken by AGSB Group) appears promising, especially with its second liquid carbon dioxide plant (Kerteh Plant 2) which has begun operations in March 2024. This expansion adds an additional capacity of approximately 70,000 tonnes annually, elevating its total annual production capacity to approximately 120,000 tonnes in the entire Kerteh Plant. Given the global liquid carbon dioxide shortage, triggered by the shutdown of petrochemical plants amid environmental considerations, the Group is optimistic that its increased capacity will position the Group well to cater to the escalating demand both locally and internationally.

The Proposed Acquisition will thereby allow KGB to obtain full control of AGSB which will provide greater flexibility in the planning and implementation of long term strategies for its business/ services to enhance its growth potential. In view of AGSB's financial performance in the recent years and its diverse geographical market coverage, KGB may have the potential to pursue additional growth opportunities within the industrial gas industry.

Premised on the above as well as the outlook of the general economy as well as manufacturing and industrial sectors in Malaysia as set out in **Section 4**, Part A hereinabove, the Board is of the view that the Proposed Acquisition may potentially augur well for the growth prospects of the enlarged KGB Group in the future.

(Source: Management of KGB)

5. RISK FACTORS

The Proposed Acquisition is not expected to materially change the risk profile of the business of KGB as AGSB is already a subsidiary of KGB. Nevertheless, the Proposed Acquisition will result in KGB being subject to certain transaction risks, which include amongst other, the following:-

5.1 Acquisition risks

There is no assurance that the anticipated benefits of the Proposed Acquisition will be realised after the completion of the Proposed Acquisition. Accordingly, there can be no assurance that the anticipated benefits (i.e. earnings accretion and enhancement of shareholders' value as referred to in **Section 3**, Part A of this Circular) from the Proposed Acquisition will be realised, and the enlarged KGB Group will be able to generate sufficient returns vis-à-vis its further investment in AGSB to offset the associated costs arising from the Proposed Acquisition.

Nevertheless, moving forward, the Board is confident that it can manage such risk by leveraging on the experience and expertise of the KGB's management and Directors.

5.2 Completion risk

The completion of the Proposed Acquisition is conditional upon the conditions precedent of the SSA being fulfilled or waived, details of which are set out in **Appendix II** of this Circular. There can be no assurance that such conditions will be fulfilled or waived within the timeframe stipulated in the SSA. In the event that the condition precedents are not met/ waived, the SSA will be terminated and the Proposed Acquisition will not be completed.

Nevertheless, the Board will take reasonable steps to ensure that the conditions precedents are met in a timely manner and that every effort is made to obtain all necessary approvals for the Proposed Acquisition within the stipulated timeframe.

5.3 Dependency on key management personnel

AGSB Group is dependent on the operations and technical expertise of the key management personnel which include but not limited to its directors namely Ong Weng Leong, Soh Tong Hwa and Ir. Gan Hung Keng, and its key management namely Mr. Chong (CEO) and Mr. Alan Lim (operations director). The loss of any key management personnel without suitable and timely replacement, or the inability to attract and retain other qualified personnel, may adversely affect the enlarged KGB Group's ability to compete effectively in the industrial gas industry. Recognising the importance of the key management personnel, KGB Group will continuously adopt appropriate measures to attract and retain them by offering, amongst others, competitive remuneration packages and on-going training and development programmes. KGB Group will strive to retain qualified experienced personnel who are essential to KGB Group succession plan to ensure continuity and competency of the day-to-day business operations and management of AGSB Group.

6. EFFECTS OF THE PROPOSED ACQUISITION

6.1 Issued share capital

The pro forma effects of the Proposed Acquisition on the issued share capital of KGB are as follows:-

	No. of Shares	RM
Issued share capital as at the LPD	686,506,741[*1]	128,401,570
Consideration Shares to be issued pursuant to the Proposed Acquisition	7,590,958	25,613,411
Enlarged issued share capital	**694,097,699**	**154,014,981**

***Note**:-*

*[*1] Excluding 2,239,800 treasury shares.*

6.2 NA per Share and gearing level

Based on the latest audited consolidated statements of financial position for the FYE 31 December 2023, the pro forma effects of the Proposed Acquisition on the NA per Share and gearing of KGB Group are as follows:-

		I	II
	Audited as at 31 December 2023	**Subsequent events up to the LPD[*1]**	**After I and the Proposed Acquisition**
	RM'000	**RM'000**	**RM'000**
Share capital	73,792	128,402	154,015[*2]
Treasury shares	(534)	(534)	(534)
Other reserves	54,541	54,541	54,541
Retained earnings	204,797	204,797	174,513[*3, *4]
NA	**332,596**	**387,206**	**382,535**
No. of Shares in issue, excl. treasury shares ('000)	644,797	686,507	694,098[*2]
NA per Share (RM)	0.52	0.56	0.55
Total borrowings	188,212	188,212	188,212
Gearing ratio (times)	0.57	0.49	0.49

Notes:-

*[*1] After adjusting for the following from 1 January 2024 up to the LPD:-*

a. the exercise of a total 39,048,156 Warrants; and

b. the issuance of a total 2,661,900 ESS Options at the issue price of RM0.2715 per Share pursuant to the ESS.

*[*2] After accounting for the issuance of 7,590,958 Consideration Shares at the Issue Price.*

*[*3] After deducting the estimated expenses of RM350,000 in relation to the Proposed Acquisition.*

*[*4] After adjusting for the change in ownership interests on the equity attributable to owners of the Company after the Proposed Acquisition, computed as follows:-*

	RM'000
Amount by which non-controlling interests are adjusted	*5,759^*
Consideration for the Proposed Acquisition (i.e. 9.29% equity interest in AGSB)	*(35,693)*
Decrease in retained earnings	***(29,934)***

^ Represents the non-controlling interest of AGSB Group as contained in KGB's consolidated statement of financial position as at 31 December 2023 (source: KGB's annual report 2023).

The decrease in retained earnings of approximately RM29.93 million was accounted for in accordance with the provision of MFRS 10, Consolidated Financial Statements. Paragraph B96 of MFRS 10 states that when the proportion of the equity held by non-controlling interests changes, an entity shall adjust the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary. The entity shall recognise directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent.

6.3 Earnings and EPS

For illustration purposes only, assuming that the Proposed Acquisition had been effected on 1 January 2023 (being the beginning of the audited FYE 31 December 2023 of KGB), the pro forma effects of the Proposed Acquisition on the earnings and EPS of KGB Group are as follows:-

	Audited as at 31 December 2023	After the Proposed Acquisition
	RM'000	RM'000
PAT attributable to owners of the Company	104,135	105,920*1
Weighted average no. of Shares for basic EPS ('000)	643,888	651,479
Weighted average no. of Shares for diluted EPS ('000)	667,072	674,663
Basic EPS (sen)*2	**16.17**	**16.26**
Diluted EPS (sen)*3	**15.61**	**15.70**

Notes:-

*1 *After adjusting for the consolidation of 100% profit contribution from AGSB attributable to the Company.*

*2 *Calculated by dividing the consolidated PAT attributable to owners of the Company by the weighted average no. of ordinary shares outstanding during the financial year after deducting for treasury shares.*

*3 *Calculated by dividing the consolidated PAT attributable to owners of the Company by the weighted average no. of ordinary shares outstanding during the financial year after deducting for treasury shares and adjusted for the effects of dilutive potential ordinary shares.*

6.4 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Acquisition on the Company's substantial shareholders' shareholdings are as follows:-

	Shareholdings as at the LPD				Shareholdings after the Proposed Acquisition			
	Direct		Indirect		Direct		Indirect	
Name	No. of Shares ('000)	%*	No. of Shares ('000)	%*	No. of Shares ('000)	%*	No. of Shares ('000)	%*
Palace Star	135,407	19.7	-	-	135,407	19.5	-	-
Sun Lead International Limited	39,635	5.8	-	-	39,635	5.7	-	-
Ir. Gan Hung Keng	4,971	0.7	135,407*1	19.7	4,971	0.7	135,407*1	19.5
Ong Weng Leong	4,667	0.7	135,407*1	19.7	4,667	0.7	135,407*1	19.5
Cham Teck Kuang	275	neg.	135,407*1	19.7	275	neg.	135,407*1	19.5
Hu Keqin	275	neg.	135,407*1	19.7	275	neg.	135,407*1	19.5
Soh Tong Hwa	4,287	0.6	138,088*2	20.1	4,287	0.6	138,088*2	19.9
Fortune Dragon Holding Inc.	-	-	39,635*3	5.8	-	-	39,635*3	5.7
Lien Hwa Industrial Holdings Corp.	-	-	39,635*4	5.8	-	-	39,635*4	5.7
Employees Provident Fund Board	-	-	34,725*5	5.1	-	-	34,725*5	5.0
ABRDN Holdings Limited	-	-	40,670*6	5.9	-	-	40,670*6	5.9

Name	Shareholdings as at the LPD				Shareholdings after the Proposed Acquisition			
	Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%*	No. of Shares ('000)	%*	No. of Shares ('000)	%*	No. of Shares ('000)	%*
ABRDN Malaysia Sdn Bhd	-	-	39,793[*6]	5.8	-	-	39,793[*6]	5.7
ABRDN Plc	-	-	40,670[*6]	5.9	-	-	40,670[*6]	5.9
Mr. Chong^	35	neg.	-	-	6,489	0.9	-	-
Mr. Alan Lim^	61	neg.	-	-	1,198	0.2	-	-

Notes:-

^ *Vendor(s) who is/ are not deemed as substantial shareholder(s) before and after the Proposed Acquisition are included for illustration purpose.*

* *Excluding 2,239,800 treasury shares.*

[*1] *Deemed interested by virtue of his interest in Palace Star pursuant to Section 8(4) of the Act.*

[*2] *Deemed interested by virtue of his interest in Palace Star and Sin Huat Hing Farm Sdn Bhd pursuant to Section 8(4) of the Act, and shares held by his spouse and child pursuant to Section 59(11)(c) of the Act.*

[*3] *Deemed interested by virtue of its interest in Sun Lead International Limited pursuant to Section 8 of the Act.*

[*4] *Deemed interested by virtue of its interest in Fortune Dragon Holding Inc. pursuant to Section 8 of the Act.*

[*5] *Shares managed by/ through Citigroup Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board.*

[*6] *Deemed interested by virtue of its shareholdings in its subsidiaries pursuant to Section 8(4) of Act.*

Based on the pro forma shareholdings above, the Proposed Acquisition will not give rise to any consequences of MGO obligations by any Vendors and/ or controlling parties pursuant to the Rules on Take-overs, Mergers and Compulsory Acquisitions. The exact shareholding changes in KGB shall depend on the actual share capital of KGB at the point of issuance of the Consideration Shares, but is not expected to give rise to any MGO obligations by any Vendors and/ or controlling parties.

The public shareholding spread of KGB will not fall below the minimum public shareholding spread of 25% pursuant to Paragraph 8.02(1) of the Listing Requirements upon the completion of the Proposed Acquisition. Assuming the Proposed Acquisition is completed as at the LPD, the public shareholding spread of the Company may reduce from 70.89% to 69.77%, and accordingly the Company would still be in compliance with the public shareholding spread requirement.

6.5 Convertible securities

As at the LPD, save for the 175,272,332 outstanding Warrants and 21,281,900 unexercised ESS Options, the Company does not have any outstanding convertible securities. For the avoidance of doubt, the Proposed Acquisition will not result in any adjustments to the respective exercise prices and number of Warrants and ESS Options.

7. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 10.73%, calculated based on the Purchase Consideration against the audited consolidated NA of the Company as at 31 December 2023.

8. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of KGB Shares traded on Bursa Securities for the past 12 months from October 2023 to September 2024 are set out below:-

	High	Low
	RM	RM
2023		
October	1.508	1.429
November	1.870	1.449
December	2.154	1.762
2024		
January	2.320	2.095
February	2.526	2.085
March	2.766	2.379
April	2.757	2.391
May	3.191	2.628
June	3.665	3.092
July	3.676	3.279
August	3.487	2.692
September	3.269	2.653
Last transacted market price of KGB Shares as at the LTD		3.308
Last transacted market price on the LPD		3.179

(Source: Bloomberg)

9. APPROVALS REQUIRED/ OBTAINED

The Proposed Acquisition is subject to the following approvals being obtained:-

i. Bursa Securities for the listing and quotation for the Consideration Shares to be issued pursuant to the Proposed Acquisition on the Main Market of Bursa Securities, the approval of which has been obtained vide Bursa Securities' letter dated 19 September 2024 subject to the following conditions:-

	Conditions	Status of compliance
a.	KGB and UOBKH must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition;	To be complied
b.	UOBKH must inform Bursa Securities upon the completion of the Proposed Acquisition;	To be complied
c.	UOBKH must furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisition is completed;	To be complied
d.	KGB/ UOBKH must furnish Bursa Securities with a certified true copy of the resolution passed by shareholders at the extraordinary general meeting for the Proposed Acquisition prior to the listing and quotation of the new ordinary shares to be issued pursuant to the Proposed Acquisition; and	To be complied
e.	To incorporate the comments made in the circular to shareholders provided in Attachment 1 of Bursa Securities' letter, which shall be reflected, where applicable, in the Circular.	Complied

ii. the non-interested shareholders of the Company at the forthcoming EGM of the Company; and

iii. any other relevant authority and/ or party, if required.

The Proposed Acquisition is not conditional upon any proposals undertaken or to be undertaken by the Company.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/ OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the directors, major shareholders, chief executive of the Company and/ or persons connected with them has any interest, direct or indirect, in the Proposed Acquisition:-

		Direct		Indirect		
	Name	No. of Shares ('000)	%*	No. of Shares ('000)	%*	Nature of relationship
a.	Palace Star	135,407	19.7	-	-	• Major shareholder of KGB and Vendor to the SSA
b.	Ir. Gan Hung Keng	4,971	0.7	135,407*1	19.7	• Substantial shareholder and Executive Chairman/ CEO of KGB • Director and substantial shareholder of Palace Star • Director of AGSB
c.	Ong Weng Leong	4,667	0.7	135,407*1	19.7	• Substantial shareholder and Executive Director/ Chief Operating Officer of KGB • Director and substantial shareholder of Palace Star • Director of AGSB
d.	Cham Teck Kuang	275	neg.	135,407*1	19.7	• Substantial shareholder and Non-Executive Director of KGB • Director and substantial shareholder of Palace Star
e.	Hu Keqin	275	neg.	135,407*1	19.7	• Substantial shareholder and Non-Executive Director of KGB • Director and substantial shareholder of Palace Star
f.	Soh Tong Hwa	4,287	0.6	138,088*2	20.1	• Substantial shareholder and Non-Executive Director of KGB • Director and substantial shareholder of Palace Star • Director of AGSB
g.	Mr. Chong	35	neg.	-	-	• Vendor to the SSA • CEO of AGSB
h.	Mr. Alan Lim	61	neg.	-	-	• Vendor to the SSA • Operations Director of AGSB

Notes:-

* *Excluding 2,239,800 treasury shares.*

*1 *Deemed interested by virtue of his interest in Palace Star pursuant to Section 8(4) of the Act.*

*2 *Deemed interested by virtue of his interest in Palace Star and Sin Huat Hing Farm Sdn Bhd pursuant to Section 8(4) of the Act, and shares held by his spouse and child pursuant to Section 59(11)(c) of the Act.*

Accordingly, the Interested Directors have abstained and will continue to abstain from deliberating on the Proposed Acquisition at the relevant Board meetings. Additionally, the Interested Parties will abstain from voting in respect of their direct and/ or indirect shareholdings, if any, in the Company on the resolution pertaining to the Proposed Acquisition to be tabled at the EGM. Further, the Interested Parties have also undertaken to ensure that person(s) connected to them, if any, will abstain from voting in respect of their direct and/ or indirect shareholdings, if any, in the Company on the resolution pertaining to the Proposed Acquisition to be tabled at the EGM.

11. TRANSACTIONS WITH THE RELATED PARTY(IES) IN THE PRECEDING 12 MONTHS

Save for the Proposed Acquisition, there have been no related party transactions entered into between the Company and the Interested Parties in the 12 months preceding the date of this Circular.

12. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board (save for the Interested Directors), having considered and deliberated on all aspects of the Proposed Acquisition, including but not limited to the terms and conditions of the SSA, basis and justification in arriving at the Purchase Consideration, the rationale of the Proposed Acquisition, as well as the pro forma effects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interests of the Company.

Accordingly, the Board (save for the Interested Directors) recommends that you **vote in favour** for the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

13. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of KGB, after taking into consideration the advice and opinion of the Independent Adviser, is of the opinion that the Proposed Acquisition is:-

i. in the best interests of the Company;

ii. fair, reasonable and on normal commercial terms; and

iii. not detrimental to the interest of the non-interested shareholders of the Company.

In forming its views, the Audit Committee of KGB has taken into consideration, amongst others, the following:-

i. the rationale and justification for the Proposed Acquisition, as well as the prospects of enlarged KGB Group;

ii. the terms and conditions of the SSA;

iii. the basis and justification in arriving at the Purchase Consideration as well as the Issue Price for Consideration Shares;

iv. mode of settlement of the Purchase Consideration;

v. pro forma effects of the Proposed Acquisition; and

vi. the evaluation of the Independent Adviser on the Proposed Acquisition.

14. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Board expects the Proposed Acquisition to be completed in the second half of 2024.

The tentative timetable in relation to the Proposed Acquisition is set out below:-

Timeline	Events
23 October 2024	• Convening of EGM
Mid November 2024	• Fulfilment of the conditions precedent of the SSA • Listing and quotation of the Consideration Shares • Completion of the Proposed Acquisition

15. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Acquisition, which is the subject matter of this Circular, the Board is not aware of any other outstanding proposals, which have been announced but not yet completed as at the LPD.

16. EGM

The EGM, the notice of which is enclosed in this Circular, which will be conducted fully virtual from the Broadcast Venue at Lot 9-11, Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur on the date and time indicated below or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolution to give effect to the Proposed Acquisition.

Date and time of the EGM	:	Wednesday, 23 October 2024 at 10:00 a.m.
Meeting Platform	:	https://www.dvote.my
Modes of Communication	:	1. Real time submission of typed text on the Online Meeting Platform 2. Submit your questions to ccid@kelington-group.com prior to the EGM date

If you are unable to attend, participate and vote in person at the EGM, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein, to be deposited at the office of the Poll Administrator at Lot 9-7, Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur if in hard copy or at dvoteservice@gmail.com if by electronic means not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from participating and voting in person at the forthcoming EGM should you subsequently wish to do so.

17. FURTHER INFORMATION

Shareholders are advised to refer to the appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board
KELINGTON GROUP BERHAD

SOO YUIT WENG
Senior Independent Non-Executive Director

PART B

IAL TO THE NON-INTERESTED SHAREHOLDERS OF KGB IN RELATION TO THE PROPOSED ACQUISITION

All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the "Definitions" section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL.

All references to "we", "us" or "our" in this IAL are references to MainStreet, being the Independent Adviser for the Proposed Acquisition.

THIS EXECUTIVE SUMMARY SUMMARISES THIS IAL. YOU ARE ADVISED TO READ AND UNDERSTAND THIS IAL IN ITS ENTIRETY, TOGETHER WITH THE LETTER TO SHAREHOLDERS IN RELATION TO THE PROPOSED ACQUISITION IN PART A OF THE CIRCULAR AND THE ACCOMPANYING APPENDICES FOR OTHER RELEVANT INFORMATION AND NOT TO RELY SOLELY ON THIS EXECUTIVE SUMMARY IN FORMING AN OPINION ON THE PROPOSED ACQUISITION.

YOU ARE ALSO ADVISED TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE ORDINARY RESOLUTION TO GIVE EFFECT TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

1. INTRODUCTION

On 29 July 2024, KGB entered into the SSA with the Vendors for the proposed acquisition of the remaining 9.29% equity interest not already owned by KGB in AGSB, for the purchase consideration of RM35,692,893. The Purchase Consideration is to be satisfied via the Cash Consideration and the issuance of Consideration Shares.

The Proposed Acquisition is deemed as an RPT pursuant to Paragraph 10.08 of the Listing Requirements, by virtue of the interests of the Interested Parties in relation to the Proposed Acquisition as set out in Section 10, Part A of the Circular.

Pursuant thereto, MainStreet has been appointed as the Independent Adviser to advise the non-interested Directors and the non-interested shareholders of KGB in relation to the Proposed Acquisition.

Further details of the Proposed Acquisition are set out in Section 2, Part A of the Circular.

The purpose of this IAL is for us to provide the non-interested shareholders of KGB with an independent evaluation on the fairness and reasonableness of the Proposed Acquisition and whether the Proposed Acquisition is detrimental to the non-interested shareholders of the Company together with our recommendation on whether they should vote in favour of the Proposed Acquisition.

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2. EVALUATION OF THE PROPOSED ACQUISITION

Section in the IAL	Consideration factors	Our evaluation
3.1	Rationale and justifications for the Proposed Acquisition	The Proposed Acquisition is expected to enable KGB Group to benefit from: (i) obtaining full control of AGSB Group and this provides the Company with greater flexibility in planning and implementing long term growth strategies for AGSB; (ii) fully recognising the future earnings of AGSB Group and this is expected to contribute positively to the financial performance of KGB Group from the additional earnings recognition of AGSB Group, thus enhancing shareholders' value of the Company; and (iii) the lower cash outlay required for the Proposed Acquisition as the Purchase Consideration will be partly satisfied via the issuance of the Consideration Shares, which can then be channelled towards financing the Group's existing operations and/or pursuing other business opportunities. Premised on the above, we are of the view that the rationale and justifications for the Proposed Acquisition are reasonable.
3.2	Basis and justification for the Purchase Consideration and the Issue Price	**<u>Evaluation of the Purchase Consideration</u>** In evaluating the Purchase Consideration, we have conducted a valuation on AGSB Group, which are principally involved in distribution, supply, import, trading, production of industrial gas, provision of industrial gas solutions, designs, installation, commissioning of industrial gas system and related equipment. In arriving at the valuation of AGSB Group, we have adopted the DCF valuation method as our valuation method. We view the DCF valuation model as the most appropriate method to estimate the value of AGSB Group as this method is able to effectively factor in the earnings and cash flows potential of AGSB Group's business as well as the timing of such cash flows to be generated.

<table>
<tr><th>Section in the IAL</th><th>Consideration factors</th><th>Our evaluation</th></tr>
<tr><td>3.2</td><td>Basis and justification for the Purchase Consideration and the Issue Price</td><td>Based on the DCF valuation model, we have derived the estimated value for 9.29% equity interest in AGSB to be in the range of RM35.46 million to RM37.14 million.

As the Purchase Consideration of RM35.69 million is within the range of the aforesaid estimated fair value, we view that the Purchase Consideration is fair.

<u>Evaluation of the Issue Price</u>

The Issue Price:

(i) was determined using a market-based approach and fixed at a price equivalent to the 5-day VWAP of KGB Shares up to the LTD;

(ii) is within the market prices of KGB Shares for the past 12 months prior to the LTD of between RM3.700 and RM1.439; and

(iii) represents a premium of RM0.0442 (1.33%) over the last traded market price of KGB Shares on the LTD and a premium of between RM0.1596 (4.96%) and RM1.0890 (47.65%) over the 3-month, 6-month and 1-year VWAPs of KGB Shares up to the LTD.

Based on the above, we view that the Issue Price is fair.</td></tr>
<tr><td>3.3</td><td>Salient terms of the SSA</td><td>Based on our review of the salient terms of the SSA, we are of the view that the terms are reasonable and not detrimental to the non-interested shareholders of KGB.</td></tr>
<tr><td>3.4</td><td>Effects of the Proposed Acquisition</td><td>The pro forma effects of the Proposed Acquisition (kindly refer to Section 6, Part A of the Circular and Section 3.4 of this IAL for further details) are as follows:

(i) the issued share capital of KGB will increase by approximately RM25.61 million (upon issuance of 7,590,958 Consideration Shares at the Issue Price);</td></tr>
</table>

Section in the IAL	Consideration factors	Our evaluation
3.4	Effects of the Proposed Acquisition	(ii) the direct interest of Mr. Chong and Mr. Alan Lim will increase to approximately 0.9% and 0.2% respectively, upon completion of the Proposed Acquisition, with a corresponding dilution to the equity interest of other shareholders in the Company; (iii) the Proposed Acquisition is expected to contribute positively to the earnings and EPS of KGB with the full recognition of the earnings of AGSB Group; (iv) the NA per Share will decrease as a result of the: (a) dilutive impact from the issuance of Consideration Shares; (b) estimated expenses relating to the Proposed Acquisition; and (c) adjustment for the change in ownership interest on the equity attributable to owners of the Company after the Proposed Acquisition; and (v) the gearing of the Group will remain the same upon completion of the Proposed Acquisition.
3.5	Prospect of KGB Group	Taking into consideration of the outlook of AGSB Group and based on the general positive outlook of the Malaysian economy and manufacturing sector in Malaysia, we are of the view that the prospects of AGSB Group is expected to be encouraging in the long term and the Proposed Acquisition will be favourable to KGB Group, barring unforeseen circumstances.

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Section in the IAL	Consideration factors	Our evaluation
3.6	Risk factors of the Proposed Acquisition	The risks of the Proposed Acquisition are set out in Section 5, Part A of the Circular. We wish to highlight some of the risk factors in relation to the Proposed Acquisition to the non-interested shareholders of KGB, being non-realisation of anticipated benefits and dilution to minority shareholders' interest. Further, the Proposed Acquisition is not expected to materially change the risk profile of the Group's business as AGSB is already a 90.71% owned subsidiary of the Company.

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Acquisition. Based on our evaluation in Section 3 of this IAL, we are of the opinion that, on the basis of the information available to us, the Proposed Acquisition is **fair and reasonable** and **not detrimental** to the non-interested shareholders of KGB.

Accordingly, we recommend that the non-interested shareholders of KGB **vote in favour** of the ordinary resolution to give effect to the Proposed Acquisition to be tabled at the forthcoming EGM.

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8 October 2024

To: The non-interested shareholders of Kelington Group Berhad

Dear Sir / Madam,

KELINGTON GROUP BERHAD ("KGB" OR THE "COMPANY")

INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSED ACQUISITION

This IAL is prepared for inclusion in the Circular to the shareholders of KGB. All definitions used in this IAL shall have the same meaning as the words and expressions defined in the "Definitions" section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to "we", "us" or "our" in this IAL are references to MainStreet, being the Independent Adviser for the Proposed Acquisition.

1. INTRODUCTION

On 29 July 2024, KGB entered into the SSA with the Vendors for the proposed acquisition of the remaining 9.29% equity interest not already owned by KGB in AGSB, for the purchase consideration of RM35,692,893. The Purchase Consideration is to be satisfied via the Cash Consideration and the issuance of Consideration Shares.

The Proposed Acquisition is deemed as an RPT pursuant to Paragraph 10.08 of the Listing Requirements, by virtue of the interests of the Interested Parties in relation to the Proposed Acquisition as set out in Section 10, Part A of the Circular.

Pursuant thereto, MainStreet has been appointed as the Independent Adviser to advise the non-interested Directors and the non-interested shareholders of KGB in relation to the Proposed Acquisition.

Further details of the Proposed Acquisition are set out in Section 2, Part A of the Circular.

The purpose of this IAL is for us to provide the non-interested shareholders of KGB with an independent evaluation on the fairness and reasonableness of the Proposed Acquisition and whether the Proposed Acquisition is detrimental to the non-interested shareholders of the Company together with our recommendation on whether they should vote in favour of the Proposed Acquisition.

Nonetheless, the non-interested shareholders of KGB should rely on their own evaluation of the merits and demerits of the Proposed Acquisition before deciding on the course of action to be taken at the forthcoming EGM.

This IAL is prepared solely for the use of the non-interested shareholders of KGB to consider the Proposed Acquisition and should not be used or relied upon by any other party for any other purposes whatsoever.

YOU ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND THE LETTER TO SHAREHOLDERS OF KGB IN RELATION TO THE PROPOSED ACQUISITION AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE ORDINARY RESOLUTION TO GIVE EFFECT TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED ACQUISITION

MainStreet was not involved in any formulation of or any deliberations and negotiations on the terms and conditions pertaining to the Proposed Acquisition. The terms of reference of our appointment as the Independent Adviser are in accordance with the requirements relating to independent adviser as set out in Paragraph 10.08(3) of the Listing Requirements and the Best Practice Guide in relation to Independent Advice Letters ("**IAL Guide**") issued by Bursa Securities.

Our scope as the Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the Proposed Acquisition and whether the Proposed Acquisition is detrimental to the non-interested shareholders of KGB, together with our recommendation on whether the non-interested shareholders of the Company should vote in favour of the Proposed Acquisition, based on information and documents made available to us and making enquiries as were reasonable in the circumstances. In performing our evaluation, we have relied on the following sources of information:

(i) information contained in Part A of the Circular and the accompanying appendices;

(ii) the SSA;

(iii) the audited financial statements of AGSB for the FYE 31 December 2021 to FYE 31 December 2023;

(iv) the annual reports and audited consolidated financial statements of KGB for the FYE 31 December 2021 to FYE 31 December 2023 as well as the latest unaudited consolidated financial statements of KGB for the 6-month FPE 30 June 2024;

(v) other relevant information, documents, confirmations and representations furnished to us by the board of directors, management and/or representatives of KGB and AGSB; and

(vi) other relevant publicly available information.

We have relied on the directors, management and/or representatives of KGB and AGSB to take due care in ensuring that all information, documents, confirmations and representations provided to us to facilitate our evaluation of the Proposed Acquisition and which had been used, referred to and/or relied upon in this IAL, are accurate, valid and complete in all material aspects.

The Board has seen, reviewed and accepted this IAL. The Board, collectively and individually, accepts full responsibility for the accuracy of the information contained in this IAL (save for the assessment, evaluation and opinion of MainStreet) and confirms, after having made all reasonable enquiries, that to the best of their knowledge, there are no false or misleading statements and/or other facts not contained in this IAL, the omission of which would make any information in this IAL misleading.

The responsibility of the Board in respect of:

(i) the information relating to KGB and AGSB are limited to ensuring that such information is accurately reproduced in this IAL; and

(ii) the independent advice and expression of opinion by MainStreet in relation to the Proposed Acquisition is limited to ensuring that:

- accurate information in relation to AGSB Group were provided to MainStreet for its evaluation of the Proposed Acquisition;

- all information in relation to AGSB Group that are relevant to MainStreet's evaluation of the Proposed Acquisition has been completely disclosed to MainStreet; and

- there are no material facts, the omission of which would make any information provided to MainStreet false or misleading.

We are satisfied that sufficient information has been disclosed to us for us to formulate our recommendation. After making all reasonable enquiries and to the best of our knowledge and belief, the information used is reasonable, accurate, complete and free from material omission.

In rendering our advice, we have taken note of the pertinent matters, which we believe are necessary and important to an assessment of the implications of the Proposed Acquisition and are of general concern to the shareholders of KGB to consider and form their views thereon. Notwithstanding this:

(i) it is not within our terms of reference to express any opinion on the legal, accounting and taxation issues relating to the Proposed Acquisition; and

(ii) we have not given consideration to the specific investment objectives, risk profiles, financial situations and particular needs of any individual shareholder or any specific group of shareholders. We recommend that any individual shareholder or group of shareholders who is/are in doubt as to the action to be taken or require advice in relation to the Proposed Acquisition in the context of their investment objectives, risk profiles, financial situations and particular needs should consult their respective stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Our opinion expressed in this IAL are, amongst others, based on economic, market and other conditions prevailing, and the information and/or documents made available to us as at the LPD or such other period as specified herein. Such conditions may change significantly over a short period of time after the date of this IAL.

Further, we have also relied on information obtained from independent sources, where applicable, in formulating our evaluation and opinion. In addition, it should be noted that our evaluation and opinion expressed in this IAL do not take into account the information, events or conditions arising after the LPD or such other period as specified herein, as the case may be.

We shall immediately notify the non-interested shareholders of KGB by way of an announcement if, after despatching this IAL and until the date of the EGM, we:

(i) become aware of significant change affecting the information contained herein;

(ii) have reasonable grounds to believe that a material statement in this IAL is false, misleading or deceptive; or

(iii) have reasonable grounds to believe that there is a material omission in this IAL.

If circumstances require, we shall send a supplementary IAL to the non-interested shareholders of the Company.

The following are disclosures made pursuant to the IAL Guide:

(i) We confirm that we are not aware of any circumstances that exist or are likely to exist which would give rise to a possible conflict of interest situation that may affect our ability to act independently and objectively as the Independent Adviser for the Proposed Acquisition;

(ii) Save for the current appointment as the Independent Adviser for the Proposed Acquisition, we did not have any professional relationship with KGB in the past 2 years; and

(iii) We are a corporate finance advisory firm licensed by the Securities Commission Malaysia to carry out the regulated activity of advising on corporate finance under the Capital Markets and Services Act 2007. Our team comprises experienced personnel with the requisite qualification and experience to provide, amongst others, independent advice and render opinion on the fairness and reasonableness of acquisitions, disposals and take-over offers.

    Our experience and credentials as independent adviser include, amongst others, the following:

    (a) independent adviser to the non-interested shareholders of Carlo Rino Group Berhad ("**CRG**") in relation to the unconditional voluntary take-over offer by Dato' Sri Chiang Fong Yee, Chiang Sang Sem and Freeway Team Sdn Bhd (collectively, the "**CRG Joint Offerors**") to acquire all the remaining ordinary shares in CRG not already held by the CRG Joint Offerors, whereby our independent advice circular was issued on 23 September 2024;

    (b) independent adviser to the shareholders of Grand Central Enterprises Bhd ("**Grand Central**") in relation to the proposed voluntary withdrawal of Grand Central from the Main Market of Bursa Securities, whereby our independent advice letter was issued on 22 August 2024;

    (c) independent adviser to the non-interested shareholders of Grand Central in relation to the conditional voluntary take-over offer by Tan Chee Hoe & Sons Sdn Bhd and Hotel Grand Central Limited (collectively, the "**Grand Central Joint Offerors**") to acquire all the remaining ordinary shares in Grand Central not already held by the Grand Central Joint Offerors, whereby our independent advice circular was issued on 22 August 2024;

(d) independent adviser to the non-interested shareholders of Ewein Berhad (now known as SkyGate Solutions Berhad) in relation to the proposed acquisition of a parcel of industrial land located in Seberang Perai Utara, Pulau Pinang and proposed acquisition of VS Solution Services Sdn Bhd involving the interests of related parties, whereby our independent advice letter was issued on 13 June 2024;

(e) independent adviser to the non-interested shareholders of SEG International Bhd ("**SEGi**") in relation to the unconditional mandatory take-over offer by EduEdge Equities Sdn Bhd ("**SEGi Offeror**") to acquire all the remaining ordinary shares in SEGi ("**SEGi Shares**") not already held by the SEGi Offeror and the ultimate offeror and any new SEGi Shares that may be issued and allotted prior to the closing date of the take-over offer arising from the exercise of the outstanding options granted under the long term incentive plan of SEGi, whereby our independent advice circular was issued on 31 May 2024;

(f) independent adviser to the shareholders of ICT Zone Asia Berhad ("**ICT Zone**") in relation to (i) the proposed voluntary withdrawal of ICT Zone from the LEAP Market of Bursa Securities; (ii) the proposed listing of ICT Zone on the ACE Market of Bursa Securities; (iii) the proposed amendments to the constitution of ICT Zone; and (iv) the proposed pre-conditional voluntary general take-over offer on all the remaining ordinary shares and irredeemable convertible preference shares in ICT Zone not already held by Datuk Seri Ng Thien Phing and ICT Zone Holding Sdn Bhd, whereby our independent advice letter was issued on 27 May 2024;

(g) independent adviser to the non-interested shareholders of Rexit Berhad ("**Rexit**") in relation to the unconditional mandatory take-over offer by Dato Seow Gim Shen, Metaco Asset Holdings Sdn Bhd and Bemas Holdings Sdn Bhd (collectively, the "**Rexit Joint Offerors**") to acquire all the remaining ordinary shares in Rexit not already held by the Rexit Joint Offerors, whereby our independent advice circular was issued on 19 February 2024;

(h) independent adviser to the non-interested shareholders of Jasa Kita Berhad in relation to the proposed disposal of a parcel of leasehold industrial land located in Setapak, Kuala Lumpur involving the interest of related parties, whereby our independent advice letter was issued on 28 December 2023;

(i) independent adviser to the non-interested shareholders of Boustead Heavy Industries Corporation Berhad in relation to the proposed partial settlement of outstanding financing facilities and proposed settlement amounts owing to Boustead Holdings Berhad, involving the interest of related parties, whereby our independent advice letter was issued on 14 December 2023;

(j) independent adviser to the non-interested shareholders of Iconic Worldwide Berhad ("**Iconic**") in relation to the proposed acquisition of the entire equity interest in Goldenluck Development Sdn Bhd, involving the interest of related parties and the proposed exemption for Dato' Seri Tan Kean Tet ("**DS Tan**") and persons acting in concert with him from the obligation to undertake a mandatory take-over offer for the remaining ordinary shares in Iconic not already held by them, pursuant to the undertaking to subscribe for the rights shares from the rights issue exercise by Iconic and exercise of warrants by DS Tan and any persons acting in concert with him, whereby our independent advice letter was issued on 7 December 2023;

(k) independent adviser to the shareholders of Carlo Rino Group Berhad ("**CRG**") in relation to (i) the proposed transfer listing of CRG from the LEAP Market of Bursa Securities to the ACE Market of Bursa Securities; (ii) the proposed withdrawal of CRG from the LEAP Market of Bursa Securities; and (iii) the proposed pre-conditional voluntary general offer on all the remaining ordinary share in CRG not already held by Dato' Sri Chiang Fong Yee, Chiang Sang Sem and Freeway Team Sdn Bhd, whereby our independent advice letter was issued on 6 December 2023;

(l) independent adviser to the non-interested shareholders of Eurospan Holdings Berhad in relation to the (i) proposed disposal of the entire equity interest in Dynaspan Furniture Sdn Bhd ("**DFSB**"); (ii) proposed disposal of 2 parcels of freehold industrial land together with the buildings erected thereon ("**EFSB Properties**") located in Seberang Perai Utara, Pulau Pinang; and (iii) proposed tenancy with DFSB for EFSB Properties, involving the interest of related parties, whereby our independent advice letter was issued on 20 November 2023;

(m) independent adviser to the non-interested shareholders of Maxim Global Berhad in relation to the proposed acquisition of Maxim Holdings Sdn Bhd ("**MHSB**") and proposed acquisition of a group of companies (which are the shareholders of MHSB), involving the interests of related parties, whereby our independent advice letter was issued on 20 July 2023;

(n) independent adviser to the non-interested shareholders of Minda Global Berhad (now known as Cyberjaya Education Group Berhad) ("**MGB**") in relation to the conditional mandatory take-over offer by Special Flagship Holdings Sdn Bhd ("**MGB Offeror**") to acquire all the remaining ordinary shares in MGB not already held by the MGB Offeror and the ultimate offeror, whereby our independent advice circular was issued on 19 June 2023;

(o) independent adviser to the non-interested shareholders of LFE Corporation Berhad ("**LFE**") in relation to the proposed acquisition of the remaining 49.0% equity interest in Cosmo Property Management Sdn Bhd, involving the interest of related parties, and the proposed private placement of new ordinary shares in LFE, whereby our independent advice letter was issued on 12 April 2023; and

(p) independent adviser to the non-interested unitholders of AME Real Estate Investment Trust in relation to the proposed acquisition of 3 parcels of freehold land with the buildings erected thereon located in Kulai, Johor, involving the interest of related parties, whereby our independent advice letter was issued on 10 February 2023.

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MainStreet

3. EVALUATION OF THE PROPOSED ACQUISITION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Acquisition based on the following pertinent factors:

Consideration factors		Section
(i)	Rationale and justifications for the Proposed Acquisition	3.1
(ii)	Basis and justification for the Purchase Consideration and the Issue Price	3.2
(iii)	Salient terms of the SSA	3.3
(iv)	Effects of the Proposed Acquisition	3.4
(v)	Prospect of KGB Group	3.5
(vi)	Risk factors of the Proposed Acquisition	3.6

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3.1 Rationale and justifications for the Proposed Acquisition

We take cognisance of the rationale and justifications for the Proposed Acquisition as set out in Section 3, Part A of the Circular and our commentaries are as follows:

<u>Our commentaries</u>

AGSB was incorporated in Malaysia on 20 July 2016 and is principally involved in distribution, supply, import, trading, production of industrial gas, provision of industrial gas solutions, designs, installation, commissioning of industrial gas system and related equipment.

Industrial gases are gaseous substances that are used in a wide range of industries, to facilitate industrial and manufacturing processes or to be used as raw materials. The main gas products offered by AGSB Group are liquid carbon dioxide, nitrogen and dry ice.

AGSB Group is serving local and oversea customers from various industries, such as manufacturers (i.e. beverage bottlers and chemicals producers), industrial companies (i.e. construction companies and oil and gas companies) and commercial businesses (i.e. airlines and food and beverage companies) that utilise industrial gases, specialty and electronic gases, and industrial gas systems to support their daily operational processes, manufacturing activities and industrial applications, amongst others. AGSB may also offer its products and services to industrial gas companies and intermediaries (i.e. industrial gas re-fillers).

As at the LPD, AGSB Group has production plants located in Terengganu, Selangor and Kedah. Further details of these production plants are set out in Section 1, Appendix I of the Circular. In March 2024, AGSB Group has begun operations of its second liquid carbon dioxide production plant in Kerteh, Terengganu. In addition, AGSB Group has a production plant for nitrogen, oxygen and hydrogen gas in Kulim, Kedah, which has yet to commence operations as at the LPD.

As AGSB Group is currently embarking on an expansionary path, the Proposed Acquisition provides KGB with the opportunity to obtain full control of AGSB and this provides the Company with greater flexibility in planning and implementing long term growth strategies for AGSB.

The historical financial performance of AGSB for the FYE 31 December 2021 to FYE 31 December 2023 are as follows:

	Audited FYE 31 December		
	2021 (RM)	2022 (RM)	2023 (RM)
Revenue	35,384,059	83,202,493	120,894,606
Gross profit	12,466,220	29,511,345	38,789,576
PBT	5,869,075	20,471,953	24,917,992
PAT	5,202,196	15,728,393	19,204,435

As at the LPD, AGSB is a 90.71% owned subsidiary of KGB and the Company has been able to recognise earnings from AGSB up to the extent of the Company's equity interest in AGSB. Upon completion of the Proposed Acquisition, AGSB will become a wholly owned subsidiary of KGB and the Company will be fully recognising the future earnings of AGSB Group.

With the historical financial performance and the encouraging prospects of AGSB Group as set out in Section 4.3, Part A of the Circular, the Proposed Acquisition is expected to contribute positively to the financial performance of KGB Group from the additional earnings recognition of AGSB Group, thus enhancing shareholders' value of the Company.

AGSB Group is currently on an expansion trajectory and is expected to pursue growth opportunities rapidly in the next few financial years. The pursuit of such growth opportunities may require additional equity funding, not just from KGB but also the other shareholders of AGSB (i.e. Palace Star, Mr. Chong and Mr. Alan Lim). While KGB is a listed company and have better access to funding via borrowings and/or the equity capital markets, such access may be limited to Palace Star, Mr. Chong and Mr. Alan Lim.

With this in mind, some of the growth opportunities available to AGSB Group may be impeded if additional funding is required and were to be extended only by KGB while other shareholders, for whatever reason, do not provide additional funding in proportion to their equity interest in AGSB.

As such, the Proposed Acquisition allows KGB to fully control the operations of AGSB Group, including planning and implementing expansion strategies as well as giving the appropriate funding (as and when needed).

The Purchase Consideration of RM35.69 million is to be satisfied via the Cash Consideration of RM10.08 million to Palace Star (representing 28.24% of the Purchase Consideration) and the issuance of the Consideration Shares amounting to RM25.61 million to Mr. Chong and Mr. Alan Lim (representing 71.76% of the Purchase Consideration).

Beyond the business of AGSB Group, the Group is also proactively securing new contracts, focusing on the semiconductor industry across Malaysia, China, Singapore, Hong Kong and Germany. In the first half of 2024, the Group secured new contracts for its construction segment amounting to approximately RM564.0 million and have a total outstanding order book of approximately RM1.29 billion as at 30 June 2024.

The issuance of the Consideration Shares as part settlement for the Purchase Consideration would allow KGB Group to reduce the cash outlay required for the Proposed Acquisition, which can then be channelled towards financing the Group's existing operations and/or pursuing other business opportunities (such as the expansion plan of AGSB as well as future growth opportunities for other business segments of the Group).

Further, this relieved KGB of the need to obtain borrowings to finance the Purchase Consideration and translates to savings in terms of interest expense and the financial commitment to repay borrowings.

Premised on the above, we view that the rationale and justifications for the Proposed Acquisition are **reasonable**.

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3.2 Basis and justification for the Purchase Consideration and the Issue Price

3.2.1 Evaluation of the Purchase Consideration

In evaluating the Purchase Consideration, we have conducted a valuation on AGSB Group, which are principally involved in distribution, supply, import, trading, production of industrial gas, provision of industrial gas solutions, designs, installation, commissioning of industrial gas system and related equipment.

In arriving at the valuation of AGSB Group, we have adopted the DCF valuation method as our valuation method. We view the DCF valuation model as the most appropriate method to estimate the value of AGSB Group as this method is able to effectively factor in the earnings and cash flows potential of AGSB Group's business as well as the timing of such cash flows to be generated. The DCF valuation model considers both the time value of money and the future cash flows to be generated by AGSB Group's business over a specified period of time.

As the methodology entails the discounting of the future cash flows to be generated from the business of AGSB Group at a specified discount rate to arrive at its value, the riskiness of generating such cash flows will also be taken into consideration.

On 1 June 2023, pursuant to an internal restructuring, AGSB had acquired the remaining 20% equity interests in AGMSB from Mr. Chong and Mr. Alan Lim, for a total purchase consideration of RM5,192,700 which was fully satisfied via the issuance of 1,822,000 new ordinary shares in AGSB ("**Previous Acquisition**"). The said purchase consideration was arrived at after taking into account, amongst others, the audited PAT of AGMSB as well as that of AGSB for FYE 31 December 2022, prospect of AGMSB, and rationale for the acquisition via share swap as elaborated below. The purchase consideration is computed as follows:

	AGMSB	**AGSB**
	(RM million)	**(RM million)**
Audited PAT for FYE 31 December 2022	10.21	15.73
P/E multiple (times)	4.0	5.0
Value of sales shares in AGMSB (representing 20% equity interest in AGMSB)	8.17	-
Value of share swap of AGSB shares (representing 6.67% of the enlarged equity interest in AGSB after share swap)	-	5.19

The internal restructuring resulted in AGMSB becoming a wholly owned subsidiary of AGSB which provides AGSB with complete control over AGMSB, and forms part of KGB Group's streamlining objective over its group of companies to enable the industrial gas business to grow more efficiently.

While the P/E multiple for the Previous Acquisition of 5.0 times is relatively lower than the implied P/E multiple for the Proposed Acquisition of 20.0 times, it should be noted that the Previous Acquisition took place prior to the Proposed Acquisition and was not assessed by MainStreet in regards to fairness of purchase consideration. Further, we wish to emphasise that we view the DCF valuation model as the most appropriate method to estimate the value of AGSB Group, based on the reasons set out earlier.

A point to note is that the P/E multiple accorded to AGSB for the Previous Acquisition of 5.0 times is higher than the P/E multiple accorded to AGMSB of 4.0 times. This would render the Previous Acquisition to be earnings accretive to AGSB.

Under the DCF valuation method, the free cash flows to equity ("**FCFE**") projected to be generated from AGSB Group's business is discounted at an appropriate cost of equity to reflect the rate of return required by shareholders to derive the present value of all future cash flows from AGSB Group's business.

We have reviewed the future financial information of AGSB Group until the FYE 31 December 2033 ("**Future Financials**"), which was prepared by the management of AGSB based on estimates on a best-effort basis. We have considered and evaluated the key bases and assumptions adopted in the Future Financials and are satisfied that the key bases and assumptions used in the preparation of the Future Financials are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.

The key bases and assumptions adopted in the preparation of the Future Financials are, amongst others, as follows:

(i) AGSB Group's business will continue to operate on a going concern basis and is expected to sustain its operations in perpetuity;

(ii) there will not be any significant change in the industrial gas industry of the countries which AGSB Group operates in or plans to operate in. For the purpose of the Future Financials, it is assumed that AGSB Group will be able to compete effectively with its competitors in securing orders and/or contracts as well as renewing existing contracts to maintain and grow its revenue base as well as to obtain profitable operating margins;

(iii) there will not be any significant or material increase in costs which is expected to have a material adverse effect on the financial results, cash flows or business prospects of AGSB Group;

(iv) there will not be any major disruptions to the business operations which may have a material adverse effect on the financial results, cash flows or business prospects of AGSB Group;

(v) save for an estimated amount of approximately RM290.0 million to facilitate AGSB Group's expansionary plan up to FYE 31 December 2027, which will be financed via borrowings and internally generated funds, there will not be any major capital expenditure to be incurred by AGSB Group. The aforesaid expansion plan includes setting up new air separation units and production plants for carbon dioxide and liquid carbon dioxide in Malaysia and other Asian countries. KGB will make the relevant announcements in relation to such expansion in due course in compliance with the Listing Requirements, if necessary;

(vi) sufficient funds will be available or obtainable to finance the working capital requirements and capital expenditure of AGSB Group without any material adverse effect on its financial results, cash flows or business prospects;

(vii) there will not be any significant or material changes in the principal activities of AGSB Group;

(viii) there will not be any significant or material changes to the agreements, contracts, licenses and regulations governing the business activities of AGSB Group;

(ix) the current accounting policies adopted by AGSB Group will remain relevant and there will not be any significant changes in the accounting policies of AGSB Group which may have a material adverse effect on the financial performance and financial position of AGSB Group; and

(x) there will not be any significant or material changes in political, social and economic condition, monetary and fiscal policies, inflation and regulatory requirements of the industry and/or countries which AGSB Group operates in or plans to operate in subsequent to the LPD which may have an adverse effect on the financial performance and financial position of AGSB Group.

In order to derive the value of AGSB Group, we have discounted the FCFE projected to be generated from AGSB Group's business at an appropriate cost of equity to reflect the rate of return required by shareholders for an investment in AGSB Group. Our valuation, together with the key bases and assumptions adopted, are as follows:

No.	Key bases and assumptions		Descriptions
(i)	FCFE	Based on the Future Financials until the FYE 31 December 2033	FCFE is the free cash flows from operations available to the equity holders of a company after taking into consideration all operating expenses, movements in working capital, net investing cash flows and net financing cash flows. We have reviewed the key bases and assumptions adopted in the Future Financials prepared by the management of AGSB in deriving the FCFE and are satisfied that they are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.
(ii)	Cost of equity ("**K_e**")	14.22%	Cost of equity represents the rate of return required by an investor on the cash flow streams generated by AGSB Group's business given the risks associated with such cash flows. In deriving the cost of equity, we have adopted the Capital Asset Pricing Model and derived an estimated cost of equity of approximately 14.22% (after applying an additional 2% for lack of marketability) with the following inputs: $K_e = R_f + \beta (R_m - R_f) + \alpha$ Based on a study conducted by Aswath Damodaran (a Professor of Finance at the Stern School of Business at New York University) titled "Marketability and Value: Measuring the Illiquidity Discount", investors are generally willing to pay higher prices for more liquid assets than for otherwise similar illiquid assets. However, measuring illiquidity discount or discount for lack of marketability is highly subjective, with such discount ranging up to 4.0%. We view that it is reasonable to apply a discount for lack of marketability of 2.0% after taking into consideration the size of operations and lack of liquidity of AGSB shares.

No.	Key bases and assumptions		Descriptions
(iii)	Risk-free rate of return ("**R_f**")	3.78%	Risk-free rate of return represents the expected rate of return from a risk-free investment. The closest available approximation of the risk-free rate of return is the yield of 10-year Malaysian Government Securities. As extracted from Bloomberg, the said yield is 3.78% per annum as at the LTD.
(iv)	Expected market rate of return ("**R_m**")	9.53%	Expected market rate of return represents the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market. In our opinion, the expected rate of return for FTSE Bursa Malaysia Top 100 Index is a good indicator of the equity market return in Malaysia. Given the volatility of the stock market and market cycles, we view that a 10-year historical expected rate of return of the said index is an appropriate estimate of the expected market rate of return as it normalises the year-on-year fluctuations of the stock market and mitigates market bias. Based on the information sourced from Bloomberg, we have derived an average expected market rate of return in Malaysia of 9.53% per annum for the past 10 years up to the LTD.
(v)	Beta ("**β**")	1.4662	Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than 1 signifies that the asset is riskier than the market and vice versa. In deriving the estimated beta of AGSB Group's business, we have relied on the 5-year historical beta of AGSB's comparable companies[(1)] up to the LTD. As the historical beta extracted from Bloomberg is based on the capital structure of the respective comparable companies[(1)], we have un-levered the beta and re-levered the beta based on the current capital structure of AGSB's business (debt-to-equity ratio of 1.53). Based on our computation, the re-levered beta of AGSB is 1.4662.

No.	Key bases and assumptions		Descriptions
			Note: (1) We note that there is lack of comparable company listed on Bursa Securities that is involved in similar business as AGSB. Thus, we have selected the comparable companies by identifying companies listed on other stock exchanges that are principally involved in producing and trading of industrial gases and the provision of industrial gases solutions, with 50% or more of total revenue being generated from such business. The comparable companies adopted are as follows:

Company	Country of listing	Principal activities
B.I.G. Industries Berhad	Malaysia	Producing, distributing and marketing of industrial gases, property development and producing and sale of ready-mix concrete products, producing and trading of reinforced concrete piles and distribution of cement.
PT Samator Indo Indonesia Gas TBK	Indonesia	Supplying industrial gases such as oxygen, nitrogen, and many other gases and related services to many industries including metal works, metallurgy and chemical processes. The company also supplies gases for drinking water and wastewater treatment.
Nippon Sanso Holdings Corporation	Japan	Provides industrial gases such as oxygen, nitrogen, argon and acetylene for all industrial fields including steel production, chemicals, automobiles, construction, shipbuilding and food as well as electronic material gases for the electronics industry.

No.	Key bases and assumptions	Descriptions
		(table below)

Company	Country of listing	Principal activities
L'Air Liquide France S.A.	France	Produces, markets and sells industrial and healthcare gases, including liquid nitrogen, argon, carbon dioxide and oxygen. The company also produces welding, diving and technical-medical equipment.
Air Products and Chemicals Inc	United States	Produces industrial atmospheric and specialty gases and performance materials and equipment. The company's products include oxygen, nitrogen, argon, helium, specialty surfactants and amines, polyurethane, epoxy curatives and resins.
Linde PLC	United States	Provision of industrial gases, technologies and gas processing solutions that are used in production of clean hydrogen and carbon capture systems for energy transition, medical oxygen and specialty gases for electronics.

Nevertheless, we wish to highlight that there is no listed company which is identical to AGSB Group's business. While these companies may have different business models and have different product / service offerings, we view that the identified companies are adequately comparable to AGSB Group's business as all of these companies (save for B.I.G. Industries Berhad) have more than 90% revenue contribution from industrial gases and can be reasonably adopted for the purposes of deriving the estimated beta of the industry.

No.	Key bases and assumptions		Descriptions
(vi)	Perpetuity growth rate (“**g**”)	1.50% to 2.50%	For the period beyond the FYE 31 December 2033, we have adopted a range of perpetuity growth rates of 1.50% to 2.50% on the FCFE, which we view as reasonable after taking into consideration the following factors: (i) The headline inflation for the past 12 months prior to 30 June 2024 ranged from 1.50% to 2.00% and averaged at 1.80% (Source: Bank Negara Malaysia); (ii) Based on Economic and Monetary Review 2023 which was released by Bank Negara Malaysia on 20 March 2024, the headline inflation rate for 2023 is 2.5% and is expected to average between 2.0% and 3.0% in 2024, and the real gross domestic product (GDP) is forecasted to grow between 4% and 5% in 2024; and (iii) Based on the Economic Outlook 2024 issued by the Ministry of Finance Malaysia on 13 October 2023, the inflation in Malaysia is forecast to range between 2.1% to 3.6% in 2024. Following the above, we adopted the growth rate ranging from 1.50% to 2.50% and derived the terminal value (in present terms) for AGSB Group’s business of between RM188.48 million and RM206.57 million based on the following formula: $\text{Terminal value (in present terms)} = \frac{\text{FCFE for FYE 31 December 2033 x } (1+g)}{(K_e - g)} \times \frac{1}{(1 + K_e)^n}$ Whereby, n represents the year in which the expected sustainable level of FCFE is derived.
(vii)	Statutory corporate income tax rate	24%	The latest statutory corporate income tax rate applicable to AGSB is 24%.

Value of AGSB Group	Ranging from RM381.56 million to RM399.66 million(2)	The formula used to derive the value of AGSB Group is as follows: Value of AGSB Group = Present value of projected FCFE based on the Future Financials(1) + Present value of terminal value (based on the formula above) Notes: (1) Computed based on the following formula: $\text{Present value of FCFE} = \frac{\text{FCFE}}{(1 + K_e)^n}$ whereby, n represents time in number of years into the future. (2) In arriving at the range of values for AGSB Group, we adopted the growth rate ranging from 1.50% to 2.50% and derived the terminal value (in present terms) for AGSB Group's business of between RM188.48 million and RM206.57 million.

Our commentaries:

Based on the DCF valuation model, we have derived the estimated fair value for 9.29% equity interest in AGSB to be in the range of RM35.46 million to RM37.14 million. Accordingly, the Purchase Consideration of RM35.69 million is within the range of the aforesaid estimated fair value.

Based on the above, we view that the Purchase Consideration is **fair**.

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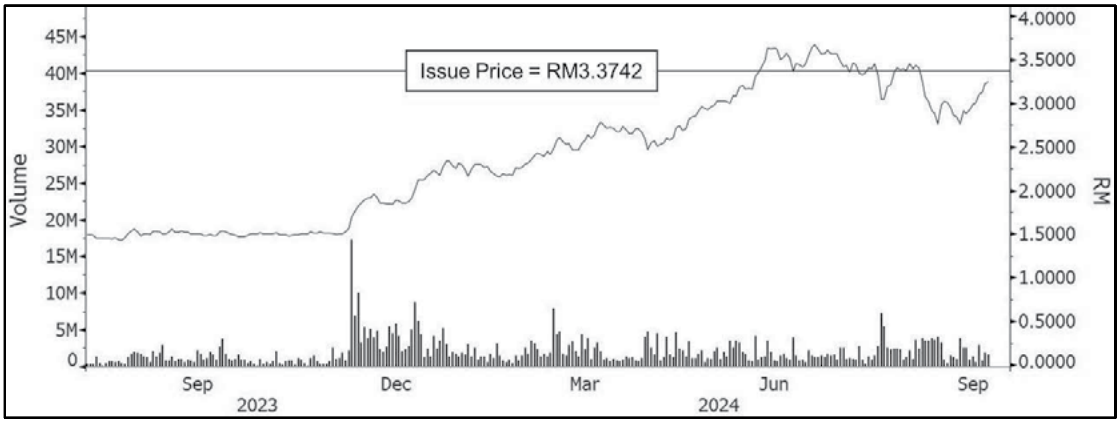
3.2.2 Evaluation of the Issue Price

In evaluating the Issue Price, we have considered the historical market price performance of KGB Shares.

The graph below sets out the historical daily VWAPs of KGB Shares (extracted from Bloomberg which have been adjusted for the effects of any dividends and corporate exercises throughout the period) for the past 12 months prior to the LTD and up to the LPD:



(Source: Bloomberg)

Based on the graph above, the daily VWAPs of KGB Shares had been trending upwards from November 2023 and has remained mostly above RM3.5000 in recent months (since June 2024 up until August 2024). The daily VWAPs of KGB Shares from July 2023 up to early-June 2024 is lower than the Issue Price of RM3.3742. Around mid-June 2024, the daily VWAPs of KGB Shares is higher than the Issue Price and subsequently in end-July 2024, the daily VWAPs stabilised around the Issue Price level. Since end-August 2024, the daily VWAPs of KGB Shares have been lower than the Issue Price.

The monthly highest and lowest traded market prices of KGB Shares (extracted from Bloomberg which have been adjusted for the effects of any dividends and corporate exercises throughout the period) for the past 12 months up to August 2024 (being the last full trading month prior to the LPD) are as follows:

	High (RM)	Low (RM)
2023		
September	1.542	1.449
October	1.517	1.439
November	1.882	1.458
December	2.168	1.774
2024		
January	2.335	2.109
February	2.542	2.099
March	2.784	2.394
April	2.774	2.407
May	3.212	2.645
June	3.689	3.113
July	3.700	3.300
August	3.510	2.710

(Source: Bloomberg)

Based on the table above, the monthly highest and lowest traded market prices of KGB Shares for the past 12 months up to July 2024 are RM3.700 (July 2024) and RM1.439 (October 2023) respectively.

Further, the Issue Price of RM3.3742 is yielding the following premium / discount to the historical closing market prices / VWAPs of KGB Shares (extracted from Bloomberg which have been adjusted for the effects of any dividends and corporate exercises throughout the period):

	Closing market prices / VWAPs	Premium / (Discount) of the Issue Price to the historical closing market prices / VWAPs of KGB Shares	
	(RM)	(RM)	(%)
Up to the LTD (26 July 2024):			
Last traded market price	3.3300	0.0442	1.33
5-day VWAP	3.3742	-	-
1-month VWAP	3.4952	(0.1210)	(3.46)
3-month VWAP	3.2146	0.1596	4.96
6-month VWAP	2.8143	0.5599	19.89
1-year VWAP	2.2852	1.0890	47.65

(Source: Bloomberg)

Based on the table above, the Issue Price is:

(i) equivalent to the 5-day VWAP of KGB Shares up to the LTD;

(ii) represents a premium of RM0.0442 (1.33%) over the last traded market price of KGB Shares on the LTD;

(iii) represents a discount of RM0.1210 (3.46%) over the 1-month VWAP of KGB Shares up to the LTD; and

(iv) represents a premium of between RM0.1596 (4.96%) and RM1.0890 (47.65%) over the 3-month, 6-month and 1-year VWAPs of KGB Shares up to the LTD.

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Our commentaries:

We view that the Issue Price is **fair** in view that:

(i) the Issue Price was determined using a market-based approach and fixed at a price equivalent to the 5-day VWAP of KGB Shares up to the LTD;

(ii) while the Issue Price is at a discount of RM0.1210 (3.46%) over the 1-month VWAP of KGB Shares, the Issue Price:

  (a) is within the market prices of KGB Shares for the past 12 months prior to the LTD of between RM3.700 and RM1.439; and

  (b) represents a premium of RM0.0442 (1.33%) over the last traded market price of KGB Shares on the LTD and a premium of between RM0.1596 (4.96%) and RM1.0890 (47.65%) over the 3-month, 6-month and 1-year VWAPs of KGB Shares up to the LTD.

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3.3 Salient terms of the SSA

Our commentaries on the salient terms of the SSA as set out in Appendix II of the Circular are as follows:

Salient terms of the SSA	Our commentaries
1. SALE AND PURCHASE OF THE SALE SHARES In consideration of the Purchase Consideration which shall be satisfied in accordance with the terms and conditions of the SSA, the Vendors as legal and beneficial owner shall sell and the Purchaser relying on the warranties and representations by the Vendors contained in the SSA shall purchase the Sale Shares free from any and all encumbrances and with all rights, benefits and advantages now or hereafter attaching thereto, including all bonuses, rights, dividends and distributions declared made and paid as from the Completion Date upon the terms and subject to the conditions set out in the SSA.	**Reasonable.** The Sale Shares will be acquired free from all encumbrances and together with all rights, benefits and advantages attaching thereto. This clause is in line with common practice and is a general commercial term.
2. CONDITIONS PRECEDENT 2.1 The SSA and completion of the SSA is conditional on: 2.1.1 the Purchaser obtaining the approval of Bursa Securities for the listing and quotation of the Consideration Shares on the Main Market of Bursa Securities; 2.1.2 the Purchaser obtaining the approval of the non-interested shareholders of the Purchaser for the Proposed Acquisition; and 2.1.3 such other waivers, consents or approvals as may be required (or deemed necessary by the Parties) from any third party (including financial institution) or relevant governmental or regulatory body (“**Relevant Authorities**”) necessary or appropriate to carry out the sale and purchase of the Sale Shares pursuant to the terms of the SSA having been obtained.	**Reasonable.** These conditions precedent represent the necessary approvals / procedures to facilitate the completion of the Proposed Acquisition. The SSA will become unconditional if the conditions precedent are fulfilled or waived (as the case may be) by the Cut-Off Date. As at the LPD, the Proposed Acquisition is still subject to the fulfilment and/or waiver of all the conditions precedent, except that Bursa Securities had, vide its letter dated 19 September 2024, approved the listing and quotation for the Consideration Shares on the Main Market of Bursa Securities. The said approval from Bursa Securities is subject to the conditions set out in Section 9, Part A of the Circular. If any of the condition precedent is not fulfilled or waived by the Cut-Off Date, the SSA may be terminated by either party.

Salient terms of the SSA	Our commentaries
The date the last of the conditions precedent is fulfilled or otherwise waived by the Purchaser shall be the ("**Unconditional Date**"). 2.2 In the event that any approvals or confirmation is subject to any conditions, variations or modifications ("**Adverse Condition**") which materially affects any Party ("**Affected Party**"), the Affected Party shall be entitled to give notice in writing of the same to the other Party within 2 business days (or such other extension of time as may be agreed upon by the Parties hereto) of the Affected Party being notified of such terms and conditions, failing which the Affected Party shall be deemed to have accepted such terms and conditions and such approval or waiver. 2.3 The Vendors and Purchaser shall work towards facilitating the satisfaction of the conditions precedent within 3 months from the date of the SSA, such term having an automatic extension for a further 3 months if the conditions precedent have not been fulfilled (hereinafter referred to as the ("**Cut-Off Date**"). Thereafter, all Parties may (before or on expiry of the Cut-Off Date) have an extension(s) of time as may be agreed between the Parties to comply with the conditions precedent. If the conditions precedent has not been fulfilled on the expiry of the Cut-Off Date or such extension of time agreed between the Parties, then either any of the Vendors or the Purchaser shall be entitled to rescind the SSA by serving a written notice to the other Party(ies) whereupon the Vendors shall refund all amounts received pursuant to the SSA (if any) within 14 business days from the receipt of the termination notice (or if the Vendors is the terminating party, then within 14 business days from the date of the termination notice) after which whereupon the SSA shall lapse and cease to have any further force or effect.	Notwithstanding that, the termination of the SSA will not result in any material adverse effect to the Purchaser as there is no payment of deposit upon signing of the SSA.

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Salient terms of the SSA	Our commentaries
3. PAYMENT OF PURCHASE CONSIDERATION 3.1 The Purchase Consideration of **RM35,692,893.00** only shall be satisfied in the following manner: (i) the Cash Consideration comprising **RM10,079,482.00** only to be paid in cash by the Purchaser via cheque, bank draft or direct telegraphic transfer to the bank account of the Vendors in the proportion set out in the SSA; and (ii) **RM25,613,411.00** only to be fully satisfied by the allotment and issuance of 7,590,958 Consideration Shares at an issue price of RM3.3742 per Consideration Share to the Vendors in the proportion set out the SSA Save for the obligation and liabilities in and arising from, pursuant to or in connection with the SSA, there are no other liabilities including contingent liabilities and/or guarantees to be assumed by the Purchaser arising from the purchase of the Sale Shares.	**Reasonable.** This clause states the obligation of KGB in relation to the mode of payment of the Proposed Acquisition. There is no payment of deposit upon signing of the SSA, which is considered favourable to KGB. Kindly refer to Section 3.2 of this IAL, for further evaluation of the Purchase Consideration and the Issue Price.

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Salient terms of the SSA	Our commentaries
4. COMPLETION 4.1 Completion shall take place on the Completion Date at the office of the Purchaser or such other place as the Parties mutually agree. 4.2 The completion of the SSA shall be subject to the following: 4.2.1 all the Sale Shares collectively being sold to the Purchaser; 4.2.2 that Parties have complied with all of their respective obligations under the SSA, including but not limited to such obligations set out in the SSA occurring post Completion Date, and the listing and quotation of the Consideration Shares on the Main Market of Bursa Securities. For this purpose, the Purchaser shall cause the Consideration Shares to be listed and quoted on the Main Market of Bursa Securities within 10 business days from the Completion Date or such other extended period as the Parties may mutually agree upon in writing; 4.2.3 that no breach of the SSA has occurred which has not been remedied or waived by the non-defaulting party; 4.2.4 the absence of pending or threatened injunctions, legal proceedings, claims, investigations or other matters prohibiting or adversely affecting the sale and purchase of the Sale Shares in accordance with the terms and conditions contained in the SSA or valuation ascribed to the Sale Shares; 4.2.5 the absence of any shares, stock, warrant, convertible notes or other securities in AGSB Group which is to be issued or divested or which is under option or agreed to be under option save as contemplated in the SSA; and	**Reasonable.** These clauses are customary to facilitate the completion of the Proposed Acquisition. Further, they also set out the obligations of the parties to facilitate the completion of the Proposed Acquisition. The targeted time of securing a listing and quotation of the Consideration Shares (i.e. within 10 business days from the Completion Date) is practicable as it is within the processing timeline as stipulated in the Listing Requirements for the listing and quotation of new issuance of shares.

Salient terms of the SSA	Our commentaries
4.2.6 the absence of a material adverse change in the condition (financial or otherwise), business, properties, assets or prospects of each company within the AGSB Group. 4.3 At the Completion Date, the Vendors shall deliver or cause to be delivered to the Purchaser: 4.3.1 the resolution of the Board of Directors of AGSB approving the transfer and registration of the Sale Shares in favour of the Purchaser subject only to the transfers having been duly stamped; 4.3.2 the following documents (“**Stakeholder Documents**”) (if not already deposited with the stakeholder appointed under the SSA (“**Documentation Stakeholder**”)): (i) the original share certificates in respect of all the Sale Shares (if any); (ii) the instruments of transfer under Section 105 of the Act in respect of the Sale Shares duly executed by the Vendors as transferor in favour of the Purchaser as transferee (“**Transfer**”); (iii) the resolution of the board of directors and shareholders of Palace Star approving the sale of the Sale Shares it owns to the Purchaser on terms and conditions of the SSA; and (iv) such documents as may be required to give good title to the Sale Shares and to enable the Purchaser to become the registered holder of the Sale Shares;	Please refer to our commentaries above.

Salient terms of the SSA	Our commentaries
4.3.3 if required by the Purchaser, the resignation letter from the Vendors and all director(s) of the companies within the AGSB Group not nominated by the Purchaser as director(s) of the companies within the AGSB Group confirming they have no claims against the companies of the AGSB Group (including without limitation, for compensation for loss of office); 4.3.4 the certified true copies of the approvals or documents if required; and 4.3.5 all books, records and property of the companies within the AGSB Group as may be held by the Vendors. 4.4 At the Completion Date, the Documentation Stakeholder is authorised to deliver the Stakeholder Documents to the Purchaser. 4.5 Against the delivery of the documents, the Purchaser shall: 4.5.1 pay the Cash Consideration via cheque, bank draft or direct telegraphic transfer to the bank account of the Vendors in the proportion set out in the SSA; 4.5.2 allot and issue the Consideration Shares directly into the securities account established by Bursa Depository for a depositor pursuant to the Securities Industry (Central Depositories) Act 1991 and the rules of the Bursa Depository for the recording of deposits of securities and dealings in such securities by the depositor ("**CDS Account**") of the Vendors in the proportion set out in the SSA; and 4.5.3 produce and deliver to the Vendors the certified copies of the approvals, shareholders resolutions and/or documents if required.	Please refer to our commentaries above.

Salient terms of the SSA	Our commentaries
5. BREACH / TERMINATION 5.1 If the Purchaser shall fail to complete the sale and purchase of the Sale Shares in accordance with the SSA on Completion Date in the manner stipulated in the SSA and/or breaches any of the terms and/or its warranties under the SSA, then the Vendors shall be entitled to either: (i) claim for specific performance of the SSA and any such remedy as may be available under law; or (ii) if prior to the Completion Date, terminate the SSA and upon such termination, the Vendors shall immediately return all monies paid pursuant to the SSA (if any and free of interest) in exchange against the Purchaser paying to the Vendors all reasonable costs and expense incurred by the Vendors pursuant to the negotiation and preparation of the SSA and any incidental costs thereto, after which the Vendors shall have no other claims whatsoever against the Purchaser and the Vendors shall be entitled to sell or dispose of the Sale Shares freely to any other party or parties and the Documentation Stakeholder shall be authorised to return the Stakeholder Documents to the Vendors (and in respect of the Transfer, the Documentation Stakeholder shall be entitled to endorse the word “cancelled” written across before returning the same) upon receipt of a copy of the said termination notice from any Party and written instructions from the Vendors to release the Stakeholder Documents to the Vendors.	**Reasonable.** These clauses are normal commercial terms which sets out the circumstances under which the SSA may be terminated and the rights of each party. The interests of both parties are safeguarded if there is a default by either party pursuant to the SSA.

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Salient terms of the SSA	Our commentaries
5.2 If any of the Vendors shall fail to complete the sale and purchase of the Sale Shares in accordance with the SSA on Completion Date in the manner stipulated in the SSA and/or breaches any of the terms of the SSA or any Vendors' warranties, then the Purchaser shall be entitled to either: (i) claim for specific performance of the SSA and any such remedy as may be available under law; or (ii) if prior to the Completion Date, terminate the SSA and upon such termination, the Vendors shall immediately refund to the Purchaser all monies paid pursuant to the SSA (if any and free of interest) together with all reasonable costs and expenses incurred by the Purchaser pursuant to the negotiation and preparation of the SSA and any incidental costs thereto, after which the Purchaser shall have no other claims whatsoever against the Vendors and the Vendors shall be entitled to sell or dispose of the Sale Shares freely to any other party or parties and the Documentation Stakeholder shall be authorised to return the Stakeholder Documents to the Vendors (and in respect of the Transfer, the Documentation Stakeholder shall be entitled to endorse the word "cancelled" written across before returning the same)upon receipt of a copy of the said termination notice from any Party and written instructions from the Purchaser to release the Stakeholder Documents to the Vendors. 5.3 If for whatever reason after the Unconditional Date, the SSA cannot be completed due to any prohibition by any regulatory authority and/or court not caused by any Party and no Consideration Shares have been issued, then any Party shall be entitled to terminate the SSA by giving written notice to the other Parties of the same, whereupon: (i) the Vendors shall refund and cause to be refunded to the Purchaser all monies paid towards the Purchase Consideration and amounts (if any) made by the Purchaser;	Please refer to our commentaries above.

Salient terms of the SSA	Our commentaries
(ii) the Documentation Stakeholder shall be authorised to return the Stakeholder Documents to the Vendors upon receipt of a copy of the said termination notice from any Party (and in respect of the Transfer, the Documentation Stakeholder shall be entitled to endorse the word "cancelled" written across before returning the same). Where any of the Transfer has been adjudicated, the Purchaser shall be entitled to cause the same to be cancelled before the return of such instruments of transfer to the Vendors; and (iii) the Parties shall undertake such necessary actions to reverse the transactions undertaken pursuant to the SSA, after which the SSA shall lapse and cease to have any effect. 5.4 If the Vendor's breach of its obligations under the SSA is found after the Completion Date that any of the Vendors shall have breached his/its obligations, the Purchaser shall be entitled to claim for specific performance in addition to any other remedies as may be available to the Purchaser under law and/or equity, to take actions to reconcile and align the actual state of affairs as if the breach had not occurred and the Vendors shall indemnify and hold the Purchaser harmless against all costs, charges and expenses incurred or suffered by the Purchaser arising from such breach. For the avoidance of doubt, in the event the Purchaser fails to pay the Purchase Consideration, the Vendors' sole and exclusive remedy is for breach of the SSA and claim for debt owing, damages and/or claim for specific performance for the issuance of the Consideration Shares without recourse to the Sale Shares.	Please refer to our commentaries above.

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Salient terms of the SSA	Our commentaries
6. REPRESENTATION AND WARRANTIES OF THE VENDORS	**Reasonable.**
6.1 The Vendors jointly and severally represent and warrant to the Purchaser that the Vendors' warranties are true and accurate as of the date of the SSA and will continue to be true and accurate until and on the completion of the sale and purchase of the Sale Shares and acknowledge that the Purchaser, in entering into the SSA, is relying upon such Vendors' warranties.	This clause is a normal commercial term which sets out the representation and warranties of the Vendors and serves to protect the interest of KGB.
6.2 The Vendors agree, covenant and undertake that to the extent permitted by law, the Vendors agree and shall procure entities, persons connected to him and any corporation in which he/she controls, whether acting solely or jointly with or on behalf of any person, directly or indirectly, not to compete with the business of AGSB Group or distribute any brands and/or products carried and/or in competition with the brands and/or products carried by AGSB Group for a period of 3 years from the Completion Date. Specifically, the Vendors shall not and shall procure any corporation in which it controls not to do nor permit any of the following to be done without the written consent of the Purchaser: (i) either solely or jointly with or on behalf of any person directly or indirectly carry on or be engaged or interested in any trade or business substantially similar or relating to the business of AGSB Group within Malaysia; (ii) have any interest, whether directly or indirectly (including as a shareholder in any joint venture holding) which, when aggregated shareholdings constitute more than 10% of the issued shares of any entity that may be engaged or interested in a business competing with AGSB Group within Malaysia;	This clause serves to safeguard KGB from competition arising either directly or indirectly from the Vendors for 3 years from the Completion Date. This clause further prohibits the Vendors from engaging in a list of actions which may cause detriment to the business of AGSB Group, without the consent of KGB.

Salient terms of the SSA	Our commentaries
(iii) solicit any person or company who is or has been at any time during the above 3 year period a customer of AGSB Group for the purpose of offering to such customer the same or similar goods as those offered by AGSB Group; (iv) solicit or entice away any supplier of AGSB Group; (v) solicit or entice away any director or employee of AGSB Group; (vi) disclose any information concerning the intellectual property, business, accounts or finances of AGSB Group or any of their clients' or customers' transactions or affairs of which they have knowledge; and (vii) cause or permit any person directly or indirectly under its control to do any of the foregoing acts or things.	Please refer to our commentaries above.

Based on the above, we are of the view that the salient terms of the SSA are reasonable and not detrimental to the non-interested shareholders of KGB.

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3.4 Effects of the Proposed Acquisition

We noted the following effects of the Proposed Acquisition from Section 6, Part A of the Circular:

3.4.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Acquisition will involve issuance of 7,590,958 Consideration Shares at the Issue Price of RM3.3742 to Mr. Chong and Mr. Alan Lim to satisfy the Purchase Consideration of their portion. Accordingly, this will result in an increase in the issued share capital of KGB by approximately RM25.61 million (upon issuance of 7,590,958 Consideration Shares at the Issue Price).

The pro forma effects of the Proposed Acquisition on the substantial shareholders' shareholdings are as follows:

	Shareholdings as at the LPD				Shareholdings after the Proposed Acquisition			
	Direct		Indirect		Direct		Indirect	
Name	No. of Shares ('000)	[2]%	No. of Shares ('000)	[2]%	No. of Shares ('000)	[3]%	No. of Shares ('000)	[3]%
Palace Star	135,407	19.7	-	-	135,407	19.5	-	-
Sun Lead International Limited	39,635	5.8	-	-	39,635	5.7	-	-
Ir. Gan Hung Keng	4,971	0.7	[4]135,407	19.7	4,971	0.7	[4]135,407	19.5
Ong Weng Leong	4,667	0.7	[4]135,407	19.7	4,667	0.7	[4]135,407	19.5
Cham Teck Kuang	275	*	[4]135,407	19.7	275	*	[4]135,407	19.5
Hu Keqin	275	*	[4]135,407	19.7	275	*	[4]135,407	19.5
Soh Tong Hwa	4,287	0.6	[5]138,088	20.1	4,287	0.6	[5]138,088	19.9
Fortune Dragon Holdings Inc	-	-	[6]39,635	5.8	-	-	[6]39,635	5.7
Lien Hwa Industrial Holdings Corp.	-	-	[7]39,635	5.8	-	-	[7]39,635	5.7
Employees Provident Fund Board	-	-	[8]34,725	5.1	-	-	[8]34,725	5.0
ABRDN Holdings Limited	-	-	[9]40,670	5.9	-	-	[9]40,670	5.9
ABRDN Malaysia Sdn Bhd	-	-	[9]39,793	5.8	-	-	[9]39,793	5.7
ABRDN Plc	-	-	[9]40,670	5.9	-	-	[9]40,670	5.9
Mr. Chong[1]	35	*	-	-	6,489	0.9	-	-
Mr. Alan Lim[1]	61	*	-	-	1,198	0.2	-	-

Notes:
* Negligible
(1) Mr. Chong and Mr. Alan Lim are included for illustration purpose. Both are not substantial shareholders before and after the Proposed Acquisition.
(2) Computed based on 686,506,741 KGB Shares (excluding 2,239,800 treasury shares) as at the LPD.
(3) Computed based on 694,097,699 KGB Shares (excluding 2,239,800 treasury shares) following the completion of the Proposed Acquisition.
(4) Deemed interested by virtue of his interest in Palace Star.
(5) Deemed interested by virtue of his interest in Palace Star, Sin Huat Hing Farm Sdn Bhd and family members.
(6) Deemed interested by virtue of its interest in Sun Lead International Limited.
(7) Deemed interested by virtue of its interest in Fortune Dragon Holding Inc.
(8) Shares managed by/through Citigroup Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board.
(9) Deemed interested by virtue of its shareholdings in its subsidiaries.

3.4.2 Earnings and EPS

As at the LPD, AGSB is a 90.71% owned subsidiary of KGB and the Company has been able to recognise earnings from AGSB up to the extent of the Company’s equity interest in AGSB. Upon completion of the Proposed Acquisition, AGSB will become a wholly owned subsidiary of KGB and accordingly, KGB will be fully recognising the future earnings of AGSB Group.

For illustrative purposes, assuming the Proposed Acquisition had been completed on 1 January 2024, the pro forma effects of the Proposed Acquisition on the earnings and EPS of KGB for the FYE 31 December 2024 is as follows:

	Audited FYE 31 December 2023 (RM’000)	**After the Proposed Acquisition (RM’000)**
PAT attributable to owners of the Company	104,135	(1)105,920
Weighted average no. of Shares for basic EPS (’000)	643,888	651,479
Weighted average no. of Shares for diluted EPS (’000)	667,072	674,663
Basic EPS(2) (sen)	16.17	16.26
Diluted EPS(3) (sen)	15.61	15.70

Notes:
(1) After adjusting for the consolidation of 100% earnings contribution from AGSB attributable to the Company.
(2) Calculated by dividing the consolidated PAT attributable to the owners of the Company by the weighted average number of Shares outstanding during the financial year after deducting for treasury shares.
(3) Calculated by dividing the consolidated PAT attributable to the owners of the Company by the weighted average number of Shares outstanding during the financial year after deducting for treasury shares and adjusted for the effects of dilutive potential Shares.

Based on the above illustration, the Proposed Acquisition is expected to contribute positively to the earnings and EPS of KGB with the fully recognition of the earnings of AGSB Group.

3.4.3 NA, NA per Share and gearing

As set out in Section 6.2, Part A of the Circular, the Proposed Acquisition will result in a decrease in the consolidated NA per KGB Share by RM0.01 from RM0.56 (as at 31 December 2023 and after adjusting subsequent events up to the LPD) to RM0.55 (upon completion of the Proposed Acquisition), as a result of the following:

(i) dilutive impact from the issuance of 7,590,958 Consideration Shares at the Issue Price of RM3.3742;

(ii) estimated expenses relating to the Proposed Acquisition of approximately RM0.35 million; and

(iii) decrease in retained earnings of approximately RM29.93 million arising from the adjustment for the change in ownership interest on the equity attributable to owners of the Company after the Proposed Acquisition.

The gearing of KGB Group as at 31 December 2023 and after adjusting subsequent events up to the LPD is approximately 0.49 times and it will remain the same upon completion of the Proposed Acquisition.

3.4.4 Convertible securities

Save for 175,272,332 outstanding Warrants and 21,281,900 unexercised ESS Options, the Company has no other outstanding convertible securities, as at the LPD. The Proposed Acquisition will not result in any adjustments to the respective exercise prices and number of Warrants and ESS Options.

Premised on the above, we are of the view that the effects of the Proposed Acquisition are not detrimental to the non-interested shareholders of KGB.

3.5 Prospect of KGB Group

We note that in Section 4.3, Part A of the Circular that KGB is positive on the outlook of the Group's industrial gas segment (undertaken by AGSB Group), especially with its second liquid carbon dioxide production plant in Kerteh, Terengganu, which has begun operations in March 2024. This expansion adds an additional capacity of approximately 70,000 tonnes for liquid carbon dioxide annually, increasing AGSB's total annual production capacity to approximately 120,000 tonnes for liquid carbon dioxide in Kerteh, Terengganu.

Given the global liquid carbon dioxide shortage, triggered by the shutdown of petrochemical plants amid environmental considerations, the Group is optimistic that its increased capacity will position it well to cater to the escalating demand of liquid carbon dioxide both locally and internationally.

As set out in Section 3.1 of the IAL, the Proposed Acquisition allows KGB to obtain full control of AGSB and this provides the Company with greater flexibility in planning and implementing long term growth strategies for AGSB.

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Further, upon completion of the Proposed Acquisition, KGB will be fully recognising the future earnings of AGSB. In view of AGSB's financial performance in recent years and its diverse geographical market coverage, KGB may have the potential to pursue additional growth opportunities within the industrial gas industry.

The outlook of AGSB is expected to be supported by the robust manufacturing activities in Malaysia, with the estimated growth of the manufacturing sector of 4.2% in 2024 which is driven by better performance in both export and domestic oriented industries.

The Malaysia gross domestic product (GDP) is forecast to expand between 4% and 5% in 2024. The Government acknowledged the World Bank's forecast that Malaysia's growth will be 4.3% in 2024, which is slightly higher than its initial estimate. This is in line with Malaysia's 2024 growth projection, which will be achieved through robust domestic demand, effectively offsetting the challenges posed by the moderate global growth, supported by the implementation of measures in the new National Energy Transition Roadmap (NETR), New Industrial Master Plan 2030 (NIMP 2030), and the Mid-Term Review of the Twelfth Malaysia Plan (MTR of the Twelfth Plan).

(Source: Economic Outlook 2024, Ministry of Finance Malaysia)

The Malaysian economy advanced by 5.9% in the second quarter of 2024 (1Q 2024: 4.2%). The growth is driven by stronger domestic demand and further expansion in exports. Household spending increased amid sustained positive labour market conditions and larger policy support. Investment activity was underpinned by continued progress in multi-year projects and capacity expansion by firms. Exports improved amid higher external demand and positive spillovers from the global tech upcycle. Most supply-side sectors registered higher growth. The manufacturing sector was supported by broad-based improvement across all clusters, particularly in electrical and electronics (E&E). The services sector recorded strong growth, driven by consumer and business-related subsectors. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 2.9% (1Q 2024: 1.5%).

(Source: Economic and Financial Developments in Malaysia in the Second Quarter of 2024, Bank Negara Malaysia)

Taking into consideration of the above and based on the general positive outlook of the Malaysian economy and manufacturing sector in Malaysia, we are of the view that the prospects of AGSB Group is expected to be encouraging in the long term and the Proposed Acquisition will be favourable to KGB Group, barring unforeseen circumstances.

3.6 Risk factors of the Proposed Acquisition

In considering the Proposed Acquisition, the shareholders of KGB are advised to give careful consideration to the risk factors as set out in Section 5, Part A of the Circular.

We wish to highlight some of the risk factors in relation to the Proposed Acquisition, to the non-interested shareholders of the Company as follows:

(i) Non-realisation of anticipated benefits

The realisation of anticipated benefits and expected return from the Proposed Acquisition is very much dependent on amongst others, the successful implementation of AGSB Group's business strategies and future plans to achieve its projected financial performance.

(ii) Dilution to minority shareholders' interest

The Proposed Acquisition will involve the issuance of 7,590,958 Consideration Shares at the Issue Price to Mr. Chong and Mr. Alan Lim. Accordingly, the number of KGB Shares will increase and this will dilute the equity interest of other shareholders in KGB. If the anticipated benefits from the Proposed Acquisition do not materialise and lead to additional earnings contribution to KGB Group, this may not lead to a consequential increase in the EPS of the Company (as the earnings of the Group will be divided by the enlarged number of issued KGB Shares).

Further, the Proposed Acquisition is not expected to materially change the risk profile of the Group's business as AGSB is already a 90.71% owned subsidiary of the Company.

4. CONCLUSION AND RECOMMENDATION

Before arriving at the decision to vote on the ordinary resolution to give effect to the Proposed Acquisition at the forthcoming EGM, it is imperative that the shareholders of KGB consider all relevant issues and implications raised in this IAL carefully, as well as those highlighted by the Board in its letter to shareholders of KGB in relation to the Proposed Acquisition, as set out in Part A of the Circular together with the accompany appendices.

After taking into consideration the pertinent factors highlighted in the preceding sections of this IAL, we are of the opinion that, on the basis of the information available to us, the Proposed Acquisition is **fair and reasonable** and **not detrimental** to the non-interested shareholders of KGB.

Accordingly, we recommend that the non-interested shareholders of KGB **vote in favour** of the ordinary resolution to give effect to the Proposed Acquisition to be tabled at the forthcoming EGM.

Yours faithfully
For and on behalf of
MAINSTREET ADVISERS SDN BHD

LAI SWEE SIM
Managing Director

TAN VEE HAN
Head, Corporate Finance

1. HISTORY AND BUSINESS

AGSB was incorporated in Malaysia on 20 July 2016 under the Companies Act 1965 as a private limited company, with KGB as a 90% shareholder and AIGPL being the 10% minority shareholder, whose key role was to assist AGSB to penetrate the Singapore market for industrial gas supply. In 2017 and 2019, KGB increased its shareholdings to 94% and 97.19% while AIGPL's shareholdings was diluted to 6% and 2.81%, pursuant to share subscription exercises. Following the changes in the major shareholdings of AIGPL, AIGPL then decided to exit AGSB when it sold its entire 2.81% equity interest in March 2023 to Palace Star.

AGMSB was incorporated in Malaysia on 7 September 2016 under the Companies Act 1965 as a private limited company, with AGSB as a 99% shareholder and Ong Weng Leong as a 1% shareholder. In 2018, Mr. Chong and Mr. Alan Lim became the shareholders of AGMSB with 17% and 3% respectively. Pursuant thereto, the shareholdings of AGSB and Ong Weng Leong were diluted from 99% and 1% to 79.99% and 0.001%, respectively. In June 2023, Ong Weng Leong transferred his entire 0.001% equity interest to AGSB, thereby resulting in AGSB holding 80% in AGMSB. In the same month, pursuant to an internal restructuring, AGSB had acquired the remaining 20% equity interests in AGMSB from Mr. Chong and Mr. Alan Lim, which was fully satisfied via the issuance of 1,822,000 new ordinary shares in AGSB, representing 6.67% of the enlarged equity interest in AGSB. The internal restructuring resulted in AGMSB becoming a wholly-owned subsidiary of AGSB which thereby provided AGSB with complete control over AGMSB. Further, as a result of the internal restructuring in June 2023, KGB's and Palace Star's shareholdings in AGSB were diluted from 97.19% and 2.81% to 90.71% and 2.62% respectively, whilst Mr. Chong and Mr. Alan Lim emerged as shareholders in AGSB holding 5.67% and 1.00% respectively.

AGSB had commenced its business at incorporation (i.e. 20 July 2016) and is principally involved in distribution, supply, import, trading, manufacture of industrial gas, provision of industrial gas solutions, designs, installation, commissioning of industrial gas system and related equipment. For information purposes, industrial gases are gaseous substances that are used in a wide range of industries for various industrial applications, comprising industrial and manufacturing processes, to facilitate the processes or be used as raw materials. The main gas product offerings that AGSB Group manufactures are liquid carbon dioxide, nitrogen and dry ice.

The main raw materials consumed by AGSB Group is waste carbon dioxide gas (i.e. a waste product obtained from natural gas refining activities) procured from an oil and gas major, used as the primary raw material in its manufacturing of liquid carbon dioxide. Apart from this materials, AGSB Group also source industrial gases (such as nitrogen and oxygen), and specialty (such as helium and xenon) and electronic gases (such as silane and diborane) for its gas trading activities from its network of local and overseas manufacturers and distributors.

The principal place of business cum headquarters of AGSB is located at 38, Jalan Astaka U8/84A, Bukit Jelutong Industrial Park, 40150 Shah Alam, Selangor. AGSB Group carries out its manufacturing activities at the following locations:-

Location	Land area	Manufacturing capacity	Operational activities carried out	Own/ lease
In operations as at the LPD:				
Kerteh, Terengganu Kerteh Plant 1 Kerteh Plant 2	12,140 m^2	150 tons per day 200 tons per day	Manufacturing of liquid carbon dioxide	Manufacturing plant and equipment together with the land erected upon are owned by AGSB
Cyberjaya, Selangor (Cyberjaya Plant)	432 m^2	54 tons per day	Manufacturing and supply of nitrogen gas	Manufacturing plant and equipment are owned by AGSB Group, which are erected on-site within customer's premise

Location	Land area	Manufacturing capacity	Operational activities carried out	Own/ lease
Bukit Jelutong, Selangor (Bukit Jelutong Facility)	736 m^2	8 tons per day	Manufacturing of dry ice and headquarters	Land, headquarter, plant and equipment are owned by AGSB
Yet to commence operations as at the LPD:				
Kulim, Kedah (Kulim Plant)*	5,256 m^2	198 tons per day	Manufacturing and supply of nitrogen, oxygen and hydrogen gas	Manufacturing plant and equipment are owned by AGSB Group, which are erected on-site within customer's premise

Note:-

* *In 2022, AGSB entered into an agreement with an optoelectronics semiconductor company to manufacture and supply nitrogen, oxygen and hydrogen for a period of 10 years in the customer premise located in Kulim, Kedah (otherwise known as Kulim Plant), and in which AGSB is entitled to generate revenue through monthly fixed facility fees and sale of excess gases manufactured. However, AGSB has yet to commence any supply of the gases to the customer due to the industry supply chain issue experienced by the said customer. Notwithstanding this, as part of the contractual fee terms, AGSB has commenced recognising and receiving the fixed facility fees from the customer on a monthly basis since June 2023. As at the LPD, AGSB is unable to ascertain the expected timeframe to commence the supply of gases as it is still pending the customer's instruction and/ or resolution on its supply chain matter.*

AGSB's main target market are local and overseas customers who primarily comprise of manufacturers (i.e. beverage bottlers and chemicals manufacturers), industrial companies (i.e. construction companies and oil and gas companies) and commercial businesses (i.e. airlines and food and beverage) that utilise industrial gases, specialty and electronic gases, and industrial gas systems to support their daily operational processes, manufacturing activities and industrial applications, amongst others. AGSB may also offer its products and services to industrial gas companies and intermediaries (i.e. industrial gas re-fillers).

The breakdown of AGSB's revenue by geographical location for the past 3 financial years up to the FYE 31 December 2023 is as follows:-

	Audited FYE 31 December					
	2021		2022		2023	
Geographical location	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Malaysia	**21,428**	**60.56**	**51,657**	**62.09**	**61,139**	**50.57**
Overseas:	**13,956**	**39.44**	**31,545**	**37.91**	**59,756**	**49.43**
Singapore	10,045	28.39	13,024	15.65	23,459	19.40
Philippines	3,414	9.65	7,173	8.62	8,891	7.35
Australia	-	-	1,040	1.25	7,372	6.10
Indonesia	-	-	1,901	2.29	7,224	5.98
Others*	497	1.40	8,407	10.10	12,810	10.60
Revenue	**35,384**	**100.00**	**83,202**	**100.00**	**120,895**	**100.00**

Note:-

* *Comprising other countries such as New Zealand, Fiji and Taiwan.*

The major component of AGSB's assets is property, plant and equipment amounting to RM149.47 million (in aggregate) which constituted about 70% of its total assets of RM213.74 million as at 31 December 2023. These assets predominantly consist of capital work-in-progress, plant and equipment (as comprised in the manufacturing premises namely Kerteh Plant 1, Kerteh Plant 2, Cyberjaya Plant, Bukit Jelutong Facility and Kulim Plant), and followed by other form of fixed assets such as freehold land in Bukit Jelutong, motor vehicles, and tools and equipment.

The capacity, production output and utilisation rate of AGSB's manufacturing premises for the past 3 financial years up to FYE 31 December 2023 are as follows:-

Manufacturing premises	FYE 31 December								
	2021			2022			2023		
	Manufacturing capacity (tons)	Actual production output (tons)	Utilisation rate %	Manufacturing capacity (tons)	Actual production output (tons)	Utilisation rate %	Manufacturing capacity (tons)	Actual production output (tons)	Utilisation rate %
Kerteh Plant 1	51,150	32,513	64	51,150	44,857	88	51,150	50,696	99
Kerteh Plant 2*	-	-	-	-	-	-	-	-	-
Cyberjaya Plant	19,664	19,664	100	19,664	19,664	100	19,664	19,664	100
Bukit Jelutong Facility	2,864	645	23	2,864	1,054	37	2,864	1,643	57

Note:-

* *For clarification purposes, there are no capacity, production output and utilisation rate for AGSB's second liquid carbon dioxide plant (Kerteh Plant 2) for the FYE 31 December 2021 to FYE 31 December 2023 as it has only begun operations in March 2024.*

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2. ISSUED SHARE CAPITAL

As at the LPD, the issued share capital of AGSB is RM30,692,700 comprising 27,322,000 ordinary shares.

As at the LPD, AGSB does not have any convertible securities.

3. DIRECTORS

		Direct		Indirect	
Directors	Nationality	No. of shares	%	No. of shares	%
Ong Weng Leong	Malaysian	-	-	25,500,000*1	93.33
Soh Tong Hwa	Malaysian	-	-	25,500,000*1	93.33
Ir. Gan Hung Keng	Malaysian	-	-	25,500,000*1	93.33

Note:-

*1 *Deemed interested by virtue of his interest in KGB and Palace Star pursuant to Section 8(4) of the of the Act.*

4. SHAREHOLDERS

		Direct		Indirect	
Shareholders	Country of incorporation/ Nationality	No. of shares	%	No. of shares	%
KGB	Malaysia	24,783,000	90.71	-	-
Palace Star	Malaysia	717,000	2.62	24,783,000*1	90.71
Mr. Chong	Malaysian	1,549,000	5.67	-	-
Mr. Alan Lim	Malaysian	273,000	1.00	-	-
Ong Weng Leong	Malaysian	-	-	25,500,000*2	93.33
Soh Tong Hwa	Malaysian	-	-	25,500,000*2	93.33
Ir. Gan Hung Keng	Malaysian	-	-	25,500,000*2	93.33
Cham Teck Kuang	Singaporean	-	-	25,500,000*2	93.33
Hu Keqin	Singaporean	-	-	25,500,000*2	93.33

Notes:-

*1 *Deemed interested by virtue of its interest in KGB pursuant to Section 8(4) of the of the Act.*

*2 *Deemed interested by virtue of his interest in KGB and Palace Star pursuant to Section 8(4) of the of the Act.*

5. SUBSIDIARIES AND ASSOCIATE COMPANIES

As at the LPD, AGSB has 3 wholly-owned subsidiaries and no associates or joint venture company. Further details of AGSB's subsidiaries are as follows:-

Company	Date/ place of incorporation	Equity interest held %	Issued share capital	Principal activities
AGMSB	7 September 2016/ Malaysia	100.00	RM750,000	Marketing, sale, distribution, supply, import, trading of industrial gas, service of gas manufacturing activities, service of industrial gas delivery system, storage solutions, rental solutions, related products, analytical instrument, equipment containers and tankers for industrial gases
Ace Gases Marketing (S) Pte Ltd	27 November 2019/ Singapore	100.00	SGD30,000	Trading of industrial gases and chemical products
Cryotech Logistics Sdn Bhd	1 August 2019/ Malaysia	100.00	RM100	Skid tank renting and industrial gases transportation and logistics arrangement, and general trading of industrial gases
Ace Gases Technologies India Private Limited	21 July 2024/ India	99.00	INR100,000	Distribution, delivery, storage, letting of gas containers, supply, import, export, trading and manufacturing of industrial gases, and provision of industrial gas solutions including design, installation, servicing, letting on hire, repairing, commissioning and setting up of all types of industrial gas plants and systems

6. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, AGSB Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the board of directors of AGSB is not aware and does not have any knowledge of any proceedings pending or threatened against AGSB Group, or of any fact likely to give rise to any proceedings which may materially affect the financial position or business of AGSB Group.

7. MATERIAL CONTRACTS

AGSB Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the LPD.

8. MATERIAL COMMITMENTS

Save as disclosed below, as at 31 August 2024, the board of directors of AGSB is not aware of any material commitments incurred or known to be incurred by AGSB Group that has not been provided for which, upon becoming enforceable, may have a material impact on the financial result/ position of AGSB Group:-

Material commitments of AGSB Group	RM'000
Purchase of plant and equipment	20,796

9. CONTINGENT LIABILITIES

As at 31 August 2024, the board of directors of AGSB is not aware of any contingent liabilities incurred or known to be incurred by AGSB Group which, upon becoming enforceable, may have a material impact on the financial results/ position of AGSB Group.

10. SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated financial information of AGSB for the past 3 financial years up to the audited FYE 31 December 2023 is set out below:-

	Audited FYE 31 December		
	2021	2022	2023
	RM	RM	RM
Revenue	35,384,059	83,202,493	120,894,606
Gross profit	12,466,220	29,511,345	38,789,576
PBT	5,869,075	20,471,953	24,917,992
PAT	5,202,196	15,728,393	19,204,435
NA	25,512,133	41,356,342	61,119,494
Total borrowings	37,265,596	50,525,905	96,219,619
Dividend declared for the financial year	-	-	-
Issued share capital	25,500,000	25,500,000	30,692,700
Total issued shares (units)	25,500,000	25,500,000	27,322,000
Current asset	19,985,082	53,767,920	61,668,982
Current liabilities	21,484,936	61,791,448	61,240,157
Gross profit margin (%)	35.23	35.93	32.09
PBT margin (%)	16.59	24.60	20.61
PAT margin (%)	14.70	18.90	15.89
EPS	0.20	0.62	0.70
NA per share	1.00	1.62	2.24
Current ratio (times)	0.93	0.87	1.01
Gearing (times)	1.46	1.22	1.57
Cash flow from operating activities	7,745,319	10,682,308	26,923,857

For the FYE 31 December 2021 to FYE 31 December 2023, there was no:-

i. exceptional or extraordinary item during the financial years under review;

ii. accounting policy adopted by AGSB which are peculiar to AGSB because of the nature of its business or the industry it is involved in; and

iii. audit qualification of the financial statements of AGSB for the financial years under review.

FYE 31 December 2021 vs FYE 31 December 2022

For the FYE 31 December 2022, AGSB Group recorded revenue of RM83.20 million, compared to the preceding financial year of RM35.38 million. The increase in revenue of approximately RM47.82 million or 135.14% was mainly attributable to the improved revenue from the provision of industrial gas solutions comprising design, installation and commissioning of industrial gas systems and related auxiliary equipment segment for a new project (low purity oxygen generation and distribution line system package for a manufacturing facility in Malaysia) as well as manufacturing of industrial gases (particularly liquid carbon dioxide).

FYE 31 December 2022 vs FYE 31 December 2023

For the FYE 31 December 2023, AGSB Group recorded revenue of RM120.89 million, compared to the preceding financial year of RM83.20 million. The increase in revenue of approximately RM37.69 million or 45.30% to RM120.89 million was mainly attributable to the improved revenue from the (a) manufacturing of industrial gases particularly liquid carbon dioxide to customers from the food and beverage industry and also gas and chemical industry, (b) trading of liquid nitrogen to customers from the electronic industry, and (c) trading of liquid argon to customers from the gas and chemical industry.

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11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

Registration No: 201601024362 (1195301 - A)

ACE GASES SDN. BHD.
(Incorporated in Malaysia)

FINANCIAL REPORT
for the financial year ended 31 December 2023

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

Registration No: 201601024362 (1195301 - A)

ACE GASES SDN. BHD.
(Incorporated in Malaysia)

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11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

Registration No: 201601024362 (1195301 - A)

ACE GASES SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of construction of gas delivery system, and manufacturing facilities, production, distribution, supply, import and trading of gases. The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

RESULTS

	The Group RM	The Company RM
Profit after taxation for the financial year	19,204,435	7,370,354
Attributable to:-		
Owners of the Company	18,199,425	7,370,354
Non-controlling interests	1,005,010	-
	19,204,435	7,370,354

DIVIDEND

No dividend was recommended by the directors for the financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) the Company increased its issued and paid-up share capital from RM25,500,000 to RM30,692,700 by way the issuance of 1,822,000 new ordinary shares for a total consideration of RM5,192,700.

The new ordinary shares issued rank equally in all respects with the existing ordinary shares of the Company.

(b) there were no issues of debentures by the Company.

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

Registration No: 201601024362 (1195301 - A)

ACE GASES SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables and satisfied themselves that no known bad debts and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations when they fall due.

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

Registration No: 201601024362 (1195301 - A)

ACE GASES SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:-

Ong Weng Leong
Soh Tong Hwa
Gan Hung Keng

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:-

Chong Ann Tsun
Alan Lim Chui Boon
Cham Teck Kuang

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

Registration No: 201601024362 (1195301 - A)

ACE GASES SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares and options over unissued shares of the Company and its related corporations during the financial year are as follows:-

	<---------- Number of Ordinary Shares ---------->				
	At 1.1.2023	Bought	Exercise of Employee Share Scheme ("ESS") Offered	Sold	At 31.12.2023
The Holding Company					
Kelington Group Berhad					
Direct Interests					
Ong Weng Leong	4,391,800	-	110,000	-	4,501,800
Soh Tong Hwa	1,475,532	-	110,000	-	1,585,532
Gan Hung Keng	4,696,332	-	110,000	-	4,806,332
Indirect Interests					
Ong Weng Leong*	135,406,980	-	-	-	135,406,980
Soh Tong Hwa*	135,406,980	-	-	-	135,406,980
Gan Hung Keng*	135,406,980	-	-	-	135,406,980

* - *Deemed interested under Section 8 of the Companies Act 2016 by virtue of their shareholdings in Palace Star Sdn. Bhd..*

	<---------- Number of Warrants ---------->			
	At 1.1.2023	Bought	Sold	At 31.12.2023
The Holding Company				
Kelington Group Berhad				
Direct Interests				
Ong Weng Leong	1,463,933	-	-	1,463,933
Soh Tong Hwa	491,844	-	-	491,844
Gan Hung Keng	1,565,444	-	-	1,565,444
Indirect Interests				
Ong Weng Leong*	53,311,160	-	-	53,311,160
Soh Tong Hwa*	53,311,160	-	-	53,311,160
Gan Hung Keng*	53,311,160	-	-	53,311,160

* - *Deemed interested under Section 8 of the Companies Act 2016 by virtue of their shareholdings in Palace Star Sdn. Bhd..*

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

Registration No: 201601024362 (1195301 - A)

ACE GASES SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONT'D)

	< ---------- Number of ESS ---------- >			
	At 1.1.2023	Offered	Exercised	At 31.12.2023
The Holding Company				
Kelington Group Berhad				
Direct Interests				
Ong Weng Leong	1,100,000	-	(110,000)	990,000
Soh Tong Hwa	1,100,000	-	(110,000)	990,000
Gan Hung Keng	1,100,000	-	(110,000)	990,000

By virtue of their shareholdings in the holding company, Ong Weng Leong, Soh Tong Hwa and Gan Hung Keng are deemed to have interests in shares in the Company and its related corporations during the financial year to the extent of the holding company's interest, in accordance with Section 8 of the Companies Act 2016.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in the "Directors' Remuneration" of this report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 35 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the share scheme granted to certain directors pursuant to the ESS of the holding company.

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

Registration No: 201601024362 (1195301 - A)

ACE GASES SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are as follows:-

	The Group RM	The Company RM
Salaries, bonuses and other benefits	1,235,617	917,672
Defined contribution benefit	81,788	55,872
Share-based payments	194,371	194,371
	1,511,776	1,167,915

The estimated monetary value of benefits-in-kind provided by the Group and the Company to the director of the Company were RM28,000 (2022 - RM23,950).

INDEMNITY AND INSURANCE COST

During the financial year, there was no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Company.

SUBSIDIARIES

The details of the subsidiary name, place of incorporation, principal activities and percentage of issued share capital held by the Company in each subsidiary are disclosed in Note 6 to the financial statements.

The available auditors' report on the financial statements of the subsidiaries did not contain any qualification.

HOLDING COMPANY

The holding company is Kelington Group Berhad, a public limited liability company. The holding company is incorporated in Malaysia.

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

Registration No: 201601024362 (1195301 - A)

ACE GASES SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The auditors' remuneration of the Group and of the Company for the financial year were RM74,737 and RM22,000 respectively.

Signed in accordance with a resolution of the directors dated 26 APR 2024

Ong Weng Leong

Soh Tong Hwa

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

Registration No: 201601024362 (1195301 - A)

ACE GASES SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Ong Weng Leong and Soh Tong Hwa, being two of the directors of Ace Gases Sdn. Bhd., state that, in the opinion of the directors, the financial statements set out on pages 13 to 93 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2023 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 26 APR 2024

Ong Weng Leong **Soh Tong Hwa**

STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Lim Shin Yong, being the officer primarily responsible for the financial management of Ace Gases Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 13 to 93 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Lim Shin Yong
at Kuala Lumpur
in the Federal Territory
on this 26 APR 2024

PESURUHJAYA SUMPAH
W 804
SHAIFUL HILMI BIN HALIM
1 Januari 2023 Hingga 31 Disember 2025
MALAYSIA

Before me

Lim Shin Yong

Unit C-6-1, Megan Avenue II
No. 12, Jalan Yap Kwan Seng
50450 Kuala Lumpur

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants
Level 16, Tower C, Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia
Main +6 03 2788 9999
www.crowe.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACE GASES SDN. BHD.

(Incorporated in Malaysia)
Registration No: 201601024362 (1195301 - A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ace Gases Sdn. Bhd., which comprise the statements of financial position as at 31 December 2023 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 13 to 93.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023, and of their financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

Crowe

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACE GASES SDN. BHD. (CONT'D)
(Incorporated in Malaysia)
Registration No: 201601024362 (1195301 - A)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

Crowe

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACE GASES SDN. BHD. (CONT'D)
(Incorporated in Malaysia)
Registration No: 201601024362 (1195301 - A)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As a part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

Crowe

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACE GASES SDN. BHD. (CONT'D)
(Incorporated in Malaysia)
Registration No: 201601024362 (1195301 - A)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Elvina Tay Choon Choon
03329/10/2025 J
Chartered Accountant

Kuala Lumpur

26 April 2024

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

Registration No: 201601024362 (1195301 - A)

ACE GASES SDN. BHD.

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

		The Group		The Company	
		2023	2022	2023	2022
	Note	RM	RM	RM	RM
ASSETS					
NON-CURRENT ASSETS					
Investment in subsidiaries	6	-	-	6,445,805	502,699
Property, plant and equipment	7	149,472,345	85,096,124	120,169,958	74,137,604
Right-of-use assets	8	2,601,625	144,150	141,696	144,150
		152,073,970	85,240,274	126,757,459	74,784,453
CURRENT ASSETS					
Inventories	9	841,059	2,312,755	113,323	151,548
Trade receivables	10	33,769,490	18,622,280	-	-
Other receivables, deposits and prepayments	11	4,884,679	2,628,047	1,007,988	463,882
Contract assets	12	2,850,546	10,116,609	-	-
Amount owing by subsidiaries	13	-	-	25,582,332	18,815,981
Amount owing by related companies	14	64,013	19,524	-	-
Current tax assets		30,080	10,020	30,080	10,020
Fixed deposits with licensed banks	15	1,853,272	1,800,000	1,832,400	1,800,000
Cash and bank balances	16	17,375,843	18,258,685	7,159,237	12,094,935
		61,668,982	53,767,920	35,725,360	33,336,366
TOTAL ASSETS		213,742,952	139,008,194	162,482,819	108,120,819

The annexed notes form an integral part of these financial statements.

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

Registration No: 201601024362 (1195301 - A)

ACE GASES SDN. BHD.
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)

		The Group		The Company	
		2023	2022	2023	2022
	Note	RM	RM	RM	RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	30,692,700	25,500,000	30,692,700	25,500,000
Reserves	18	30,426,794	13,601,037	11,459,768	3,852,265
Equity attributable to the owners of the Company		61,119,494	39,101,037	42,152,468	29,352,265
Non-controlling interests	6	-	2,255,305	-	-
TOTAL EQUITY		61,119,494	41,356,342	42,152,468	29,352,265
NON-CURRENT LIABILITIES					
Amount owing to holding company	19	26,620,000	-	20,203,333	-
Lease liabilities	20	475,525	-	-	-
Hire purchase payables	21	3,020,443	1,468,262	351,088	57,695
Term loans	22	55,616,677	31,862,804	55,616,677	31,862,804
Deferred tax liabilities	23	5,650,656	2,529,338	4,392,458	1,932,219
		91,383,301	35,860,404	80,563,556	33,852,718
CURRENT LIABILITIES					
Trade payables	24	5,655,505	5,766,405	1,135,033	762,161
Other payables and accruals	25	4,533,009	8,103,681	3,481,201	6,977,827
Contract liabilities	12	2,044,848	46,421	-	-
Amount owing to holding company	19	5,263,556	24,421,264	4,584,222	21,319,906
Amount owing to related companies	14	6,034,439	3,909,499	6,018,646	2,845,445
Lease liabilities	20	2,022,214	-	-	-
Short-term borrowings	26	34,927,324	17,052,543	24,547,693	13,010,497
Bank overdraft	27	157,436	142,296	-	-
Current tax liabilities		601,826	2,210,839	-	-
Derivative liabilities	28	-	138,500	-	-
		61,240,157	61,791,448	39,766,795	44,915,836
TOTAL LIABILITIES		152,623,458	97,651,852	120,330,351	78,768,554
TOTAL EQUITY AND LIABILITIES		213,742,952	139,008,194	162,482,819	108,120,819

The annexed notes form an integral part of these financial statements.

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

Registration No: 201601024362 (1195301 - A)

ACE GASES SDN. BHD.
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		The Group		The Company	
	Note	2023 RM	2022 RM	2023 RM	2022 RM
REVENUE	29	120,894,606	83,202,493	40,894,071	24,251,414
COST OF SALES		(82,105,030)	(53,691,148)	(23,882,006)	(15,844,990)
GROSS PROFIT		38,789,576	29,511,345	17,012,065	8,406,424
OTHER INCOME		1,277,684	694,396	684,295	554,343
		40,067,260	30,205,741	17,696,360	8,960,767
SELLING AND DISTRIBUTION EXPENSES		(1,355,675)	(823,603)	-	-
ADMINISTRATIVE EXPENSES		(8,332,906)	(5,434,832)	(3,282,171)	(1,871,472)
OTHER EXPENSES		(1,037,100)	(1,008,248)	(907,576)	(191,528)
FINANCE COSTS		(4,379,652)	(2,279,968)	(3,683,600)	(2,005,322)
NET IMPAIRMENT LOSSES ON FINANCIAL ASSET	30	(43,935)	(187,137)	-	-
PROFIT BEFORE TAXATION	31	24,917,992	20,471,953	9,823,013	4,892,445
INCOME TAX EXPENSE	32	(5,713,557)	(4,743,560)	(2,452,659)	(1,264,054)
PROFIT AFTER TAXATION		19,204,435	15,728,393	7,370,354	3,628,391
OTHER COMPREHENSIVE INCOME					
<u>Item that Will be Reclassified Subsequently to Profit or Loss</u>					
Foreign currency translation differences		209,379	77,494	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		19,413,814	15,805,887	7,370,354	3,628,391
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		18,199,425	13,489,836	7,370,354	3,628,391
Non-controlling interests		1,005,010	2,238,557	-	-
		19,204,435	15,728,393	7,370,354	3,628,391
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
Owners of the Company		18,408,804	13,567,330	7,370,354	3,628,391
Non-controlling interests		1,005,010	2,238,557	-	-
		19,413,814	15,805,887	7,370,354	3,628,391

The annexed notes form an integral part of these financial statements.

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

Registration No: 201601024362 (1195301 - A)

ACE GASES SDN. BHD.
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

			Non-distributable		Distributable			
	Note	Share Capital RM	Employee Share Scheme Reserve RM	Exchange Fluctuation Reserve RM	(Accumulated Losses)/ Retained Profits RM	Attributable to Owners of the Company RM	Non-controlling Interests RM	Total Equity RM
The Group								
Balance at 1.1.2022		25,500,000	-	9,425	(14,040)	25,495,385	16,748	25,512,133
Profit after taxation for the financial year		-	-	-	13,489,836	13,489,836	2,238,557	15,728,393
Other comprehensive income for the financial year: - Foreign currency translation differences		-	-	77,494	-	77,494	-	77,494
Profit/Total comprehensive income for the financial year		-	-	77,494	13,489,836	13,567,330	2,238,557	15,805,887
Contributions by owners of the Company: - Share option to employees from holding company	18	-	38,322	-	-	38,322	-	38,322
Balance at 31.12.2022		25,500,000	38,322	86,919	13,475,796	39,101,037	2,255,305	41,356,342

The annexed notes form an integral part of these financial statements.

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

Registration No: 201601024362 (1195301 - A)

ACE GASES SDN. BHD.
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

		Non-distributable					Distributable			
The Group	Note	Share Capital RM	Capital Reserve RM	Employee Share Scheme Reserve RM	Exchange Fluctuation Reserve RM	Capital Reorganisation Deficit RM	Retained Profits RM	Attributable to Owners of the Company RM	Non-controlling Interests RM	Total Equity RM
Balance at 31.12.2022/1.1.2023		25,500,000	-	38,322	86,919	-	13,475,796	39,101,037	2,255,305	41,356,342
Profit after taxation for the financial year		-	-	-	-	-	18,199,425	18,199,425	1,005,010	19,204,435
Other comprehensive income for the financial year:										
- Foreign currency translation differences		-	-	-	209,379	-	-	209,379	-	209,379
Profit/Total comprehensive income for the financial year		-	-	-	209,379	-	18,199,425	18,408,804	1,005,010	19,413,814
Contributions by and distributions to owners of the Company:										
- Issuance of new ordinary shares	17	5,192,700	-	-	-	-	-	5,192,700	-	5,192,700
- Share option to employees from holding company	18	-	-	277,412	-	-	-	277,412	-	277,412
- Repayment of share option costs to holding company		-	-	(5,647)	-	-	-	(5,647)	-	(5,647)
- Bonus shares issued by a subsidiary	18	-	250,000	-	-	-	(250,000)	-	-	-
Total contributions by and distributions to owners of the Company		5,192,700	250,000	271,765	-	-	(250,000)	5,464,465	-	5,464,465
Changes in ownership interests in subsidiaries:										
- Acquisition of non-controlling interests	33.2	-	-	-	(23,070)	-	(1,919,529)	(1,942,599)	(3,260,315)	(5,202,914)
Effect of reorganisation		-	-	-	-	(740,092)	827,879	87,787	-	87,787
Balance at 31.12.2023		30,692,700	250,000	310,087	273,228	(740,092)	30,333,571	61,119,494	-	61,119,494

The annexed notes form an integral part of these financial statements.

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

Registration No: 201601024362 (1195301 - A)

ACE GASES SDN. BHD.
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

	Note	Share Capital RM	Capital Reserves RM	Retained Profits RM	Total Equity RM
The Company					
At 1.1.2022		25,500,000	-	191,199	25,691,199
Profit after taxation/Total comprehensive income for the financial year		-	-	3,628,391	3,628,391
Contribution by owners of the Company:					
- Share option to employees from holding company	18	-	32,675	-	32,675
Balance at 31.12.2022/1.1.2023		25,500,000	32,675	3,819,590	29,352,265
Profit after taxation/Total comprehensive income for the financial year		-	-	7,370,354	7,370,354
Contributions by owners of the Company:					
- Issuance of new ordinary shares	17	5,192,700	-	-	5,192,700
- Share option to employees from holding company	18	-	237,149	-	237,149
Total contributions by owners		5,192,700	237,149	-	5,429,849
Balance at 31.12.2023		30,692,700	269,824	11,189,944	42,152,468

The annexed notes form an integral part of these financial statements.

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	24,917,992	20,471,953	9,823,013	4,892,445
Adjustments for:-				
Bad debts written off	-	2,677	-	-
Depreciation of property, plant and equipment	3,431,737	2,988,762	2,589,580	2,449,871
Depreciation of right-of-use assets	1,540,802	14,744	2,454	2,454
Interest expense on lease liabilities	101,276	10	-	-
Other interest expenses	4,278,376	2,279,958	3,683,600	2,005,322
Unrealised (gain)/loss on foreign exchange	(617,406)	677,269	(218,216)	57,711
Share-based payments	277,412	38,322	237,149	32,675
Loss on disposal of property, plant and equipment	39,139	19,915	39,139	-
Interest income	(242,504)	(13,079)	(392,866)	(196,847)
Net impairment losses on financial assets	43,935	187,137	-	-
Fair value loss on derivatives	-	138,500	-	-
Operating profit before working capital changes	33,770,759	26,806,168	15,763,853	9,243,631
Decrease/(Increase) in inventories	1,475,359	(1,394,372)	38,225	(48,473)
Decrease/(Increase) in contract assets/liabilities	9,264,490	(10,267,956)	-	-
(Increase)/Decrease in trade and other receivables	(16,853,001)	(11,982,200)	(549,081)	61,367
Increase in amount owing by subsidiaries	-	-	(6,745,742)	(4,099,460)
Decrease/(Increase) in amount owing by related companies	375,724	(15,891)	-	-
Increase in trade and other payables	390,719	4,690,684	1,015,767	320,547
Increase in amount owing to holding company	833,038	102,788	764,604	102,788
Increase in amount owing to a related company	2,259,072	3,552,612	3,307,692	2,536,594
CASH FROM OPERATIONS	31,516,160	11,491,833	13,595,318	8,116,994
Income tax paid	(4,568,175)	(786,266)	(12,480)	(26,025)
Interest paid	(24,128)	(23,259)	-	-
NET CASH FROM OPERATING ACTIVITIES	26,923,857	10,682,308	13,582,838	8,090,969

The annexed notes form an integral part of these financial statements.

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

	Note	The Group 2023 RM	The Group 2022 RM	The Company 2023 RM	The Company 2022 RM
CASH FLOWS FOR INVESTING ACTIVITIES					
Acquisition of a subsidiary, net of cash and cash equivalents acquired	33.1	(202,910)	-	(740,192)	-
Interest income received		242,504	13,079	392,866	196,847
Proceeds from disposal of property, plant and equipment		90,000	-	285,902	-
Purchase of property, plant and equipment	34(a)	(56,995,546)	(30,058,089)	(52,007,354)	(26,385,485)
NET CASH FOR INVESTING ACTIVITIES		(56,865,952)	(30,045,010)	(52,068,778)	(26,188,638)
CASH FLOWS FROM FINANCING ACTIVITIES					
Acquisition of non-controlling interests	33.2(a)	(10,214)	-	(10,214)	-
Drawdown of borrowings	34(b)	66,190,807	47,518,869	56,715,590	41,962,402
Increase in pledged fixed deposits with licensed banks		(52,798)	(1,800,000)	(32,400)	(1,800,000)
Interest paid	34(b)	(4,278,284)	(1,760,656)	(3,532,569)	(1,525,782)
Placement of bank balances pledged with licensed banks		(854,362)	(369,251)	(854,362)	(369,251)
Repayment of borrowings and lease liabilities	34(b)	(32,829,342)	(15,399,953)	(19,590,128)	(12,639,330)
Payment of share option costs to holding company		(5,647)	-	-	-
NET CASH FROM FINANCING ACTIVITIES		28,160,160	28,189,009	32,695,917	25,628,039
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,781,935)	8,826,307	(5,790,023)	7,530,370
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		29,591	(335,855)	(37)	(173)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		14,520,062	6,029,610	8,498,608	968,411
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	34(d)	12,767,718	14,520,062	2,708,548	8,498,608

The annexed notes form an integral part of these financial statements.

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	Unit 1205, 12th Floor, Lobby 2, Block A, Damansara Intan, No. 1, Jalan SS20/27, 47400 Petaling Jaya, Selangor Darul Ehsan.
Principal place of business	:	No.38, Jalan Astaka U8/84A, Bukit Jelutong Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan.

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 26 April 2024.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of construction of gas delivery system, and manufacturing facilities, production, distribution, supply, import and trading of gases. The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

3. HOLDING COMPANY

The holding company is Kelington Group Berhad, a public limited liability company. The holding company is incorporated in Malaysia.

4. BASIS OF PREPARATION

The financial statements of the Group and of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under material accounting policy information, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

4. BASIS OF PREPARATION (CONT'D)

4.1 During the current financial year, the Group and the Company 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)

MFRS 17 Insurance Contracts

Amendments to MFRS 17 Insurance Contracts

Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 - Comparative Information

Amendments to MFRS 101: Disclosure of Accounting Policies

Amendments to MFRS 108: Definition of Accounting Estimates

Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to MFRS 112: International Tax Reform - Pillar Two Model Rules

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the financial statements of the Group and of the Company except as follows:-

The Amendments to MFRS 101 'Disclosure of Accounting Policies' did not result in any changes to the existing accounting policies of the Group and of the Company. However the amendments require the disclosure of the 'material' rather than 'significant' accounting policies and provide guidance on how entities apply the concept of materiality in making decisions about the material accounting policy disclosures. The Group and the Company have made updates to the accounting policies presented in Note 5 to the financial statements in line with the amendments.

4.2 The Group and the Company have not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) 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 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendment 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
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. BASIS OF PREPARATION (CONT'D)

4.2 The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group and of the Company upon their initial application.

5. MATERIAL ACCOUNTING POLICY INFORMATION

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 7 to the financial statements.

(b) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 9 to the financial statements.

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(c) Impairment of Trade Receivables and Contract Assets

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables and contract assets. The carrying amounts of trade receivables, contract assets and amount owing by subsidiaries as at the reporting date are disclosed in Notes 10 and 12 to the financial statements respectively.

(d) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default (probability of default) and expected loss if a default happens (loss given default). It also requires the Group to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions and forward-looking information. The carrying amounts of other receivables, amount owing by subsidiaries and related companies as at the reporting date are disclosed in Notes 11, 13 and 14 to the financial statements.

(e) Revenue Recognition for Construction Contracts

The Group recognises construction revenue by reference to the construction progress using the input method, determined based on the proportion of construction costs incurred for work performed to date over the estimated total construction costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists. The carrying amounts of contract assets and contract liabilities as at the reporting date are disclosed in Note 12 to the financial statements.

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5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(f) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amounts of current tax assets and current tax liabilities of the Group and of the Company as at the reporting date are as follows:-

	The Group		The Company	
	2023	**2022**	**2023**	**2022**
	RM	RM	RM	RM
Current tax assets	30,080	10,020	30,080	10,020
Current tax liabilities	601,826	2,210,839	-	-

(g) Discount Rates used in Leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

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5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the accounting policies of the Group and of the Company which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Lease Terms

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

(b) Share-based Payments

The Group measures the cost of equity-setted transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option volatility and dividend yield and making assumptions about them.

5.2 FINANCIAL INSTRUMENTS

(a) Financial Assets

Financial Assets Through Profit or Loss

The financial assets are initially measured at fair value. Subsequent to the initial recognition, the financial assets are remeasured to their fair values at the reporting date with fair value changes recognised in profit or loss. The fair value changes do not include interest and dividend income.

Financial Assets at Amortised Cost

The financial assets are initially measured at fair value plus transaction costs except for trade receivables without significant financing component which are measured at transaction price only. Subsequent to the initial recognition, all financial assets are measured at amortised cost less any impairment losses.

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5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.2 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Financial Assets Through Other Comprehensive Income

The Group has elected to designate the equity instruments as financial assets through other comprehensive income at initial recognition.

The financial assets are initially measured at fair value plus transaction costs. Subsequent to the initial recognition, the financial assets are remeasured to their fair values at the reporting date with fair value changes taken up in other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference of a debt instrument which are recognised directly in profit or loss. The fair value changes do not include interest and dividend income.

(b) Financial Liabilities

Financial Liabilities Through Profit or Loss

The financial liabilities are initially measured at fair value. Subsequent to the initial recognition, the financial liabilities are remeasured to their fair values at the reporting date with fair value changes recognised in profit or loss. The fair value changes do not include interest.

Financial Liabilities at Amortised Cost

The financial liabilities are initially measured at fair value less transaction costs. Subsequent to the initial recognition, the financial liabilities are measured at amortised cost.

(c) Equity

Ordinary shares are recorded on initial recognition at the proceeds received less directly attributable transaction costs incurred. The ordinary shares are not remeasured subsequently.

(d) Derivatives

Derivatives are initially measured at fair value. Subsequent to the initial recognition, the derivatives are remeasured to their fair values at the reporting date with fair value changes recognised in profit or loss.

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5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.2 FINANCIAL INSTRUMENTS (CONT'D)

(e) Financial Guarantee Contracts

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to the initial recognition, the financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the reimbursement is recognised as a liability and measured at the higher of the amount of loss allowance determined using the expected credit loss model and the amount of financial guarantee initially recognised less cumulative amortisation.

5.3 BASIS OF CONSOLIDATION

The Group applies the acquisition method of accounting for those business combinations which were not accounted for using merger method of accounting.

Under the merger method of accounting, the assets and liabilities of the merger entities are reflected in the individual financial statements. The consolidated statement of profit or loss and other comprehensive income reflect the results of the merger entities for the full reporting period (irrespective of then the combination takes place) and comparatives are presented as if the entities had always been combined since the date for which the entities had come under common control.

The difference between the cost of the merger and the share capital of the merger entities is reflected within equity as merger reserve or merger deficit, as appropriate. The merger deficit is adjusted against suitable reserves of the merger entities to the extent that laws or statues do not prohibit the use of such reserves.

5.4 GOODWILL

Goodwill is initially measured at cost. Subsequent to the initial recognition, the goodwill is measured at cost less accumulated impairment losses, if any. A bargain purchase gain is recognised in profit or loss immediately.

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5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.5 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries, which are eliminated on consolidation, are stated in the separate financial statements of the Company at cost less impairment losses, if any.

5.6 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost.

Subsequent to the initial recognition, all property, plant and equipment, other than freehold land and building, are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over the estimated useful lives. The principal annual rates are:-

Building	2%
Computer and software	20%
Motor vehicles	10%
Plant and equipment	3.33% - 10%
Furniture and fittings	10%
Tools and equipment	10%
Renovation	10%

Capital work-in-progress represent plant and equipment under construction. They are not depreciated until such time when the asset is available for use.

5.7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Short-term Leases and Leases of Low-value Assets

The Group and the Company apply the "short-term lease" and "lease of low-value assets" recognition exemption. For these leases, the Group and the Company recognise the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more appropriate.

(b) Right-of-use Assets

Right-of-use assets are initially measured at cost. Subsequent to the initial recognition, the right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of lease liabilities.

The right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the estimated useful lives of the right-of-use assets or the end of the lease term.

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5. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

5.7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)

(c) Lease Liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the entities' incremental borrowing rate. Subsequent to the initial recognition, the lease liabilities are measured at amortised cost and adjusted for any lease reassessment or modifications.

5.8 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and comprises all costs of purchase plus other costs incurred in bringing the inventories to their present location and condition.

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6. INVESTMENT IN SUBSIDIARIES

	2023 RM	2022 RM
Unquoted shares, at cost:		
At 1 January	502,699	502,699
Additions during the financial year	5,943,106	-
At 31 December	6,445,805	502,699

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business and Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2023 %	2022 %	Principal Activities
Ace Gases Marketing Sdn. Bhd. ("AGMSB")	Malaysia	100	80	Manufacturing of gas delivery system, repair of gas manufacturing activities, production, distribution supply, import and trading of gases.
Ace Gases Marketing (S) Pte. Ltd. ("AGMS") ^	Singapore	100	90	Wholesaling of chemicals and chemical products, manufacturing of industrial gases and dry ice.
Cryotech Logistics Sdn. Bhd. ("CLSB")	Malaysia	100	-	Provision of skid tank renting and industrial gases transportation and logistics arrangement and general trading of industrial gases.

Note:-
^ - The subsidiary was audited by other firms.

(a) On 22 May 2023, the Company acquired remaining 10% equity interests in AGMS for SGD3,000 in cash from its non-controlling interests. Upon completion of the acquisition, AGMS became a wholly-owned subsidiary of the Company. Details of the acquisition are disclosed in Note 33.2 to the financial statements.

(b) On 1 June 2023, the Company acquired remaining 20% equity interests in AGMSB for a consideration of RM5,192,700 which was satisfied via the issuance of 1,822,000 new ordinary shares of the Company. Upon completion of the acquisition, AGMSB became a wholly-owned subsidiary of the Company. Details of the acquisition are disclosed in Note 33.2 to the financial statements.

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6. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) On 23 November 2023, the Company acquired 100% equity interest in CLSB from its holding company for a cash consideration of RM740,192. Details of the acquisition are disclosed in Note 33.1 to the financial statements.

(d) The non-controlling interests at the end of the reporting period comprised the following:-

	Effective Equity Interest		The Group	
	2023	2022	2023	2022
	%	%	RM	RM
AGMSB	-	20	-	2,011,133
AGMS	-	10	-	244,172
			-	2,255,305

(e) Summarised financial information (before intra-group elimination) for the subsidiary that has non-controlling interests that are material to the Group in the previous financial year was as follows:-

	AGMSB 2022 RM
At 31 December	
Non-current asset	9,470,435
Current assets	32,510,927
Non-current liabilities	(1,939,587)
Current liabilities	(29,980,475)
	10,061,300
Financial Year Ended 31 December	
Revenue	71,652,746
Profit for the financial year	10,211,134
Total comprehensive income	10,211,134
Total comprehensive income attributable to non-controlling interest	2,042,227
Net cash from operating activities	2,321,650
Net cash for investing activities	(3,757,449)
Net cash from financing activities	3,873,180

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7. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.1.2023 RM	Acquisition Of A Subsidiary RM	Additions RM	Transfer To/(From) RM	Disposal RM	Exchange Fluctuation Difference RM	Depreciation Charges RM	At 31.12.2023 RM
2023								
Carrying Amount								
Freehold land	2,730,000	-	-	-	-	-	-	2,730,000
Building	705,000	-	-	-	-	-	(15,000)	690,000
Computer and software	106,474	-	63,647	-	-	(17)	(43,330)	126,774
Motor vehicles	2,602,599	-	614,289	1,664,750	(166,687)	-	(459,216)	4,255,735
Plant and equipment	44,425,655	11,436,253	530,829	6,055,666	-	93,890	(2,681,522)	59,860,771
Furniture and fittings	479,279	-	-	19,636	-	-	(72,319)	426,596
Tools and equipment	1,142,050	-	360,449	280,610	-	-	(157,852)	1,625,257
Renovation	-	-	-	37,472	-	-	(2,498)	34,974
Capital work-in-progress	32,905,067	-	54,875,305	(8,058,134)	-	-	-	79,722,238
	85,096,124	11,436,253	56,444,519	-	(166,687)	93,873	(3,431,737)	149,472,345

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7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group

2022

Carrying Amount

	At 1.1.2022 RM	Additions RM	Transfer To/(From) RM	Disposals RM	Exchange Fluctuation Difference RM	Depreciation Charges RM	At 31.12.2022 RM
Freehold land	2,730,000	-	-	-	-	-	2,730,000
Building	720,000	-	-	-	-	(15,000)	705,000
Computer and software	99,475	43,855	16,112	(19,915)	-	(33,053)	106,474
Motor vehicles	2,374,750	-	536,023	-	-	(308,174)	2,602,599
Plant and equipment	40,257,556	112,295	6,428,898	-	87,523	(2,460,617)	44,425,655
Furniture and fittings	550,289	-	-	-	-	(71,010)	479,279
Tools and equipment	393,837	589,655	259,466	-	-	(100,908)	1,142,050
Capital work-in-progress	4,784,443	35,361,123	(7,240,499)	-	-	-	32,905,067
	51,910,350	36,106,928	-	(19,915)	87,523	(2,988,762)	85,096,124

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7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
The Group			
2023			
Freehold land	2,730,000	-	2,730,000
Building	750,000	(60,000)	690,000
Computer and software	264,669	(137,895)	126,774
Motor vehicles	5,443,789	(1,188,054)	4,255,735
Plant and equipment	71,068,318	(11,207,547)	59,860,771
Furniture and fittings	729,734	(303,138)	426,596
Tools and equipment	1,952,384	(327,127)	1,625,257
Renovation	37,472	(2,498)	34,974
Capital work-in-progress	79,722,238	-	79,722,238
	162,698,604	(13,226,259)	149,472,345
2022			
Freehold land	2,730,000	-	2,730,000
Building	750,000	(45,000)	705,000
Computer and software	201,022	(94,548)	106,474
Motor vehicles	3,528,430	(925,831)	2,602,599
Plant and equipment	52,454,022	(8,028,367)	44,425,655
Furniture and fittings	710,098	(230,819)	479,279
Tools and equipment	1,311,325	(169,275)	1,142,050
Capital work-in-progress	32,905,067	-	32,905,067
	94,589,964	(9,493,840)	85,096,124

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7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company

2023

Carrying Amount	At 1.1.2023 RM	Additions RM	Transfer To/(From) RM	Transfer To A Subsidiary RM	Disposal RM	Depreciation Charges RM	At 31.12.2023 RM
Freehold land	2,730,000	-	-	-	-	-	2,730,000
Building	705,000	-	-	-	-	(15,000)	690,000
Computer and software	37,753	12,830	-	-	-	(12,955)	37,628
Motor vehicles	209,724	614,289	-	-	(166,687)	(57,655)	599,671
Plant and equipment	40,900,542	-	2,714,065	(158,354)	-	(2,423,271)	41,032,982
Furniture and fittings	478,710	-	19,636	-	-	(72,229)	426,117
Tools and equipment	24,516	2,850	37,817	-	-	(5,972)	59,211
Renovation	-	-	37,472	-	-	(2,498)	34,974
Capital work-in-progress	29,051,359	48,317,006	(2,808,990)	-	-	-	74,559,375
	74,137,604	48,946,975	-	(158,354)	(166,687)	(2,589,580)	120,169,958

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7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company

2022

	At 1.1.2022 RM	Additions RM	Transfer To/(From) RM	Depreciation Charges RM	At 31.12.2022 RM
Carrying Amount					
Freehold land	2,730,000	-	-	-	2,730,000
Building	720,000	-	-	(15,000)	705,000
Computer and software	20,560	25,506	-	(8,313)	37,753
Motor vehicles	250,672	-	-	(40,948)	209,724
Plant and equipment	36,937,801	112,295	6,163,270	(2,312,824)	40,900,542
Furniture and fittings	549,630	-	-	(70,920)	478,710
Tools and equipment	12,882	13,500	-	(1,866)	24,516
Capital work-in-progress	4,046,451	31,168,178	(6,163,270)	-	29,051,359
	45,267,996	31,319,479	-	(2,449,871)	74,137,604

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7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
The Company			
2023			
Freehold land	2,730,000	-	2,730,000
Building	750,000	(60,000)	690,000
Computer and software	82,546	(44,918)	37,628
Motor vehicles	660,089	(60,418)	599,671
Plant and equipment	51,095,089	(10,062,107)	41,032,982
Furniture and fittings	728,836	(302,719)	426,117
Tools and equipment	70,585	(11,374)	59,211
Renovation	37,472	(2,498)	34,974
Capital work-in-progress	74,559,375	-	74,559,375
	130,713,992	(10,544,034)	120,169,958
2022			
Freehold land	2,730,000	-	2,730,000
Building	750,000	(45,000)	705,000
Computer and software	69,716	(31,963)	37,753
Motor vehicles	409,480	(199,756)	209,724
Plant and equipment	48,576,927	(7,676,385)	40,900,542
Furniture and fittings	709,200	(230,490)	478,710
Tools and equipment	29,918	(5,402)	24,516
Capital work-in-progress	29,051,359	-	29,051,359
	82,326,600	(8,188,996)	74,137,604

Included in the carrying amount of property, plant and equipment of the Group and of the Company at the end of the reporting period are the following assets pledged to licensed banks as securities for banking facilities granted to the Group and to the Company as disclosed in Note 22 and Note 26 to the financial statements:-

	The Group 2023 RM	The Group 2022 RM	The Company 2023 RM	The Company 2022 RM
Freehold land	2,730,000	2,730,000	2,730,000	2,730,000
Building	690,000	705,000	690,000	705,000
Plant and equipment	11,403,050	-	-	-
	14,823,050	3,435,000	3,420,000	3,435,000

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7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Included in property, plant and equipment of the Group and of the Company at the end of the reporting period are the following assets held under hire purchase arrangements. These assets have been pledged as security for the hire purchase payables of the Group and of the Company as disclosed in Note 21 to the financial statements:-

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Motor vehicles	4,082,437	2,404,617	573,336	178,810
Plant and equipment	1,610,585	-	-	-
	5,693,022	2,404,617	573,336	178,810

Included in capital work-in-progress of the Group is term loan interest amounting to RM512,014 (2022 - RM84,845).

8. RIGHT-OF-USE ASSETS

	At 1.1.2023 RM	Addition RM	Depreciation Charges RM	At 31.12.2023 RM
The Group				
2023				
Carrying Amount				
Leasehold land	144,150	-	(2,454)	141,696
Tanks	-	3,998,277	(1,538,348)	2,459,929
	144,150	3,998,277	(1,540,802)	2,601,625

	At 1.1.2022 RM	Depreciation Charges RM	Exchange Fluctuation Differences RM	At 31.12.2022 RM
2022				
Carrying Amount				
Leasehold land	146,604	(2,454)	-	144,150
Warehouse	11,866	(12,290)	424	-
	158,470	(14,744)	424	144,150

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8. RIGHT-OF-USE ASSETS (CONT'D)

	At 1.1.2023 RM	Depreciation Charges RM	At 31.12.2023 RM
The Company			
2023			
Carrying Amount			
Leasehold land	144,150	(2,454)	141,696

	At 1.1.2022 RM	Depreciation Charges RM	At 31.12.2022 RM
2022			
Carrying Amount			
Leasehold land	146,604	(2,454)	144,150

The Group and the Company leases various leasehold land, tanks and warehouse of which the leasing activities are summarised below:-

(i) Leasehold land — The Group and the Company have entered into 1 (2022 - 1) non-cancellable operating lease agreement for the use of land. The lease is for a period of 60 years. The lease does not allow the Group to assign, transfer or sublease or create any charge, lien or trust in respect of or dispose of the whole or any part of the land. A tenancy is, however, allowed with the consent of the lessor.

(ii) Tanks — The Group has leased a number of tanks that run for 2 years (2022 - Nil), with an option to renew the lease after that date.

(iii) Warehouse — In the previous financial year, the Group has leased a warehouse for 1 year, with an option to renew the lease after that date.

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9. INVENTORIES

	The Group 2023 RM	The Group 2022 RM	The Company 2023 RM	The Company 2022 RM
Finished goods	841,059	2,312,755	113,323	151,548
Recognised in profit or loss:-				
Inventories recognised as cost of sales	10,764,704	10,960,631	2,970,629	2,604,223

10. TRADE RECEIVABLES

	The Group 2023 RM	The Group 2022 RM
Trade receivables	34,012,429	18,821,284
Allowance for impairment losses	(242,939)	(199,004)
	33,769,490	18,622,280
Allowance for impairment losses:-		
At 1 January	199,004	11,867
Additions during the financial year (Note 30)	121,097	203,060
Reversal during the financial year (Note 30)	(77,162)	(15,923)
At 31 December	242,939	199,004

(a) The Group's normal trade credit terms range from 7 to 90 (2022 - 7 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

(b) Included in trade receivables of the Group at the end of the reporting period is retention sum receivable amounting to RM2,133,500 (2022 - RM736,000). The retention sums are expected to be collected within 12 (2022 - 12) months.

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11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Other receivables:-				
Third parties	37,203	103,409	14,653	19,603
Advances paid to suppliers	2,938,470	1,597,680	288,452	-
Goods and Services Tax recoverable	276,772	39,249	-	-
	3,252,445	1,740,338	303,105	19,603
Deposits	766,577	373,237	64,256	97,076
Prepayments	865,657	514,472	640,627	347,203
	4,884,679	2,628,047	1,007,988	463,882

Advances paid to suppliers are unsecured and interest-free. The amount owing will be offset against future purchases from the suppliers.

12. CONTRACT ASSETS/(LIABILITIES)

	The Group	
	2023	2022
	RM	RM
Contract Assets		
Contract assets relating to construction contracts	2,850,546	10,116,609
Contract Liabilities		
Contract liabilities relating to construction contracts	(2,044,848)	(46,421)

(a) The contract assets primarily relate to the Group's right to consideration for work completed on construction contracts but not yet billed as at the reporting date. This balance will be billed progressively in the future upon the fulfillment of contractual milestones.

(b) The contract liabilities primarily relate to advance billings to customers for construction services of which the revenue will be recognised over the remaining contract term of the specific contract in the subsequent periods.

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12. CONTRACT ASSETS/(LIABILITIES) (CONT'D)

(c) The changes to contract assets and contract liabilities balances during the financial year is summarised below:-

	The Group 2023 RM	2022 RM
At 1 January	10,070,188	(197,768)
Revenue recognised in profit or loss during the financial year*	6,885,086	20,313,320
Billings to customers during the financial year	(16,149,576)	(10,045,364)
At 31 December	805,698	10,070,188
Represented by:-		
Contract assets	2,850,546	10,116,609
Contract liabilities	(2,044,848)	(46,421)
	805,698	10,070,188

* - Included amount of RM46,421 (2022 - RM197,768) of the Group that was included in contract liabilities at the beginning of the financial year.

(d) Revenue expected to be recognised in the future relating to performance obligations that are partially or unsatisfied as at the reporting date is summarised below:-

	The Group 2023 RM	2022 RM
Within 1 year	23,903,225	19,369,813

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13. AMOUNT OWING BY SUBSIDIARIES

	The Company	
	2023 RM	2022 RM
Trade balances	19,246,400	12,579,213
Non-trade balance:		
- interest-free	282,932	183,768
- interest bearing loans	6,053,000	6,053,000
	6,335,932	6,236,768
	25,582,332	18,815,981

(a) The trade balances are subject to the normal trade credit term of 30 (2022 - 30) days. The amount owing is to be settled in cash.

(b) The interest-free balance is non-trade in nature, unsecured and repayable on demand. The amount owing is to be settled in cash.

(c) The interest-bearing loans bore an effective interest rate of 5.16% (2022 - 4.06%) per annum at the end of the reporting period. The interest-bearing loans are repayable on demand and are to be settled in cash.

14. AMOUNTS OWING BY/(TO) RELATED COMPANIES

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Amount owing by:-				
Trade balances	64,013	19,524	-	-
Amount owing to:-				
Non-trade balances:				
- interest-free	(6,034,439)	(3,909,499)	(6,018,646)	(2,845,445)

(a) The trade balances are subject to the normal trade credit term of 60 (2022 - 60) days. The amount owing is to be settled in cash.

(b) The non-trade balances are unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

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15. FIXED DEPOSITS WITH LICENSED BANKS

(a) The fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period bore effective interest rates ranging from 0.01% to 2.25% (2022 - 1.80%) per annum and 2.25% (2022 - 1.80%) per annum respectively. The fixed deposits have maturity periods ranging from 1 to 12 (2022 - 12) months and 12 (2022 - 12) months for the Group and the Company respectively.

(b) The fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period have been pledged to licensed banks as security for banking facilities granted to the Group and the Company as disclosed in Note 22 to the financial statements.

16. CASH AND BANK BALANCES

Included in the cash and bank balances of the Group and of the Company at the end of the reporting period was an amount of RM4,450,689 (2022 - RM3,596,327) which has been pledged to a licensed bank as security for banking facilities granted to the Group and the Company as disclosed in Note 22 to the financial statements.

17. SHARE CAPITAL

	The Group/The Company			
	2023	2022	2023	2022
	Number Of Shares		RM	RM
Issued and Fully Paid-Up				
Ordinary Shares				
At 1 January	25,500,000	25,500,000	25,500,000	25,500,000
Issuance of new ordinary shares	1,822,000	-	5,192,700	-
At 31 December	27,322,000	25,500,000	30,692,700	25,500,000

(a) The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

(b) On 1 June 2023, the Company issued 1,822,000 new ordinary shares for a total consideration of RM5,192,700.

The new ordinary shares issued rank equally in all respects with the existing ordinary shares of the Company.

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18. RESERVES

		The Group		The Company	
		2023	**2022**	**2023**	**2022**
		RM	RM	RM	RM
Non-distributable reserves:-	Note				
Exchange fluctuation reserve	(a)	273,228	86,919	-	-
Employees' share scheme reserve	(b)	310,087	38,322	269,824	32,675
Capital reorganisation deficit	(c)	(740,092)	-	-	-
Capital reserve	(d)	250,000	-	-	-
		93,223	125,241	269,824	32,675
Distributable reserve:-					
Retained profits		30,333,571	13,475,796	11,189,944	3,819,590
		30,426,794	13,601,037	11,459,768	3,852,265

(a) Exchange Fluctuation Reserve

The foreign exchange translation reserve arose from the translation of the financial statements of a foreign subsidiary whose functional currencies are different from the Group's presentation currency.

(b) ESS Reserve

This represents the share options granted from the holding company to the employees of the Company. The share options granted are, in substance, part of the holding company's investment in the Company and are classified as a component within equity.

(c) Capital Reorganisation Deficit

This represents the difference between the carrying value of the investment and the nominal value of the shares of CLSB under merger accounting principles.

(d) Capital Reserve

This represents reserve arising from bonus issue by a subsidiary.

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19. AMOUNT OWING TO HOLDING COMPANY

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Interest-bearing loans	29,040,000	23,000,000	22,040,000	20,000,000
Non-trade balances	2,843,556	1,421,264	2,747,555	1,319,906
	31,883,556	24,421,264	24,787,555	21,319,906
Current liabilities	5,263,556	24,421,264	4,584,222	21,319,906
Non-current liabilities	26,620,000	-	20,203,333	-
	31,883,556	24,421,264	24,787,555	21,319,906

(a) The interest-bearing loans of the Group and of the Company bore the following effective interest rates as at the end of the reporting period:-

	The Group		The Company	
	2023 %	2022 %	2023 %	2022 %
Interest-bearing loans	4.74 - 5.40	4.79 - 5.51	5.40	4.79 - 5.51

The interest-bearing loans of the Group and of the Company are repayable in 12 yearly instalments (2022 - repayable on demand).

(b) The non-trade balances are unsecured, interest-free and repayable on demand.

(c) The amount owing are to be settled in cash.

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20. LEASE LIABILITIES

	The Group 2023 RM	2022 RM
At 1 January	-	10,348
Addition during the financial year (Note 34(a))	3,998,277	-
Interest expense recognised in profit or loss	101,276	10
Repayment of principal	(1,500,538)	(10,718)
Repayment of interest expense	(101,276)	(10)
Effect of foreign exchange translation	-	370
At 31 December	2,497,739	-
Current liabilities	2,022,214	-
Non-current liabilities	475,525	-
	2,497,739	-

21. HIRE PURCHASE PAYABLES

	The Group 2023 RM	2022 RM	The Company 2023 RM	2022 RM
Current liabilities (Note 26)	1,167,637	733,456	93,743	54,223
Non-current liabilities	3,020,443	1,468,262	351,088	57,695
	4,188,080	2,201,718	444,831	111,918

(a) The hire purchase payables of the Group and of the Company are secured by the Group's and the Company's motor vehicles and plant and equipment under finance leases as disclosed in Note 7 to the financial statements.

(b) The hire purchase payables of the Group and of the Company bore the following effective interest rates as at the end of the reporting period:-

	The Group 2023 %	2022 %	The Company 2023 %	2022 %
Hire purchase payables	4.30 - 6.98	5.36 - 5.97	4.30	5.36

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22. TERM LOANS

	The Group/The Company	
	2023	**2022**
	RM	RM
Current liabilities (Note 26)	14,821,415	9,284,249
Non-current liabilities	55,616,677	31,862,804
	70,438,092	41,147,053

(a) The term loans are secured by:-

(i) a first party charge over the freehold land and building of the Group and of the Company as disclosed in Note 7 to the financial statements;
(ii) a first party facility agreement;
(iii) fixed deposits with licensed banks and bank balance of the Group and of the Company as disclosed in Notes 15 and 16 to the financial statements;
(iv) an assignment of contractual proceeds;
(v) a corporate guarantee of the holding company, Kelington Group Berhad;
(vi) an all monies facility agreement; and
(vii) a letter of undertaking by holding company, Kelington Group Berhad.

(b) The interest rate profile of the term loans is summarised below:-

	Effective Interest Rate		The Group/The Company	
	2023	**2022**	**2023**	**2022**
	%	%	RM	RM
Fixed rate term loan	-	6.54	-	806,865
Floating rate term loans	4.84 - 5.87	4.06 - 4.89	70,438,092	40,340,188
			70,438,092	41,147,053

(c) Term loans of RM70,438,092 (2022 - RM41,147,053) are secured by a negative pledge that imposes certain covenants on the Group and the Company. The significant covenant of the term loans is gearing ratio shall not be more than 2 times.

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23. DEFERRED TAX LIABILITIES

	At 1.1.2023 RM	Recognised In profit or loss (Note 32) RM	Acquisition Of A Subsidiary (Note 33.1) RM	At 31.12.2023 RM
The Group				
2023				
Deferred tax liabilities				
Plant and equipment	7,300,989	1,584,306	1,232,904	10,118,199
Other taxable temporary differences	-	116,668	-	116,668
	7,300,989	1,700,974	1,232,904	10,234,867
Deferred tax assets				
Unused tax losses	(96,960)	(46)	-	(97,006)
Unabsorbed capital allowances	(4,505,040)	1,097,197	(906,433)	(4,314,276)
Other deductible temporary differences	(169,651)	(3,278)	-	(172,929)
	(4,771,651)	1,093,873	(906,433)	(4,584,211)
	2,529,338	2,794,847	326,471	5,650,656

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23. DEFERRED TAX LIABILITIES (CONT'D)

	At 1.1.2022 RM	Recognised In profit or loss (Note 32) RM	At 31.12.2022 RM
The Group			
2022			
Deferred tax liability			
Plant and equipment	5,128,341	2,172,648	7,300,989
Deferred tax assets			
Unused tax losses	(98,000)	1,040	(96,960)
Unabsorbed capital allowances	(4,327,000)	(178,040)	(4,505,040)
Other deductible temporary differences	(12,000)	(157,651)	(169,651)
	(4,437,000)	(334,651)	(4,771,651)
	691,341	1,837,997	2,529,338

	At 1.1.2023 RM	Recognised In profit or loss (Note 32) RM	At 31.12.2023 RM
The Company			
2023			
Deferred tax liability			
Property, plant and equipment	6,588,960	1,308,347	7,897,307
Deferred tax assets			
Unused tax losses	(96,960)	(46)	(97,006)
Unabsorbed capital allowances	(4,505,040)	1,097,197	(3,407,843)
Other deductible temporary differences	(54,741)	54,741	-
	(4,656,741)	1,151,892	(3,504,849)
	1,932,219	2,460,239	4,392,458

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23. DEFERRED TAX LIABILITIES (CONT'D)

	At 1.1.2022 RM	Recognised In profit or loss (Note 32) RM	At 31.12.2022 RM
The Company			
2022			
Deferred tax liability			
Property, plant and equipment	5,116,000	1,472,960	6,588,960
Deferred tax assets			
Unused tax losses	(98,000)	1,040	(96,960)
Unabsorbed capital allowances	(4,327,000)	(178,040)	(4,505,040)
Other deductible temporary differences	(12,000)	(42,741)	(54,741)
	(4,437,000)	(219,741)	(4,656,741)
	679,000	1,253,219	1,932,219

At the end of the reporting period, the amounts of deferred tax assets not recognised (stated at gross) due to uncertainty of their realisation are as follows:-

	The Group 2023 RM	The Group 2022 RM	The Company 2023 RM	The Company 2022 RM
Unused tax losses:				
- expires year of assessment 2028	404,192	404,192	404,192	404,192
Unabsorbed capital allowances	17,987,768	20,666,832	14,199,345	18,959,734
Other deductible temporary differences	720,539	907,539	-	57,711
	19,112,499	21,978,563	14,603,537	19,421,637

Based on the current legislation, the unused tax losses up to the year of assessment 2018 can be carried forward until the year of assessment 2028 and the unused tax losses for 2019 onwards are allowed to be utilised for 10 consecutive years of assessment immediately following that year of assessment; whereas, the unabsorbed capital allowances are allowed to be carried forward indefinitely.

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24. TRADE PAYABLES

The normal trade credit terms granted to the Group and the Company range from 7 to 60 (2022 - 30 to 60) days.

25. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Other payables:-				
Third parties	34,525	96,359	27,879	6,170
Advances received from customers	51,657	283,113	-	-
Unpaid balance for acquisition of property, plant and equipment	1,896,109	5,948,759	1,896,109	5,948,759
	1,982,291	6,328,231	1,923,988	5,954,929
Accruals	2,550,718	1,775,450	1,557,213	1,022,898
	4,533,009	8,103,681	3,481,201	6,977,827

26. SHORT-TERM BORROWINGS

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Term loans (Note 22)	14,821,415	9,284,249	14,821,415	9,284,249
Hire purchase payables (Note 21)	1,167,637	733,456	93,743	54,223
Trust receipts	4,688,272	4,415,638	3,632,535	3,672,025
Revolving credits	14,250,000	2,619,200	6,000,000	-
	34,927,324	17,052,543	24,547,693	13,010,497

(a) The trust receipts and revolving credits of the Group and of the Company bore the following effective interest rates as at the end of the reporting period:-

	The Group		The Company	
	2023 %	2022 %	2023 %	2022 %
Trust receipts	4.04 - 4.19	3.42 - 4.05	4.07 - 4.19	3.42 - 4.05
Revolving credits	4.89 - 6.27	5.09 - 5.56	4.89 - 4.90	-

(b) The trust receipts are secured by a first party facility agreement and corporate guarantee of the holding company.

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26. SHORT-TERM BORROWINGS (CONT'D)

(c) The revolving credits are secured by specific debentures on assets which are movable tanks and corporate guarantee of the holding company.

27. BANK OVERDRAFT

(a) The bank overdraft of the Group is secured by corporate guarantee of the holding company.

(b) The bank overdraft of the Group at the end of the reporting period bore floating interest rate at 6.60% (2022 - 7.35%) per annum.

28. DERIVATIVE LIABILITIES

	Contract/ Notional Amount 2023 RM	2022 RM	The Group 2023 RM	2022 RM
Forward currency contracts	-	2,333,500	-	138,500

The Group classified derivative financial instruments as financial liabilities at fair value through profit or loss. None of the derivatives are designated as hedges as the Group does not apply hedge accounting.

29. REVENUE

	The Group 2023 RM	2022 RM	The Company 2023 RM	2022 RM
Revenue from contracts with customers				
Recognised over time				
Contract revenue	6,885,086	20,313,320	-	-
Facility fee charged	9,899,371	1,703,275	7,395,238	1,372,848
Services	45,880	-	-	-
	16,830,337	22,016,595	7,395,238	1,372,848
Recognised at a point in time				
Sale of goods	104,064,269	61,185,898	33,498,833	22,878,566
	120,894,606	83,202,493	40,894,071	24,251,414

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29. REVENUE (CONT'D)

The information about the performance obligations in contracts with customers is summarised below:-

Nature of Goods or Services	Timing and Method of Revenue Recognition	Significant Payment Terms	Variable Considerations	Warranty and Obligation for Returns or Refunds
Contract revenue	When services are rendered using the cost incurred method.	Based on agreed milestones. The credit period ranging from 45 to 90 days from the invoice date.	Not applicable.	Defect liability period of 24 months is given to customers.
Facility fee charged and services	Straight-line method over the period of service.	Credit periods ranging from 30 to 90 days from the invoice date.	Discounts are given when customers pay within 14 days from the invoice date.	Not applicable.
Sales of goods	When the goods are delivered and accepted by customers	Credit periods ranging from 7 to 90 days from the invoice date.	Not applicable.	Not applicable.

30. NET IMPAIRMENT LOSSES ON FINANCIAL ASSET

	The Group	
	2023 RM	2022 RM
Impairment losses:		
- trade receivables (Note 10)	121,097	203,060
Reversal of impairment losses:		
- trade receivables (Note 10)	(77,162)	(15,923)
	43,935	187,137

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31. PROFIT BEFORE TAXATION

	The Group		The Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Profit before taxation is arrived at after charging/(crediting):-				
Auditors' remunerations:				
- audit fees	74,737	79,317	22,000	22,000
- underprovision in the previous financial year	40,285	20,989	-	7,000
Directors' non-fee emoluments:				
- director of the Company:				
- salaries, bonuses and other benefits	1,235,617	832,322	917,672	554,288
- defined contribution benefit	81,788	63,072	55,872	42,480
- share-based payments	194,371	27,126	194,371	27,126
- directors of the subsidiaries:				
- salaries, bonuses and other benefits	599,239	486,806	-	-
- defined contribution benefit	43,560	40,392	-	-
- share-based payments	17,670	2,466	-	-
Material Expenses/(Income)				
Consultancy fees	1,180,966	158,881	1,085,132	86,497
Depreciation:				
- property, plant and equipment	3,431,737	2,988,762	2,589,580	2,449,871
- right-of-use assets	1,540,802	14,744	2,454	2,454
Electricity expenses	7,601,974	4,876,902	7,601,974	4,876,902
Fair value loss on financial liabilities measured at fair value through profit or loss mandatorily:				
- derivatives	-	138,500	-	-
Freight charges	10,466,798	5,065,777	745	363
Hired transport cost	9,313,383	5,499,177	4,416,423	3,056,938
Interest expense on financial liabilities that are not fair value through profit or loss:				
- amount owing to holding company	1,236,662	714,887	1,170,185	613,529
- bank overdraft	24,128	23,259	-	-
- term loans	2,287,190	1,324,286	2,287,190	1,324,286
- trust receipts	217,427	72,938	152,377	60,418
- hire purchase payables	188,630	91,612	12,761	7,089
- revolving credits	324,339	52,976	61,087	-

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31. PROFIT BEFORE TAXATION (CONT'D)

	The Group		The Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Profit before taxation is arrived at after charging/(crediting) (Cont'd):-				
Material Expenses/(Income) (Cont'd)				
Interest expense on lease liabilities	101,276	10	-	-
Lease expenses:				
- short-term leases	10,236,909	3,446,741	-	-
Loss/(Gain) on foreign exchange:				
- realised	404,112	(620,304)	708,194	(256,985)
- unrealised	(617,406)	677,269	(218,216)	57,711
Management fee	1,265,558	901,226	375,457	270,368
Maintenance fee	3,967,626	2,071,987	2,852,569	1,141,452
Staff costs:				
- salaries, bonuses and other benefits	6,299,794	4,227,099	2,888,091	1,778,333
- defined contribution benefit	427,168	288,945	195,143	123,676
- share-based payments	65,371	8,730	42,778	5,549
Interest income on financial assets measured at amortised cost:				
- financial institutions	(242,504)	(13,079)	(109,934)	(13,079)
- amount owing by subsidiaries	-	-	(282,932)	(183,768)

The estimated monetary value of benefits-in-kind provided by the Group and the Company to the director of the Company were RM28,000 (2022 - RM23,950).

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32. INCOME TAX EXPENSE

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Current tax:				
- Malaysian tax	2,584,490	2,785,930	-	7,580
- Foreign tax	371,034	116,378	-	-
	2,955,524	2,902,308		7,580
(Over)/Underprovision in the previous financial year	(36,814)	3,255	(7,580)	3,255
	2,918,710	2,905,563	(7,580)	10,835
Deferred tax (Note 23):				
- Origination of temporary differences	2,997,731	1,837,997	2,466,200	1,253,219
- Overprovision in the previous financial year	(202,884)	-	(5,961)	-
	2,794,847	1,837,997	2,460,239	1,253,219
	5,713,557	4,743,560	2,452,659	1,264,054

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Profit before taxation	24,917,992	20,471,953	9,823,013	4,892,445
Tax at Malaysian statutory tax rate of 24% (2022 - 24%)	5,980,318	4,913,269	2,357,523	1,174,187
Tax effects of:-				
Differential in tax rates	(192,705)	(149,481)	-	-
Non-deductible expenses	240,712	263,497	108,677	86,612
Non-taxable income	-	(77,039)	-	-
Tax-exempt income	(75,070)	(54,181)	-	-
(Over)/underprovision of current tax in the previous financial year	(36,814)	3,255	(7,580)	3,255
Overprovision of deferred tax in the previous financial year	(202,884)	-	(5,961)	-
Utilisation of deferred tax assets not recognised in the previous financial year	-	(155,760)	-	-
	5,713,557	4,743,560	2,452,659	1,264,054

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32. INCOME TAX EXPENSE (CONT'D)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2022 - 24%) of the estimated assessable profit for the financial year. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

33. ACQUISITIONS OF A SUBSIDIARY AND NON-CONTROLLING INTERESTS

33.1 ACQUISITION OF A SUBSIDIARY

On 23 November 2023, the Company acquired 100% equity interest in CLSB from its holding company for a cash consideration of RM740,192.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:-

	The Group 2023 RM
Equipment	11,436,253
Trade receivables	76,640
Cash and bank balances	537,282
Amount owing by a related company	415,775
Amount owing to holding company	(7,000,000)
Deferred tax liabilities	(326,471)
Accruals	(61,500)
Revolving credits	(4,250,000)
Net identifiable assets acquired	827,979

	The Company 2023 RM
Total purchase consideration, to be settled by cash	740,192
Less: Cash and bank balances of subsidiary acquired	(537,282)
Net cash outflow from the acquisition of a subsidiary	202,910

The subsidiary has contributed revenue of RM45,880 and profit after taxation of RM53,404 to the Group since the date of acquisition.

If the acquisition was effective at the beginning of the current financial year, the Group's revenue and profit after taxation for the current financial year would have been RM121,378,691 and RM19,594,730 respectively.

There was no acquisition of new subsidiary in the previous financial year.

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33. ACQUISITIONS OF A SUBSIDIARY AND NON-CONTROLLING INTERESTS (CONT'D)

33.2 ACQUISITION OF NON-CONTROLLING INTERESTS

(a) On 22 May 2023, AGSB acquired remaining 10% equity interests in AGMS for SGD3,000, equivalent to RM10,214 in cash, increasing its ownership from 90% to 100%.

Upon completion of the acquisition, AGMS became a wholly-owned subsidiary of AGSB. The carrying amount of AGMS's net assets in the Group financial statements on that date was RM4,498,949. The Group recognised a decrease in non-controlling interests of RM426,825 and an increase in retained profits of RM439,681.

(b) On 1 June 2023, AGSB acquired remaining 20% equity interests in AGMSB for a consideration of RM5,192,700 which was satisfied via the issuance of 1,822,000 new ordinary shares of AGSB.

Upon completion of the acquisition, AGMSB became a wholly-owned subsidiary of AGSB. The carrying amount of AGMSB's net assets in the Group financial statements on that date was RM14,173,087. The Group recognised an decrease in non-controlling interests of RM2,833,490 and a decrease in retained profits of RM2,359,210.

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34. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment and the addition of right-of-use assets is as follows:-

	The Group 2023 RM	The Group 2022 RM	The Company 2023 RM	The Company 2022 RM
Property, plant and equipment				
Cost of property, plant and equipment purchased (Note 7)	56,444,519	36,106,928	48,946,975	31,319,479
Less: Acquired through hire purchase arrangements	(3,008,352)	(1,030,000)	(499,000)	-
Less: Capitalisation of interest charges of term loans	(512,014)	(84,845)	(512,014)	-
Less: Other payables - balances remained unpaid at financial year end (Note 25)	(1,896,109)	(5,948,759)	(1,896,109)	(5,948,759)
Add: Payments in respect of previous financial year's purchases	5,948,759	927,898	5,948,759	927,898
Add: Exchange fluctuation differences	18,743	86,867	18,743	86,867
	56,995,946	30,058,089	52,007,354	26,385,485
Right-of-use assets				
Cost of right-of-use assets acquired (Note 8)	3,998,277	-	-	-
Less: Additions of new lease liabilities (Note (b) below)	(3,998,277)	-	-	-
	-	-	-	-

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34. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows:-

	Term Loans RM	Lease Liabilities RM	Hire Purchase Payables RM	Trust Receipts RM	Revolving Credits RM	Amount Owing To Holding Company RM	Total RM
The Group							
2023							
At 1 January	41,147,053	-	2,201,718	4,415,638	2,619,200	24,421,264	74,804,873
Changes in Financing Cash Flows							
Proceeds from drawdown	38,577,384	-	-	10,193,943	14,419,480	3,000,000	66,190,807
Repayment of principal	(9,286,345)	(1,500,538)	(1,021,990)	(9,921,309)	(7,139,160)	(3,960,000)	(32,829,342)
Repayment of interests	(2,799,204)	(101,276)	(188,630)	(217,427)	(324,339)	(647,408)	(4,278,284)
	26,491,835	(1,601,814)	(1,210,620)	55,207	6,955,981	(1,607,408)	29,083,181
Non-cash Changes							
Acquisition of a subsidiary (Note 33.1)	-	-	-	-	4,250,000	7,000,000	11,250,000
Additions (Note 34(a) above)	-	3,998,277	3,008,352	-	-	-	7,006,629
Interest expense recognised in profit or loss	2,287,190	101,276	188,630	217,427	324,339	1,236,662	4,355,524
Interest expense capitalised under capital work-in-progress	512,014	-	-	-	-	-	512,014
Accrued interest	-	-	-	-	-	(667,435)	(667,435)
Non-financing activities movement	-	-	-	-	-	1,500,473	1,500,473
Foreign exchange adjustments	-	-	-	-	100,480	-	100,480
	2,799,204	4,099,553	3,196,982	217,427	4,674,819	9,069,700	24,057,685
At 31 December	70,438,092	2,497,739	4,188,080	4,688,272	14,250,000	31,883,556	127,945,739

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34. CASH FLOWS INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	Term Loans RM	Lease Liabilities RM	Hire Purchase Payables RM	Trust Receipts RM	Revolving Credits RM	Amount Owing To Holding Company RM	Total RM
The Group							
2022							
At 1 January	30,191,192	10,348	1,714,009	3,338,691	1,851,180	3,737,578	40,842,998
Changes in Financing Cash Flows							
Proceeds from drawdown	17,919,781	-	-	7,042,621	2,556,467	20,000,000	47,518,869
Repayment of principal	(6,963,920)	(10,718)	(542,291)	(5,965,674)	(1,917,350)	-	(15,399,953)
Repayment of interests	(1,409,131)	(10)	(91,612)	(72,938)	(52,976)	(133,989)	(1,760,656)
	9,546,730	(10,728)	(633,903)	1,004,009	586,141	19,866,011	30,358,260
Non-cash Changes							
Additions (Note 34(a) above)	-	-	1,030,000	-	-	-	1,030,000
Interest expense recognised in profit or loss	1,324,286	10	91,612	72,938	52,976	714,887	2,256,709
Interest expense capitalised under capital work-in-progress	84,845	-	-	-	-	-	84,845
Non-financing activities movement	-	-	-	-	-	102,788	102,788
Foreign exchange adjustments		370	-	-	128,903	-	129,273
	1,409,131	380	1,121,612	72,938	181,879	817,675	3,603,615
At 31 December	41,147,053	-	2,201,718	4,415,638	2,619,200	24,421,264	74,804,873

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34. CASH FLOWS INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	Term Loans RM	Hire Purchase Payables RM	Trust Receipts RM	Revolving Credits RM	Amount Owing To Holding Company RM	Total RM
The Company						
2023						
At 1 January	41,147,053	111,918	3,672,025	-	21,319,906	66,250,902
Changes in Financing Cash Flows						
Proceeds from drawdown	38,577,384	-	9,138,206	6,000,000	3,000,000	56,715,590
Repayment of principal	(9,286,345)	(166,087)	(9,177,696)	-	(960,000)	(19,590,128)
Repayment of interests	(2,799,204)	(12,761)	(152,377)	(61,087)	(507,140)	(3,532,569)
	26,491,835	(178,848)	(191,867)	5,938,913	1,532,860	33,592,893
Non-cash Changes						
Additions (Note 34(a) above)	-	499,000	-	-	-	499,000
Interest expense recognised in profit or loss	2,287,190	12,761	152,377	61,087	1,170,185	3,683,600
Interest expense capitalised under capital work-in progress	512,014	-	-	-	-	512,014
Accrued interest	-	-	-	-	(663,045)	(663,045)
Non-financing activities movement	-	-	-	-	1,427,649	1,427,649
	2,799,204	511,761	152,377	61,087	1,934,789	5,459,218
At 31 December	70,438,092	444,831	3,632,535	6,000,000	24,787,555	105,303,013

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34. CASH FLOWS INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	Term Loans RM	Hire Purchase Payables RM	Trust Receipts RM	Amount Owing To Holding Company RM	Total RM
The Company					
2022					
At 1 January	30,191,192	163,713	2,253,019	3,737,578	36,345,502
Changes in Financing Cash Flows					
Proceeds from drawdown	17,919,781	-	7,042,621	17,000,000	41,962,402
Repayment of principal	(6,963,920)	(51,795)	(5,623,615)	-	(12,639,330)
Repayment of interests	(1,324,286)	(7,089)	(60,418)	(133,989)	(1,525,782)
	9,631,575	(58,884)	1,358,588	16,866,011	27,797,290
Non-cash Changes					
Interest expense recognised in profit or loss	1,324,286	7,089	60,418	613,529	2,005,322
Non-financing activities movement	-	-	-	102,788	102,788
	1,324,286	7,089	60,418	716,317	2,108,110
At 31 December	41,147,053	111,918	3,672,025	21,319,906	66,250,902

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34. CASH FLOWS INFORMATION (CONT'D)

(c) The total cash outflows for leases as a lease are as follows:-

	The Group	
	2023 RM	2022 RM
Payment of short-term leases	10,236,909	3,446,741
Interest paid on lease liabilities	101,276	10
Payment of lease liabilities	1,500,538	10,718
	11,838,723	3,457,469

(d) The cash and cash equivalents comprise the following:-

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Fixed deposits with licensed banks	1,853,272	1,800,000	1,832,400	1,800,000
Cash and bank balances	17,375,843	18,258,685	7,159,237	12,094,935
Bank overdraft	(157,436)	(142,296)	-	-
	19,071,679	19,916,389	8,991,637	13,894,935
Less: Fixed deposits pledged to licensed banks (Note 15)	(1,853,272)	(1,800,000)	(1,832,400)	(1,800,000)
Less: Bank balances pledged to a licensed bank (Note 16)	(4,450,689)	(3,596,327)	(4,450,689)	(3,596,327)
	12,767,718	14,520,062	2,708,548	8,498,608

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35. RELATED PARTY DISCLOSURES

(a) Holding Company and Subsidiaries

The holding company is disclosed in Note 3 to the financial statements.

The subsidiaries are disclosed in Note 6 to the financial statements.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company carried out the following transactions with the related parties during the financial year:-

	The Group		The Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Holding company:				
- advances received	3,000,000	20,000,000	3,000,000	17,000,000
- interest charged	1,236,662	714,887	1,170,185	613,529
- management fee charged	1,265,558	901,226	1,251,525	901,226
- share-based payments	277,412	38,322	237,149	32,675
Related companies:				
- purchase of capital work-in-progress on behalf	12,689,354	8,898,776	12,672,351	8,898,776
- lease expenses	1,134,575	225,480	-	-
- purchases	1,729,566	1,007,211	-	7,211
- sales	250,856	504,489	-	-
Subsidiaries:				
- advances given	-	-	-	2,000,000
- interest income	-	-	282,932	183,768
- management fee charged	-	-	876,068	630,858
- monthly facility fee income	-	-	7,395,238	1,372,848
- lease income	-	-	60,000	60,000
- purchase of goods	-	-	5,533,679	3,198,409
- sale of goods	-	-	33,498,833	22,878,566

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

The related party transactions described above were entered into in the normal course of business carried out based on negotiated terms and conditions and are mutually agreed with respective parties.

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

36. CAPITAL COMMITMENTS

	The Group 2023 RM	The Group 2022 RM	The Company 2023 RM	The Company 2022 RM
Purchase of property, plant and equipment	47,559,371	90,743,294	39,055,603	87,458,134

37. FINANCIAL INSTRUMENTS

The activities of the Group and of the Company are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group and of the Company.

37.1 FINANCIAL RISK MANAGEMENT POLICIES

The policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group and the Company are exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily Chinese Yuan ("CNY"), United States Dollar ("USD"), Singapore Dollar ("SGD"), Australian Dollar ("AUD") and Thai Baht ("THB"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. In the previous financial year, the Group entered into forward foreign currency contracts to hedge against its foreign currency risk. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign currency exposure

The Group	USD RM	CNY RM	SGD RM	AUD RM	THB RM
2023					
Financial Assets					
Trade receivables	11,298,513	-	6,023,244	-	-
Cash and bank balances	4,851,427	3,630	1,684,095	-	-
Fixed deposits with licensed banks	-	-	20,872	-	-
	16,149,940	3,630	7,728,211	-	-

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency exposure (Cont'd)

The Group	USD RM	CNY RM	SGD RM	AUD RM	THB RM
2023					
Financial Liabilities					
Trade payables	(850,348)	(29,714)	(783,268)	(131,219)	(452,316)
Other payables and accruals	(1,067)	(308,915)	(31,831)	-	-
	(851,415)	(338,629)	(815,099)	(131,219)	(452,316)
Net financial assets/(liabilities)	15,298,525	(334,999)	6,913,112	(131,219)	(452,316)
Less: Net financial assets denominated in the respective entities' functional currencies	-	-	(7,273,613)	-	-
Net currency exposure	15,298,525	(334,999)	(360,501)	(131,219)	(452,316)

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency exposure (Cont'd)

The Group	USD RM	CNY RM	SGD RM
2022			
Financial Assets			
Trade receivables	8,399,140	-	4,582,007
Cash and bank balances	2,031,646	1,830	2,131,451
	10,430,786	1,830	6,713,458
Financial Liabilities			
Trade payables	(2,894,885)	(148,694)	(376,334)
Other payables and accruals	(800)	(5,798,125)	(20,791)
Revolving credits	-	-	(2,619,200)
	(2,895,685)	(5,946,819)	(3,016,325)
Net financial assets/(liabilities)	7,535,101	(5,944,989)	3,697,133
Add: Forward foreign currency contracts (contracted notional principal)	2,333,500	-	-
Less: Net financial assets denominated in the respective entities' functional currencies	-	-	(3,904,179)
Net currency exposure	9,868,601	(5,944,989)	(207,046)

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency exposure (Cont'd)

The Company	USD RM	CNY RM	SGD RM
2023			
Financial Asset			
Cash and bank balances	5,391	1,830	-
Financial Liability			
Other payables and accruals	-	(308,915)	(696)
Net financial assets/(liabilities) /Currency exposure	5,391	(307,085)	(696)
2022			
Financial Asset			
Cash and bank balances	759	1,830	-
Financial Liability			
Other payables and accruals	(220)	(5,798,125)	(655)
Net financial assets/(liabilities) /Currency exposure	539	(5,796,295)	(655)

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	The Group		The Company	
	2023	**2022**	**2023**	**2022**
	RM	RM	RM	RM
Effects on Profit After Taxation				
USD/RM				
- strengthened by 10%	1,529,853	739,660	539	54
- weakened by 10%	(1,529,853)	(739,660)	(539)	(54)
CNY/RM				
- strengthened by 10%	(33,500)	(594,499)	(30,709)	(579,630)
- weakened by 10%	33,500	594,499	30,709	579,630
SGD/RM				
- strengthened by 10%	(36,050)	(20,705)	(70)	(66)
- weakened by 10%	36,050	20,705	70	66
AUD/RM				
- strengthened by 10%	(13,122)	-	-	-
- weakened by 10%	13,122	-	-	-
THB/RM				
- strengthened by 10%	(45,232)	-	-	-
- weakened by 10%	45,232	-	-	-

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group and the Company adopt a policy of obtaining the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

The fixed rate debt instruments of the Group and of the Company are not subject to interest rate risk since neither carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 22 and 26 to the financial statements.

Interest Rate Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	The Group		The Company	
	2023 RM	**2022** RM	**2023** RM	**2022** RM
Effects on Profit After Taxation/Equity				
Increase of 100 basis points	(895,338)	(476,558)	(800,706)	(440,122)
Decrease of 100 basis points	895,338	476,558	800,706	440,122

There is no impact on the Group's and the Company's equity.

(iii) Equity Price Risk

The Group and the Company do not have any quoted investments and hence, is not exposed to equity price risk.

(b) Credit Risk

The exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group and the Company manage their exposures to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

Also, the Company's exposure to credit risk includes advances to subsidiary and corporate guarantee given to financial institutions for credit facilities granted to the subsidiary. The Company monitors the ability of this subsidiary to serve their advances.

(i) Credit Risk Concentration Profile

The Group's and the Company's major concentration of credit risk relates to the trade receivables (including related parties) at the end of the reporting period are as follows:-

	The Group 2023 RM	The Group 2022 RM	The Company 2023 RM	The Company 2022 RM
Major concentration of credit risk	24%	10%	100%	100%
Number of customers	1	1	2	2

In addition, the Group and the Company also determine the concentration of credit risk by monitoring the geographical region of their trade receivables (including related parties) on an ongoing basis. The credit risk concentration profile of trade receivables at the end of the reporting period is as follows:-

	The Group 2023 RM	The Group 2022 RM	The Company 2023 RM	The Company 2022 RM
Malaysia	19,267,411	6,836,575	13,667,693	9,795,838
Singapore	4,476,234	3,125,610	5,578,707	2,783,375
Philippines	2,972,528	2,849,848	-	-
Fiji	2,022,045	2,011,364	-	-
Australia	1,767,530	612,090	-	-
Indonesia	1,637,504	1,455,614	-	-
New Zealand	1,176,326	1,520,099	-	-
Others	513,925	336,054	-	-
	33,833,503	18,747,254	19,246,400	12,579,213

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(ii) Maximum Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries of RM609,025 (2022 - RM1,154,197), representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material.

(iii) Assessment of Impairment Losses

At each reporting date, the Group and the Company evaluate whether any of the financial assets at amortised cost, contract assets are credit impaired.

The gross carrying amounts of financial assets are written off against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:
- Significant financial difficulty of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty; and
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

The Group and the Company consider a receivable to be in default when the receivable is unlikely to repay its debt to the Group and the Company in full or is more than 1 year past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets

The Group and the Company apply the simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for all trade receivables and contract assets.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

The expected loss rates are based on the payment profiles of sales over 3 years (2022 - 2 years) before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the trade receivables to settle their debts. The Group has identified the unemployment rate, Gross Domestic Product (GDP) and inflation rate as the key macroeconomic factors of the forward-looking information.

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

Allowance for Impairment Losses

The Group	Gross Amount RM	Lifetime Individual Allowance RM	Lifetime Collective Allowance RM	Carrying Amount RM
2023				
Current (not past due)	21,801,375	-	-	21,801,375
Less than 3 months past due	11,807,542	-	-	11,807,542
3 to 6 months past due	224,501	-	-	224,501
More than 6 months past due	830	-	(745)	85
Credit impaired	242,194	(242,194)	-	-
Trade receivables	34,076,442	(242,194)	(745)	33,833,503
Contract assets	2,850,546	-	-	2,850,546
	36,926,988	(242,194)	(745)	36,684,049
2022				
Current (not past due)	13,228,214	-	(7,050)	13,221,164
Less than 3 months past due	5,003,455	-	(67,612)	4,935,843
3 to 6 months past due	364,445	-	-	364,445
More than 6 months past due	121,097	-	(745)	120,352
Credit impaired	123,597	(123,597)	-	-
Trade receivables	18,840,808	(123,597)	(75,407)	18,641,804
Contract assets	10,116,609	-	-	10,116,609
	28,957,417	(123,597)	(75,407)	28,758,413

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

Allowance for Impairment Losses (Cont'd)

The Company	Gross Amount RM	Lifetime Individual Allowance RM	Lifetime Collective Allowance RM	Carrying Amount RM
2023				
Current (not past due)	13,174,031	-	-	13,174,031
Less than 3 months past due	6,072,369	-	-	6,072,369
Trade receivables	19,246,400	-	-	19,246,400
2022				
Current (not past due)	5,355,954	-	-	5,355,954
Less than 3 months past due	4,396,182	-	-	4,396,182
3 to 6 months past due	2,287,078	-	-	2,287,078
Trade receivables	12,579,213	-	-	12,579,213

The movement in the loss allowances in respect of trade receivables is disclosed in Note 10 to the financial statements.

Other Receivables

The Group and the Company apply the 3-stage general approach to measuring expected credit losses for its other receivables and amount owing by related parties.

Under this approach, loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables (Cont'd)

In deriving the PD and LGD, the Group and the Company consider the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the receivable to settle its debts.

Allowance for Impairment Losses

No expected credit loss is recognised on other receivables as it is negligible.

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group and the Company consider the licensed banks have low credit risks. Therefore, the Group and the Company are of the view that the loss allowance is immaterial and hence, it is not provided for.

Amount Owing By Subsidiaries and Related Companies (Non-trade balances)

The Company applies the 3-stage general approach to measuring expected credit losses for all inter-company balances.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

The Company measures the expected credit losses on individual basis, which is aligned with its credit risk management practices on the inter-company balances.

The Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly.

For loans and advances that are repayable on demand, impairment loss is assessed based on the assumption that repayment of the outstanding balances is demanded at the reporting date. If the subsidiary does not have sufficient highly liquid resources when the loans and advances are demanded, the Company will consider the expected manner of recovery to measure the impairment loss; the recovery manner could be either through 'repayable over time' or a fire sale of less liquid assets by the subsidiary.

For loans and advances that are not repayable on demand, impairment loss is measured using techniques that are similar for estimating the impairment losses of other receivables as disclosed above.

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Amount Owing By Subsidiaries and Related Companies (Non-trade balances) (Cont'd)

Allowance for Impairment Losses

Based on the assessment performed, the identified impairment loss was immaterial, and hence, it is not provided for.

Financial Guarantee Contracts

Corporate guarantees for borrowing facilities granted to subsidiary are financial guarantee contract.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

The Company closely monitors the subsidiary's financial strength to reduce the risk of loss.

The Company considers there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. A financial guarantee contract is credit impaired when:
- The subsidiary is unlikely to repay its obligation to the bank in full; or
- The subsidiary is having a deficit in equity and is continuously loss making.

The Company determines the probability of default of the guaranteed amounts individually using internal information available.

Allowance for Impairment Losses

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group and the Company practise prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 years RM
2023					
Non-derivative Financial Liabilities					
Lease liabilities	2,497,739	2,559,967	2,081,446	478,521	-
Hire purchase payables	4,188,080	4,742,126	1,392,481	3,349,645	-
Term loans	70,438,092	131,911,644	15,652,764	55,304,527	60,954,353
Trust receipts	4,688,272	4,688,272	4,688,272	-	-
Revolving credits	14,250,000	14,250,000	14,250,000	-	-
Trade payables	5,655,505	5,655,505	5,655,505	-	-
Other payables and accruals	4,481,352	4,481,352	4,481,352	-	-
Bank overdraft	157,436	157,436	157,436	-	-
Amount owing to holding company:					
- interest-free	2,843,556	2,843,556	2,843,556	-	-
- interest bearing	29,040,000	38,701,002	3,906,308	14,386,642	20,408,052
Amount owing to related companies	6,034,439	6,034,439	6,034,439	-	-
	144,274,471	216,025,299	61,143,559	73,519,335	81,362,405

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) **Liquidity Risk (Cont'd)**

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

The Group	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 years RM
2022					
Non-derivative Financial Liabilities					
Hire purchase payables	2,201,718	2,435,854	842,804	1,593,050	-
Term loans	41,147,053	51,138,622	11,635,395	37,263,437	2,239,790
Trust receipts	4,415,638	4,415,638	4,415,638	-	-
Revolving credits	2,619,200	2,619,200	2,619,200	-	-
Trade payables	5,766,405	5,766,405	5,766,405	-	-
Other payables and accruals	7,820,568	7,820,568	7,820,568	-	-
Bank overdraft	142,296	142,296	142,296	-	-
Amount owing to holding company:					
- interest-free	1,421,264	1,421,264	1,421,264	-	-
- interest bearing	23,000,000	23,000,000	23,000,000	-	-
Amount owing to related companies	3,909,499	3,909,499	3,909,499	-	-
Derivative Financial Liabilities					
Forward currency contracts	138,500	138,500	138,500	-	-
	92,582,141	102,807,846	61,711,569	38,856,487	2,239,790

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

The Company	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 years RM
2023					
Non-derivative Financial Liabilities					
Hire purchase payables	444,831	490,588	111,084	379,504	-
Term loans	70,438,092	131,911,644	15,652,764	55,304,527	60,954,353
Trust receipts	3,632,535	3,632,535	3,632,535	-	-
Revolving credits	6,000,000	6,000,000	6,000,000	-	-
Trade payables	1,135,033	1,135,033	1,135,033	-	-
Other payables and accruals	3,481,201	3,481,201	3,481,201	-	-
Amount owing to holding company:					
- interest-free	2,747,555	2,747,555	2,747,555	-	-
- interest bearing	22,040,000	29,589,802	2,998,175	11,024,775	15,566,852
Amount owing to related companies	6,018,646	6,018,646	6,018,646	-	-
Financial guarantee contracts in relation to corporate guarantee given to a subsidiary	-	609,025	609,025	-	-
	115,937,893	185,616,029	42,386,018	66,708,806	76,521,205

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

The Company	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 years RM
2022					
Non-derivative Financial Liabilities					
Hire purchase payables	111,918	117,729	58,878	58,851	-
Term loans	41,147,053	51,138,622	11,635,395	37,263,437	2,239,790
Trust receipts	3,672,025	3,672,025	3,672,025	-	-
Trade payables	762,161	762,161	762,161	-	-
Other payables and accruals	6,977,827	6,977,827	6,977,827	-	-
Amount owing to holding company:					
- interest-free	1,319,906	1,319,906	1,319,906	-	-
- interest bearing	20,000,000	20,000,000	20,000,000	-	-
Amount owing to related companies	2,845,445	2,845,445	2,845,445	-	-
Financial guarantee contracts in relation to corporate guarantee given to a subsidiary	-	1,154,197	1,154,197	-	-
	76,836,335	87,987,912	48,425,834	37,322,288	2,239,790

The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiary at the end of the reporting period. The financial guarantees have not been recognised in the financial statements since their fair value on initial recognition were not material.

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.2 CAPITAL RISK MANAGEMENT

The Group and the Company manage their capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholder value. To achieve this objective, the Group and the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group and the Company manage their capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group and the Company include within net debt, loans and borrowings from financial institutions less cash and bank balances. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group and of the Company at the end of the reporting period are as follows:-

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Lease liabilities	2,497,739	-	-	-
Hire purchase payables	4,188,080	2,201,718	444,831	111,918
Term loans	70,438,092	41,147,053	70,438,092	41,147,053
Trust receipts	4,688,272	4,415,638	3,632,535	3,672,025
Revolving credits	14,250,000	2,619,200	6,000,000	-
Bank overdraft	157,436	142,296	-	-
	96,219,619	50,525,905	80,515,458	44,930,996
Less: Cash and cash equivalents	(12,767,718)	(14,520,062)	(2,708,548)	(8,498,608)
Net debt	83,451,901	36,005,843	77,806,910	36,432,388
Total equity	61,119,494	41,356,342	42,152,468	29,352,265
Debt-to-equity ratio	1.37	0.87	1.85	1.24

There was no change in the approach to capital management during the financial year. The Group and the Company are also required to comply with a loan covenant, failing which, the banks may call an event of default. The Group and the Company have complied with this requirement.

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Financial Asset				
Amortised Cost				
Trade receivables	33,769,490	18,622,280	-	-
Other receivables	37,203	103,409	14,653	19,603
Amount owing by subsidiaries	-	-	25,582,332	18,815,981
Amount owing by related companies	64,013	19,524	-	-
Fixed deposits with licensed banks	1,853,272	1,800,000	1,832,400	1,800,000
Cash and bank balances	17,375,843	18,258,685	7,159,237	12,094,935
	53,099,821	38,803,898	34,588,622	32,730,519
Financial Liabilities				
Fair Value Through Profit or Loss				
Derivative liabilities	-	138,500	-	-
Amortised Cost				
Hire purchase payables	4,188,080	2,201,718	444,831	111,918
Term loans	70,438,092	41,147,053	70,438,092	41,147,053
Trust receipts	4,688,272	4,415,638	3,632,535	3,672,025
Revolving credits	14,250,000	2,619,200	6,000,000	-
Trade payables	5,655,505	5,766,405	1,135,033	762,161
Other payables and accruals	4,481,352	7,820,568	3,481,201	6,977,827
Bank overdraft	157,436	142,296	-	-
Amount owing to holding company:				
- interest-free	2,843,556	1,421,264	2,747,555	1,319,906
- interest bearing	29,040,000	23,000,000	22,040,000	20,000,000
Amount owing to related companies	6,034,439	3,909,499	6,018,646	2,845,445
	141,776,732	92,443,641	115,937,893	76,836,335

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	The Group		The Company	
	2023	**2022**	**2023**	**2022**
	RM	RM	RM	RM
Financial Asset				
Amortised Cost				
Net gains/(losses) recognised in profit or loss	1,204,484	(551,637)	482,163	181,627
Financial Liabilities				
Fair Value Through Profit or Loss				
Net losses recognised in profit or loss by:				
- mandatorily required by MFRS 9	-	(138,500)	-	-
Amortised Cost				
Net losses recognised in profit or loss	(4,983,127)	(1,959,344)	(4,262,875)	(1,790,828)

11. AUDITED FINANCIAL STATEMENTS OF AGSB FOR THE FYE 31 DECEMBER 2023

37. FINANCIAL INSTRUMENTS (CONT'D)

37.5 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM	RM	RM
The Group								
2023								
<u>Financial Liabilities</u>								
Term loans:								
- floating rate	-	-	-	-	70,438,092	-	70,438,092	70,438,092
Hire purchase payables	-	-	-	-	4,179,733	-	4,179,733	4,188,080
Amount owing to holding company								
- interest-bearing loan	-	-	-	-	-	29,040,000	29,040,000	29,040,000

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.5 FAIR VALUE INFORMATION (CONT'D)

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period (Cont'd):-

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM	RM	RM
The Group								
2022								
Financial Liabilities								
Term loans:								
- fixed rate	-	-	-	-	804,518	-	804,518	806,865
- floating rate	-	-	-	-	40,340,188	-	40,340,188	40,340,188
Hire purchase payables	-	-	-	-	2,201,718	-	2,201,718	2,201,718
Derivative liabilities:								
- forward currency contracts	-	138,500	-	-	-	-	138,500	138,500

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.5 FAIR VALUE INFORMATION (CONT'D)

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period (Cont'd):-

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value				
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM	Total Fair Value RM	Carrying Amount RM
The Company								
2023								
Financial Liabilities								
Term loans:								
- floating rate	-	-	-	-	70,438,092	-	70,438,092	70,438,092
Hire purchase payables	-	-	-	-	446,084	-	446,084	444,831
Amount owing to holding company								
- interest-bearing loan	-	-	-	-	-	22,040,000	22,040,000	22,040,000
2022								
Financial Liabilities								
Term loans:								
- fixed rate	-	-	-	-	804,518	-	804,518	806,865
- floating rate	-	-	-	-	40,340,188	-	40,340,188	40,340,188
Hire purchase payables	-	-	-	-	111,918	-	111,918	111,918

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.5 FAIR VALUE INFORMATION (CONT'D)

(a) **Fair Value of Financial Instruments Carried at Fair Value**

In the previous financial year, the fair values of forward currency contracts are determined by discounting the difference between the contractual forward prices and the current forward prices for the residual maturity of the contracts using a risk-free interest rate.

(b) **Fair Value of Financial Instruments Not Carried at Fair Value**

(i) The fair value of the Group's and the Company's term loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.

(ii) The fair value of term loans and hire purchase payables that carry fixed interest rates are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	The Group		The Company	
	2023	2022	2023	2022
	%	%	%	%
Term loans (fixed rate)	-	6.54	-	6.54
Hire purchase payables (fixed rate)	4.25 - 7.60	5.36 - 5.97	4.25	5.36

(iii) The fair value of amount owing to holding company is calculated based on the present value of the projected repayment of loans.

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38. COMPARATIVE FIGURES

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

	The Group		The Company	
	As Previously Reported RM	As Restated RM	As Previously Reported RM	As Restated RM
Consolidated Statement of Profit or Loss (Extract):-				
Cost of sales	53,305,238	53,691,148	-	-
Administrative expenses	5,757,555	5,434,832	-	-
Other expenses	1,071,435	1,008,248	-	-
Consolidated Statement of Cash Flows (Extract):-				
Net cash from operating activities	15,616,302	10,682,308	13,024,963	8,090,969
Net cash for investing activities	(34,979,004)	(30,045,010)	(31,122,632)	(26,188,638)

1. SALE AND PURCHASE OF THE SALE SHARES

In consideration of the Purchase Consideration which shall be satisfied in accordance with the terms and conditions of the SSA, the Vendors as legal and beneficial owner shall sell and the Purchaser relying on the warranties and representations by the Vendors contained in the SSA shall purchase the Sale Shares free from any and all encumbrances and with all rights, benefits and advantages now or hereafter attaching thereto, including all bonuses, rights, dividends and distributions declared made and paid as from the Completion Date upon the terms and subject to the conditions set out in the SSA.

2. CONDITIONS PRECEDENT

2.1 The SSA and completion of the SSA is conditional on:

2.1.1 the Purchaser obtaining the approval of Bursa Securities for the listing and quotation of the Consideration Shares on the Main Market of Bursa Securities;

2.1.2 the Purchaser obtaining the approval of the non-interested shareholders of the Purchaser for the Proposed Acquisition; and

2.1.3 such other waivers, consents or approvals as may be required (or deemed necessary by the Parties) from any third party (including financial institution) or relevant governmental or regulatory body ("**Relevant Authorities**") necessary or appropriate to carry out the sale and purchase of the Sale Shares pursuant to the terms of the SSA having been obtained.

The date the last of the conditions precedent is fulfilled or otherwise waived by the Purchaser shall be the ("**Unconditional Date**").

2.2 In the event that any approvals or confirmation is subject to any conditions, variations or modifications ("**Adverse Condition**") which materially affects any Party ("**Affected Party**"), the Affected Party shall be entitled to give notice in writing of the same to the other Party within 2 business days (or such other extension of time as may be agreed upon by the Parties hereto) of the Affected Party being notified of such terms and conditions, failing which the Affected Party shall be deemed to have accepted such terms and conditions and such approval or waiver.

2.3 The Vendors and Purchaser shall work towards facilitating the satisfaction of the conditions precedent within 3 months from the date of the SSA, such term having an automatic extension for a further 3 months if the conditions precedent have not been fulfilled (hereinafter referred to as the ("**Cut-Off Date**"). Thereafter, all Parties may (before or on expiry of the Cut-Off Date) have an extension(s) of time as may be agreed between the Parties to comply with the conditions precedent. If the conditions precedent has not been fulfilled on the expiry of the Cut-Off Date or such extension of time agreed between the Parties, then either any of the Vendors or the Purchaser shall be entitled to rescind the SSA by serving a written notice to the other Party(ies) whereupon the Vendors shall refund all amounts received pursuant to the SSA (if any) within 14 business days from the receipt of the termination notice (or if the Vendors is the terminating party, then within 14 business days from the date of the termination notice) after which whereupon the SSA shall lapse and cease to have any further force or effect.

3. PAYMENT OF PURCHASE CONSIDERATION

3.1 The Purchase Consideration of **RM35,692,893.00** only shall be satisfied in the following manner:

i. the Cash Consideration comprising **RM10,079,482.00** only to be paid in cash by the Purchaser via cheque, bank draft or direct telegraphic transfer to the bank account of the Vendors in the proportion set out in the SSA; and

ii. **RM25,613,411.00** only to be fully satisfied by the allotment and issuance of 7,590,958 Consideration Shares at an issue price of RM3.3742 per Consideration Share to the Vendors in the proportion set out the SSA

Save for the obligation and liabilities in and arising from, pursuant to or in connection with the SSA, there are no other liabilities including contingent liabilities and/ or guarantees to be assumed by the Purchaser arising from the purchase of the Sale Shares.

4. COMPLETION

4.1 Completion shall take place on the Completion Date at the office of the Purchaser or such other place as the Parties mutually agree.

4.2 The completion of the SSA shall be subject to the following:

4.2.1 all the Sale Shares collectively being sold to the Purchaser;

4.2.2 that Parties have complied with all of their respective obligations under the SSA, including but not limited to such obligations set out in the SSA occurring post Completion Date, and the listing and quotation of the Consideration Shares on the Main Market of Bursa Securities. For this purpose, the Purchaser shall cause the Consideration Shares to be listed and quoted on the Main Market of Bursa Securities within 10 business days from the Completion Date or such other extended period as the Parties may mutually agree upon in writing;

4.2.3 that no breach of the SSA has occurred which has not been remedied or waived by the non-defaulting party;

4.2.4 the absence of pending or threatened injunctions, legal proceedings, claims, investigations or other matters prohibiting or adversely affecting the sale and purchase of the Sale Shares in accordance with the terms and conditions contained in the SSA or valuation ascribed to the Sale Shares;

4.2.5 the absence of any shares, stock, warrant, convertible notes or other securities in AGSB Group which is to be issued or divested or which is under option or agreed to be under option save as contemplated in the SSA; and

4.2.6 the absence of a material adverse change in the condition (financial or otherwise), business, properties, assets or prospects of each company within the AGSB Group.

4.3 At the Completion Date, the Vendors shall deliver or cause to be delivered to the Purchaser:

4.3.1 the resolution of the Board of Directors of AGSB approving the transfer and registration of the Sale Shares in favour of the Purchaser subject only to the transfers having been duly stamped;

4.3.2 the following documents ("**Stakeholder Documents**") (if not already deposited with the stakeholder appointed under the SSA ("**Documentation Stakeholder**")):

i. the original share certificates in respect of all the Sale Shares (if any);

ii. the instruments of transfer under Section 105 of the Act in respect of the Sale Shares duly executed by the Vendors as transferor in favour of the Purchaser as transferee ("**Transfer**");

iii. the resolution of the board of directors and shareholders of Palace Star approving the sale of the Sale Shares it owns to the Purchaser on terms and conditions of the SSA; and

iv. such documents as may be required to give good title to the Sale Shares and to enable the Purchaser to become the registered holder of the Sale Shares;

4.3.3 if required by the Purchaser, the resignation letter from the Vendors and all director(s) of the companies within the AGSB Group not nominated by the Purchaser as director(s) of the companies within the AGSB Group confirming they have no claims against the companies of the AGSB Group (including without limitation, for compensation for loss of office);

4.3.4 the certified true copies of the approvals or documents if required; and;

4.3.5 all books, records and property of the companies within the AGSB Group as may be held by the Vendors.

4.4 At the Completion Date, the Documentation Stakeholder is authorised to deliver the Stakeholder Documents to the Purchaser.

4.5 Against the delivery of the documents, the Purchaser shall:

4.5.1 pay the Cash Consideration via cheque, bank draft or direct telegraphic transfer to the bank account of the Vendors in the proportion set out in the SSA;

4.5.2 allot and issue the Consideration Shares directly into the securities account established by Bursa Depository for a depositor pursuant to the Securities Industry (Central Depositories) Act 1991 and the rules of the Bursa Depository for the recording of deposits of securities and dealings in such securities by the depositor ("**CDS Account**") of the Vendors in the proportion set out in the SSA; and

4.5.3 produce and deliver to the Vendors the certified copies of the approvals, shareholders resolutions and/ or documents if required.

5. BREACH/ TERMINATION

5.1 If the Purchaser shall fail to complete the sale and purchase of the Sale Shares in accordance with the SSA on Completion Date in the manner stipulated in the SSA and/ or breaches any of the terms and/ or its warranties under the SSA, then the Vendors shall be entitled to either:

i. claim for specific performance of the SSA and any such remedy as may be available under law; or

ii. if prior to the Completion Date, terminate the SSA and upon such termination, the Vendors shall immediately return all monies paid pursuant to the SSA (if any and free of interest) in exchange against the Purchaser paying to the Vendors all reasonable costs and expense incurred by the Vendors pursuant to the negotiation and preparation of the SSA and any incidental costs thereto, after which the Vendors shall have no other claims whatsoever against the Purchaser and the Vendors shall be entitled to sell or dispose of the Sale Shares freely to any other party or parties and the Documentation Stakeholder shall be authorised to return the Stakeholder Documents to the Vendors (and in respect of the Transfer, the Documentation Stakeholder shall be entitled to endorse the word "cancelled" written across before returning the same) upon receipt of a copy of the said termination notice from any Party and written instructions from the Vendors to release the Stakeholder Documents to the Vendors.

5.2 If any of the Vendors shall fail to complete the sale and purchase of the Sale Shares in accordance with the SSA on Completion Date in the manner stipulated in the SSA and/ or breaches any of the terms of the SSA or any Vendors' warranties, then the Purchaser shall be entitled to either:

i. claim for specific performance of the SSA and any such remedy as may be available under law; or

ii. if prior to the Completion Date, terminate the SSA and upon such termination, the Vendors shall immediately refund to the Purchaser all monies paid pursuant to the SSA (if any and free of interest) together with all reasonable costs and expenses incurred by the Purchaser pursuant to the negotiation and preparation of the SSA and any incidental costs thereto, after which the Purchaser shall have no other claims whatsoever against the Vendors and the Vendors shall be entitled to sell or dispose of the Sale Shares freely to any other party or parties and the Documentation Stakeholder shall be authorised to return the Stakeholder Documents to the Vendors (and in respect of the Transfer, the Documentation Stakeholder shall be entitled to endorse the word "cancelled" written across before returning the same) upon receipt of a copy of the said termination notice from any Party and written instructions from the Purchaser to release the Stakeholder Documents to the Vendors.

5.3 If for whatever reason after the Unconditional Date, the SSA cannot be completed due to any prohibition by any regulatory authority and/ or court not caused by any Party and no Consideration Shares have been issued, then any Party shall be entitled to terminate the SSA by giving written notice to the other Parties of the same, whereupon:

i. the Vendors shall refund and cause to be refunded to the Purchaser all monies paid towards the Purchase Consideration and amounts (if any) made by the Purchaser;

ii. the Documentation Stakeholder shall be authorised to return the Stakeholder Documents to the Vendors upon receipt of a copy of the said termination notice from any Party (and in respect of the Transfer, the Documentation Stakeholder shall be entitled to endorse the word "cancelled" written across before returning the same). Where any of the Transfer has been adjudicated, the Purchaser shall be entitled to cause the same to be cancelled before the return of such instruments of transfer to the Vendors; and

iii. the Parties shall undertake such necessary actions to reverse the transactions undertaken pursuant to the SSA,

after which the SSA shall lapse and cease to have any effect.

5.4 If the Vendor's breach of its obligations under the SSA is found after the Completion Date that any of the Vendors shall have breached his/ its obligations, the Purchaser shall be entitled to claim for specific performance in addition to any other remedies as may be available to the Purchaser under law and/ or equity, to take actions to reconcile and align the actual state of affairs as if the breach had not occurred and the Vendors shall indemnify and hold the Purchaser harmless against all costs, charges and expenses incurred or suffered by the Purchaser arising from such breach. For the avoidance of doubt, in the event the Purchaser fails to pay the Purchase Consideration, the Vendors' sole and exclusive remedy is for breach of the SSA and claim for debt owing, damages and/ or claim for specific performance for the issuance of the Consideration Shares without recourse to the Sale Shares.

6. REPRESENTATION AND WARRANTIES OF THE VENDORS

6.1 The Vendors jointly and severally represent and warrant to the Purchaser that the Vendors' warranties are true and accurate as of the date of the SSA and will continue to be true and accurate until and on the completion of the sale and purchase of the Sale Shares and acknowledge that the Purchaser, in entering into the SSA, is relying upon such Vendors' warranties.

6.2 The Vendors agree, covenant and undertake that to the extent permitted by law, the Vendors agree and shall procure entities, persons connected to him and any corporation in which he/ she controls, whether acting solely or jointly with or on behalf of any person, directly or indirectly, not to compete with the business of AGSB Group or distribute any brands and/ or products carried and/ or in competition with the brands and/ or products carried by AGSB Group for a period of 3 years from the Completion Date. Specifically, the Vendors shall not and shall procure any corporation in which it controls not to do nor permit any of the following to be done without the written consent of the Purchaser:

i. either solely or jointly with or on behalf of any person directly or indirectly carry on or be engaged or interested in any trade or business substantially similar or relating to the business of AGSB Group within Malaysia;

ii. have any interest, whether directly or indirectly (including as a shareholder in any joint venture holding) which, when aggregated shareholdings constitute more than 10% of the issued shares of any entity that may be engaged or interested in a business competing with AGSB Group within Malaysia;

iii. solicit any person or company who is or has been at any time during the above 3 year period a customer of AGSB Group for the purpose of offering to such customer the same or similar goods as those offered by AGSB Group;

iv. solicit or entice away any supplier of AGSB Group;

v. solicit or entice away any director or employee of AGSB Group;

vi. disclose any information concerning the intellectual property, business, accounts or finances of AGSB Group or any of their clients' or customers' transactions or affairs of which they have knowledge; and

vii. cause or permit any person directly or indirectly under its control to do any of the foregoing acts or things.

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. CONSENT

UOBKH, being the Principal Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

MainStreet, being the Independent Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all reference thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

UOBKH and MainStreet have given their written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to their respective roles as the Principal Adviser and Independent Adviser to KGB for the Proposed Acquisition, respectively.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, as at the LPD, KGB Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and has no knowledge of any proceedings pending or threatened against KGB Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect KGB Group's financial position or business:-

i. Arbitration proceedings by Kelington Technologies Sdn Bhd ("**KTSB**"), a wholly-owned subsidiary of KGB, against JCT Industries Group Sdn Bhd ("**JCT**"):-

In August 2022, KTSB commenced an arbitration in Malaysia against JCT which has been registered under ADM/ARB/36-857/2022 ("**Arbitration**"). KTSB's claim against JCT is premised on, amongst others, outstanding payment towards the certified sum of works done amounting to RM6,272,033.97.

On 22 April 2024, KTSB served a statement of case ("**SOC**") to JCT pursuant to Pertubuhan Artitek Malaysia Rules 2019 (PAM Rules 2019) to, amongst others, seek payment of the claimed sum of RM6,272,033.97. On 18 July 2024, JCT served a Defence to KTSB ("**Defence**") to amongst others, deny KTSB's claims in the SOC and state that the claimed sum of RM6,272,033.97 is imposed and/or set-off against KTSB's imposition of liquidated damages ("**LAD**") of the same sum therefore there are no further sums due and outstanding to KTSB, which KTSB denies.

On 12 August 2024, KTSB had served a Reply to Defence to JCT to, amongst others, deny JCT's Defence by stating that JCT is not entited to imposed LAD and maintain the positions advanced and reliefs sought for in KTSB's SOC. Following this, the parties will proceed to prepare and exchange bundle of documents to substantiate parties' respective assertions/ positions presented in the Arbitration.

In the event the tribunal awards in favour of KTSB, KTSB would be entitled to the following, amongst others:-

a. claimed sum of RM6,272,033.97;

b. interest in the sum of RM2,210,138.86;

c. further interest from the date of the SOC until the award if rendered by the tribunal; and

d. further interest from the date of the award until full and final settlement.

On 22 August 2024, the arbitrator has infomed KTSB and JCT ("**Parties**") to apply for another arbitrator to take over conduct of this Arbitration owing to the arbitrator's health condition. Accordingly, the Parties have requested Pertubuhan Arkitek Malaysia ("**PAM**") to appoint another arbitrator to take over conduct of this matter and parties are awaiting a decision from PAM on the same.

The Board is of the opinion that KTSB has an even chance in this Arbitration.

ii. Legal proceedings by Kelington Group Berhad - Taiwan Branch ("**KTW**") against Hui Neng Mechanical & Electrical Engineering Co ("**Hui Neng**"):-

On 26 February 2015, Hui Neng was appointed by KTW to perform project works for a project in Taiwan. KTW had paid a downpayment amounting to NTD36,000,000 (equivalent to RM4,571,245) upon commencement of the project. However, in carrying out the project works, Hui Neng did not fulfill certain obligations under the contract. On 18 September 2015, KTW received a statement of claim from Hui Neng for progrees claims amounting to NTD1,182,924 (equivalent to RM150,206). KTW terminated the contract with Hui Neng and filed a counterclaim on 17 December 2015 to recover the NTD36,000,000 which was paid as a downpayment.

On 29 June 2016, the judge decided in favour of KTW and allowed KTW'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 submitted an appeal to the court and on 12 September 2018, the High Court of Taiwan delivered its decision and ordered that Hui Neng shall pay KTW the sum of NTD29,328,814 (equivalent to RM3,946,129) plus interest of 5% per annum since 10 October 2015.

On 11 January 2021, KTW 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 judgement made on 12 September 2018 was set aside except for the provisional execution, and that the case shall be re-submited to the High Court of Taiwan in Kaohsiung.

On 8 May 2024, the High Court of Taiwan delivered its decision and ordered that Hui Neng shall pay KTW the sum of NTD28,067,575 (approximately RM4,108,279), plus an interest of 5% per annum thereon since 11 August 2018. Hui Neng is currently appealing against the decision of the High Court of Taiwan and the matter is ongoing. KTW has replied to Hui Neng's claim and the matter is currently pending decision from court.

The Board is of the opinion that KTW has an even chance in this legal proceeding.

5. MATERIAL COMMITMENTS

Save as disclose below, as at 31 August 2024, the Board is not aware of any material commitments incurred or known to be incurred by KGB Group that has not been provided for which, upon becoming enforceable, may have a material impact on KGB Group's financial results/ position:-

Material commitments of KGB Group	RM'000
Purchase of plant and equipment	20,796

6. CONTINGENT LIABILITIES

Save for the obligation and liabilities stated in and arising from, pursuant to or in connection with the SSA, as at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on KGB Group's financial results/ position.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at Level 13, Menara 1 Sentrum, 201, Jalan Tun Sambanthan, Brickfields, 50470 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur during the normal business hours from Monday to Friday (except public holidays) from the date of this Circular up to the time stipulated for the holding of the EGM:-

i. Constitution of KGB and AGSB;

ii. Audited consolidated financial statements of KGB Group for the past 2 financial years up to the FYE 31 December 2023 and the latest unaudited statement of KGB for the 6-month FPE 30 June 2024;

iii. Audited financial statements of AGSB for the past 2 financial years up to the FYE 31 December 2023;

iv. The SSA as referred to in **Appendix II** of this Circular;

v. Letters of consent and declaration of conflict of interest referred to in **Sections 2 and 3** above, and

vi. Relevant cause papers in respect of the material litigations of KGB Group as referred to in **Section 4** above.

KELINGTON GROUP BERHAD
(Registration No.: 199901026486 (501386-P))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("**EGM**") of Kelington Group Berhad ("**KGB**" or the "**Company**") will be conducted fully virtual from the Broadcast Venue at Lot 9-11, Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur on Wednesday, 23 October 2024 at 10:00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications the following resolution:-

ORDINARY RESOLUTION

PROPOSED ACQUISITION OF THE REMAINING 9.29% EQUITY INTEREST IN ACE GASES SDN BHD FOR A PURCHASE CONSIDERATION OF RM35,692,893 TO BE SATISFIED VIA A COMBINATION OF RM10,079,482 IN CASH AND RM25,613,411 VIA THE ISSUANCE OF 7,590,958 NEW ORDINARY SHARES IN KGB ("KGB SHARE(S)" OR "SHARE(S)") ("CONSIDERATION SHARE(S)") AT AN ISSUE PRICE OF RM3.3742 PER SHARE ("PROPOSED ACQUISITION")

"**THAT**, subject to the conditions precedent stipulated under the conditional shares sale agreement dated 29 July 2024 ("**SSA**") between KGB and Palace Star Sdn Bhd, Chong Ann Tsun and Alan Lim Chui Boon (collectively, the "**Vendors**") in respect of the Proposed Acquisition being fulfilled or waived, approval be and is hereby given to the Company to acquire the 2,539,000 ordinary shares in AGSB, representing 9.29% equity interest in AGSB ("**Sale Shares**") for a purchase consideration of RM35,692,893 to be satisfied via RM10,079,482 in cash and the issuance of 7,590,958 Consideration Shares, based on the terms and conditions contained in SSA.

The Purchase Consideration shall be satisfied in the following manner:-

i. RM10,079,482 in cash; and

ii. RM25,613,411 via the issuance and allotment of 7,590,958 Consideration Shares at an issue price of RM3.3742 per Consideration Share.

THAT the execution by the Board of Directors of KGB ("**Board**") and the performance of its obligations under the SSA be and is hereby approved and ratified.

THAT the pre-emptive right of the existing shareholders to be offered with Consideration Shares in proportion to their shareholding in KGB pursuant to Section 85 of the Companies Act 2016 ("**Act**") and Clause 54 of the Constitution of KGB be and is hereby waived in respect of the issuance and allotment of the Consideration Shares to be issued pursuant to the Proposed Acquisition AND THAT the Board be exempted from the obligation to first offer such Consideration Shares to the existing shareholders of the Company in respect of the issuance and allotment of the Consideration Shares pursuant to the Proposed Acquisition, which will consequently result in a dilution of the shareholders' shareholdings in the Company.

THAT approval be and is hereby given to the Board to issue and allot 7,590,958 Consideration Shares at an issue price of RM3.3742 per share credited as fully paid-up upon such terms and conditions as set out in the SSA for the Proposed Acquisition.

THAT such Consideration Shares to be issued pursuant to the Proposed Acquisition shall, upon allotment and issuance, rank equally in all respects with the existing KGB Shares, save and except that the Consideration Shares will not be entitled to any dividends, rights, allotment and/ or other forms of distributions where the entitlement date of such dividends, rights, allotments and/ or any other forms of distribution precedes the date of allotment and issuance of the Consideration Shares.

AND THAT the Board be and is hereby authorised and empowered to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company, all such agreements, arrangements and documents as the Board may deem fit, necessary, expedient and/ or appropriate in order to implement, finalise, give full effect to and complete the Proposed Acquisition (including without limitation, to delegate such authority to designated officer(s)), with full powers to assent to and/ or accept any conditions, variations, modifications and/ or amendments in any manner as may be imposed or permitted by any relevant authorities and/ or parties and/ or as the Board may deem fit in connection with the Proposed Acquisition in the best interest of the Company."

By Order of the Board

TEO MEE HUI (SSM PC No. 202008001081 & MAICSA 7050642)
TAN BEE HWA (SSM PC No. 202008001174 & MAICSA 7058049)

Company Secretaries

Kuala Lumpur
8 October 2024

Notes:

1. *The EGM will be conducted fully virtual through live streaming and online remote voting via the Remote Participation and Voting ("**RPV**") facilities to be provided by Dvote Services Sdn Bhd via its online website at https://www.dvote.my. Please follow the procedures provided in the Administrative Details for the EGM in order to register, participate and vote remotely via the RPV facilities.*

2. *The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 and Clause 59 of the Company's Constitution which require the Chairman of the EGM to be present at the main venue of the EGM. Members/proxies will not be allowed to be physically present at the Broadcast Venue.*

3. *A member may appoint up to two (2) proxies to attend, participate, speak and vote at the EGM. If a member appoints more than one (1) proxy, he shall specify the proportions of his holdings to be represented by each proxy, failing which the appointment shall be invalid. A proxy may, but need not, be a member of KGB and there shall be no restriction as to the qualification of the proxy.*

4. *The instrument appointing a proxy shall be in writing, under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.*

5. *Where a member of KGB is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("**SICDA**"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of KGB standing to the credit of the said securities account.*

6. *Where a member of KGB is an exempt authorised nominee which holds ordinary shares in KGB for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.*

7. *The appointment of proxy may be made in hard copy or in electronic form. The instrument appointing a proxy must be submitted in the following manners, at least forty-eight (48) hours before the time for holding the EGM or any adjournment thereof:-*

   (i) In hard copy form
   To be deposited at the Poll Administrator's office situated at Lot 9-7, Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur; or

   (ii) By electronic means
   To be sent via e-mail to dvoteservice@gmail.com

8. *For the purpose of determining who shall be entitled to attend this EGM, KGB shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to KGB pursuant to Clause 62 of the Constitution of KGB, a Record of Depositors as at 14 October 2024 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this EGM.*

KELINGTON GROUP BERHAD
(Registration No.: 199901026486 (501386-P))
(Incorporated in Malaysia)

FORM OF PROXY

No. of Shares Held	CDS Account No.

*I/We ....

*NRIC No. / Passport No. / Company No………....………………………………..of ……………..…………..…………

…………………………………………………………………………………………, Contact No……………………….…….

, being a Member(s) of **KELINGTON GROUP BERHAD** (Registration No. 199901026486 (501386-P)), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)
***And/or (delete as appropriate)**			

or failing him/her, #THE CHAIRMAN OF THE EXTRAORDINARY GENERAL MEETING ("**EGM**") of Kelington Group Berhad ("**KGB**") as *my/our proxy to vote for *me/us on *my/our behalf at the EGM to be conducted fully virtual from the Broadcast Venue at Lot 9-11, Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur on Wednesday, 23 October 2024 at 10:00 a.m. or at any adjournment thereof and to vote as indicated below:-

Ordinary Resolution		For	Against
1.	**PROPOSED ACQUISITION**		

Mark either box if you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two proxies and wish them to vote differently this should be specified.

 # If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "The Chairman of the EGM" and insert the name(s) of the person(s) desired.
** Delete if not applicable.*

Signed this………………day of………………2024

………………………………………………...
Signature / Common Seal of Shareholder

Notes:

1. *The EGM will be conducted fully virtual through live streaming and online remote voting via the Remote Participation and Voting ("**RPV**") facilities to be provided by Dvote Services Sdn Bhd via its online website at https://www.dvote.my. Please follow the procedures provided in the Administrative Details for the EGM in order to register, participate and vote remotely via the RPV facilities.*

2. *The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 and Clause 59 of the Company's Constitution which require the Chairman of the EGM to be present at the main venue of the EGM. Members/proxies will not be allowed to be physically present at the Broadcast Venue.*

3. *A member may appoint up to two (2) proxies to attend, participate, speak and vote at the EGM. If a member appoints more than one (1) proxy, he shall specify the proportions of his holdings to be represented by each proxy, failing which the appointment shall be invalid. A proxy may, but need not, be a member of KGB and there shall be no restriction as to the qualification of the proxy.*

4. *The instrument appointing a proxy shall be in writing, under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.*

5. *Where a member of KGB is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("**SICDA**"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of KGB standing to the credit of the said securities account.*

6. *Where a member of KGB is an exempt authorised nominee which holds ordinary shares in KGB for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.*

7. *The appointment of proxy may be made in hard copy or in electronic form. The instrument appointing a proxy must be submitted in the following manners, at least forty-eight (48) hours before the time for holding the EGM or any adjournment thereof:-*

   (i) <u>In hard copy form</u>
   To be deposited at the Poll Administrator's office situated at at Lot 9-7, Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur; or

   (ii) <u>By electronic means</u>
   To be sent via e-mail to dvoteservice@gmail.com

8. *For the purpose of determining who shall be entitled to attend this EGM, KGB shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to KGB pursuant to Clause 62 of the Constitution of KGB, a Record of Depositors as at 14 October 2024 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this EGM.*

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AFFIX
STAMP

The Poll Administrator
DVOTE SERVICES SDN BHD
Lot 9-7, Menara Sentral Vista,
No.150, Jalan Sultan Abdul Samad,
Brickfields, 50470 Kuala Lumpur

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