



KELINGTON GROUP BERHAD

[Registration No. 199901026486 (501386-P)]

("KGB", "the Company" or "the Group")

**Interim Financial Statements
Second Quarter Results
For the Financial period ended
30 June 2025**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 2ND QUARTER ENDED 30 JUNE 2025**

The unaudited financial results of Kelington Group Berhad and its subsidiaries (the "Group") for the period ended 30 June 2025 are as follow:-

		Unaudited	Unaudited			Unaudited	Unaudited		
		Current	Previous			6-months	6-months		
		Qtr Ended	Qtr Ended	+		Period	Period	+	
		30.06.2025	30.06.2024	-		up to	up to	-	
Note		RM'000	RM'000	%		30.06.2025	30.06.2024	%	
						RM'000	RM'000		
Revenue		282,021	321,206	-	12	552,304	660,485	-	16
Cost of sales		(217,071)	(265,736)			(438,788)	(552,081)		
Gross profit		64,950	55,470	+	17	113,516	108,404	+	5
Other income		3,081	1,406			5,129	2,398		
		68,031	56,876			118,645	110,802		
Administrative expenses		(20,943)	(17,573)			(33,514)	(32,825)		
Selling and distribution expenses		(1,125)	(973)			(2,039)	(1,824)		
Other expenses		(2,235)	(3,040)			(5,079)	(5,741)		
Finance costs		(2,166)	(2,375)			(4,320)	(4,772)		
Net reversal of impairment losses on financial assets		(222)	1,922			1,857	1,922		
Profit before taxation		41,340	34,837	+	19	75,550	67,562	+	12
Income tax expense	B5	(8,455)	(7,667)			(16,023)	(14,749)		
Profit after taxation		32,885	27,170	+	21	59,527	52,813	+	13
Other comprehensive (expense)/income									
Foreign currency translation differences		(4,181)	(486)			(3,391)	1,198		
		(4,181)	(486)			(3,391)	1,198		
Total comprehensive income for the period		28,704	26,684			56,136	54,011		
Profit after taxation attributable to:									
Shareholders of the Company		32,886	26,668	+	23	59,532	51,490	+	16
Non-controlling interests		(1)	502			(5)	1,323		
Profit after taxation for the financial period		32,885	27,170	+	21	59,527	52,813	+	13
Total comprehensive income attributable to:									
Shareholders of the Company		28,703	26,182			56,141	52,685		
Non-controlling interests		1	502			(5)	1,326		
Total comprehensive income for the period		28,704	26,684			56,136	54,011		
Basic earnings per ordinary share (sen):									
Basic earnings per share (sen)	B11	4.51	3.99			8.22	7.81		
Diluted earnings per share (sen)	B11	4.07	3.50			7.37	6.78		

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with KGB's audited consolidated financial statements for the financial year ended 31 December 2024 and the accompanying explanatory notes enclosed to the interim financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2025

	Note	Unaudited As At 30.06.2025 RM'000	Audited As At 31.12.2024 RM'000
ASSETS			
Non-current assets			
Property, plant & equipment		208,342	209,059
Goodwill on consolidation		6,859	6,826
Deferred tax assets		2,110	2,280
Right-of-use assets		4,620	5,068
		<u>221,931</u>	<u>223,233</u>
Current assets			
Inventories		15,529	19,787
Contract assets		201,934	150,909
Trade receivables		225,719	299,388
Other receivables, deposits and prepayments		31,228	41,964
Derivative assets	B7	-	-
Current tax assets		5,148	1,790
Fixed deposits with licensed banks		244,339	210,136
Cash and bank balances		278,063	202,978
		<u>1,001,960</u>	<u>926,952</u>
TOTAL ASSETS		<u>1,223,891</u>	<u>1,150,185</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		226,422	183,981
Retained earnings		266,276	239,788
Other reserve		46,879	50,063
Treasury share		(534)	(534)
Total Equity attributable to Shareholders of the Company		<u>539,043</u>	<u>473,298</u>
Non-controlling interests		46	51
Total Equity		<u>539,089</u>	<u>473,349</u>
Non-current liabilities			
Deferred tax liabilities		13,394	10,902
Lease liabilities	B8 (a)	1,778	1,721
Hire purchase payables	B8 (b)	4,100	4,129
Long term borrowings	B8 (b)	75,221	74,531
		<u>94,493</u>	<u>91,283</u>
Current liabilities			
Contract liabilities		229,907	222,360
Trade payables		184,125	188,978
Other payables and accruals		43,693	57,607
Derivative liabilities	B7	22	-
Lease liabilities	B8 (a)	2,025	2,491
Current tax liabilities		14,376	11,710
Dividend payable		18,387	-
Short term borrowings	B8 (b)	97,763	102,397
Bank overdraft	B8 (b)	11	10
		<u>590,309</u>	<u>585,553</u>
Total liabilities		<u>684,802</u>	<u>676,836</u>
TOTAL EQUITY AND LIABILITIES		<u>1,223,891</u>	<u>1,150,185</u>
Net Assets Per Share Attributable to ordinary Equity holders of the company (RM)		0.7197	0.6590

The Statement of Financial Position should be read in conjunction with the audited consolidated financial statements of KGB for the financial year ended 31 December 2024 and the accompanying explanatory notes enclosed to the interim financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE 2ND QUARTER ENDED 30 JUNE 2025**

	<-----Attributable to Equity Holders of the Company----->								
	<-----Non Distributable----->			Distributable					Total
	Share Capital RM'000	Treasury Share RM'000	Capital Reserve RM'000	Employee Share Scheme Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interest RM'000	Equity RM'000
As at 1 January 2025	183,981	(534)	40,314	3,895	5,854	239,788	473,298	51	473,349
Profit after taxation for the financial period	-	-	-	-	-	59,532	59,532	(5)	59,527
Other comprehensive expense:									
- Foreign currency translation differences	-	-	-	-	(3,391)	-	(3,391)	-	(3,391)
Total comprehensive income for the financial period	-	-	-	-	(3,391)	59,532	56,141	(5)	56,136
Contributions by and distribution to owners of the company:									
- Dividends		-	-	-	-	(32,837)	(32,837)	-	(32,837)
- Warrants exercised	42,441	-	-	-	-	-	42,441	-	42,441
- Transfer of non-distributable safety production reserve funds by a subsidiary		-	207	-	-	(207)	-	-	-
Total recognised income and expense for the period	42,441	-	207	-	-	(33,044)	9,604	-	9,604
As at 30 June 2025	226,422	(534)	40,521	3,895	2,463	266,276	539,043	46	539,089
As at 1 January 2024	73,792	(534)	38,427	4,697	13,193	203,021	332,596	5,796	338,392
Profit after taxation for the financial year	-	-	-	-	-	51,490	51,490	1,323	52,813
Other comprehensive income:									
- Foreign currency translation differences	-	-	-	-	1,195	-	1,195	3	1,198
Total comprehensive income for the financial period	-	-	-	-	1,195	51,490	52,685	1,326	54,011
Contributions by and distribution to owners of the company:									
- Employees' share scheme vested	723	-	-	(723)	-	-	-	-	-
- Dividends payable for the period	-	-	-	-	-	(30,038)	(30,038)	-	(30,038)
- Warrants exercised	40,435	-	-	-	-	-	40,435	-	40,435
- Transfer of non-distributable safety production reserve funds by a subsidiary		-	745	-	-	-	745	-	745
Total contributions by and distributions to owners of the Company	41,158	-	745	(723)	-	(30,038)	11,142	-	11,142
As at 30 June 2024	114,950	(534)	39,172	3,974	14,388	224,473	396,423	7,122	403,545

The Statements of Changes in Equity should be read in conjunction with KGB's audited consolidated financial statements for the financial year ended 31 December 2024 and the accompanying explanatory notes enclosed to the interim financial statements.

STATEMENT OF CASH FLOWS
FOR THE 2ND QUARTER ENDED 30 JUNE 2025

	Unaudited 6-Months Ended 30.06.2025 RM'000	Unaudited 6-Months Ended 30.06.2024 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	75,550	67,562
Adjustments for:-		
Depreciation of property, plant and equipment	6,088	4,865
Depreciation of right-of-use assets	1,850	2,366
Property, plant and equipment written off	-	6
Impairment loss on trade receivables	1,322	-
Interest expense	4,320	4,772
Interest income	(4,096)	(1,957)
Loss on disposal of property, plant and equipment	165	-
Fair value loss/ (gain) on derivatives	22	(434)
Reversal of provision for unutilised leaves	(327)	-
Addition of provision of warranty costs	13	-
Safety production reserve fund	-	745
Writeback of impairment loss on trade receivables	(3,179)	(1,922)
Unrealised (gain)/ loss on foreign exchange	(616)	488
Operating profit before working capital changes	81,112	76,491
Decrease in inventory	3,545	4,685
Changes in net of contract assets /contract liabilities	(48,298)	(101,176)
Decrease in trade and other receivables	85,528	131,604
Decrease in trade and other payables	(14,514)	(31,758)
CASH FROM OPERATIONS	107,373	79,846
Income tax paid	(14,134)	(14,827)
Interest paid	-	(39)
Interest received	4,096	1,957
NET CASH FROM OPERATING ACTIVITIES	97,335	66,937
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of plant and equipments	(5,733)	(19,039)
Proceeds from disposal of property, plant and equipments	145	-
Addition of fixed deposits with tenure more than 3 months	(5,077)	-
NET CASH FOR INVESTING ACTIVITIES	(10,665)	(19,039)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(14,451)	(16,605)
Interest paid	(4,320)	(4,733)
Net repayment of borrowings and lease liabilities	(3,695)	(986)
Proceeds from exercise of warrants	42,441	40,435
Net increase in pledged fixed deposits and bank balances	4,881	1,258
NET CASH FROM FINANCING ACTIVITIES	24,856	19,369
NET INCREASE IN CASH AND CASH EQUIVALENTS	111,526	67,267
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2,434)	873
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	357,434	237,322
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	466,526	305,462

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

Cash and bank balances	278,063	210,763
Fixed deposits	244,339	123,320
	522,402	334,083
Less: bank overdraft	(11)	(186)
Less: fixed deposits pledged to licensed banks	(18,760)	(22,987)
Less: bank balance pledged to licensed banks	(7,105)	(5,448)
Less: fixed deposits with tenure of more than 3 months	(30,000)	-
	466,526	305,462

The Statement of Cash Flows should be read in conjunction with the audited consolidated financial statements of KGB for the year ended 31 December 2024 and the accompanying explanatory notes enclosed to the interim financial statements.

**EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE 2ND QUARTER ENDED 30 JUNE 2025**

A. Explanatory Notes Pursuant to MFRS 134

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 : Interim Financial Reporting and in accordance to the requirements of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Malaysia**").

The interim financial statements should be read in conjunction with KGB's audited consolidated financial statements for the financial year ended ("**FYE**") 31 December 2024. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2024.

The accounting policies and methods of presentation and computation adopted in this interim financial report are consistent with those adopted in the most recent annual financial statements for the FYE 31 December 2024. The new, revised and amended MFRS and IC Interpretations, which are effective for the financial periods beginning on January 1, 2025, did not have any material impact on the financial results of the Group.

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective date
Amendments to MFRS 9 and MFRS 7: Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to MFRS Accounting Standards – Volume 11	1 January 2026
Amendments to MFRS 9 and MFRS 7: Contracts Referencing Nature-dependent Electricity	1 January 2026
MFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
MFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027

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

A2. Status of Audit Qualification

There were no audit qualification to the annual audited financial statements of the Group for the FYE 31 December 2024.

A3. Segmental Information

(a) Business Segment

The Group is organised into 2 main reportable segments as follows:

- (i) Engineering segment -
 - (1) involved in the provision of engineering services and construction activities;
 - (2) manufacturing and trading of engineering equipments and materials for contracts;
- (ii) Industrial gases segment -
 - involved in the manufacturing and trading of industrial and specialty gases, facility fee and leasing of tanks.
 - Also undertaking project-related activities associated with industrial gases.

Engineering segment		Industrial Gases Segment	The Group
Construction activities	Equipments & materials		
RM'000	RM'000	RM'000	RM'000

30.06.2025

Revenue

External revenue	485,999	3,755	62,550	552,304
Inter-segment revenue	3,166	9,241	70	12,477

	489,165	12,996	62,620	564,781
--	---------	--------	--------	---------

Consolidated Adjustments				(12,477)
				<u>552,304</u>

**EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE 2ND QUARTER ENDED 30 JUNE 2025**

A3. Segmental Information (Cont'd)

(a) Business Segment (Cont'd)

Engineering segment		Industrial Gases Segment	The Group
Construction activities	Equipments & materials		
RM'000	RM'000	RM'000	RM'000

30.06.2024

Revenue

External revenue	579,501	24	80,960	660,485
Inter-segment revenue	5,222	31,093	193	36,508
	584,723	31,117	81,153	696,993

Consolidated Adjustments				(36,508)
				660,485

(b) Geographical information

Revenue is based on the country in which the customers are located. Non-current assets are determined according to the country where these assets are located. The amounts of non-current assets do not include goodwill and deferred tax assets.

	Revenue		Non-current Assets	
	30.06.2025 RM'000	30.06.2024 RM'000	30.06.2025 RM'000	30.06.2024 RM'000
Malaysia	189,163	275,707	200,361	183,811
China	158,539	205,092	3,882	5,392
Singapore	175,700	153,201	8,705	19,223
Taiwan	10,876	8,215	14	29
Others	18,026	18,270	-	-
	552,304	660,485	212,962	208,455

A4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 30 June 2025.

A5. Material Changes in Estimates

There were no material changes in estimates used in the preparation of the financial statements in the current financial quarter as compared with the previous financial quarters or financial year.

A6. Seasonal or Cyclical Factors

The interim operations of the Group were not affected by any significant seasonal or cyclical factors during the quarter under review.

A7. Dividends Paid

On 11 April 2025, KGB had paid the fourth interim tax-exempt dividend of 2 sen per ordinary share in respect of the FYE 31 December 2024 amounting to RM14,451,547.

A8. Valuation of Property, Plant and Equipment

Property, plant and equipment of the Group were not revalued during the current quarter under review. As at 30 June 2025, all the property, plant and equipment were stated at cost less accumulated depreciation.

**EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE 2ND QUARTER ENDED 30 JUNE 2025**

A9. Movement of Debt And Equity Securities

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

Exercise of Warrants

During the quarter under review, KGB issued 24,223,077 new ordinary shares from the exercise of Warrants 2021/2026 at the exercise price of RM1.38 which amounted to RM33,427,846.

A10. Changes in Composition of the Group

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

On 10 June 2025, the Group incorporated a wholly-owned subsidiary in Japan under the name Kelington Engineering (Japan) K.K. The subsidiary was established with an issued and paid-up share capital of JPY 40,000,000, comprising 40,000 ordinary shares. The entire equity interest is 100% owned by Kelington Engineering (S) Pte Ltd, which is a wholly-owned subsidiary of the Group.

A11. Discontinued Operation

There were no discontinued operations within the activities of the Group for the quarter under review.

A12. Capital Commitments

Saved as disclosed in the following, there were no capital commitments for the purchase of any property, plant and equipment or any other expenses that were not accounted for in the financial statements of the current quarter under review.

	As at 30.06.2025
	RM'000
Purchase of plant & equipment	<u>8,443</u>

A13. Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities and contingent assets as at 30 June 2025.

A14. Material Subsequent Events

Saved as disclosed in note 10 of part B, there has been no material subsequent events after the quarter ended 30 June 2025.

**EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE 2ND QUARTER ENDED 30 JUNE 2025**

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

B1 Review Of Performance

	Current Year Quarter 30.06.2025 RM'000	Preceding Year Corresponding Quarter 30.06.2024 RM'000	Changes		Current Year-to-date 30.06.2025 RM'000	Preceding Year Corresponding Period 30.06.2024 RM'000	Changes	
			Amount RM'000	%			Amount RM'000	%
Revenue	282,021	321,206	(39,185)	-12%	552,304	660,485	(108,181)	-16%
Profit before tax ("PBT")	41,340	34,837	6,503	19%	75,550	67,562	7,988	12%
Profit after tax ("PAT")	32,885	27,170	5,715	21%	59,527	52,813	6,714	13%
Profit attributable to shareholders of the company	32,886	26,668	6,218	23%	59,532	51,490	8,042	16%

(a) Current Quarter vs. Previous Year Corresponding Quarter

	Revenue 2Q2025 30.06.2025 RM'000	% of total		Revenue 2Q2024 30.06.2024 RM'000	% of total	Changes
						%
- Advanced Engineering (Ultra High Purity)	185,039	66%		220,441	69%	-16%
- Process Engineering	16,614	6%		17,421	5%	-5%
- General Contracting	53,301	19%		49,945	16%	7%
- Equipments and materials	3,963	1%		14,966	5%	-74%
Industrial gases segment	29,035	10%		36,877	11%	-21%
Consolidated Adjustments	(5,931)			(18,444)		
Total	282,021			321,206		-12%
	-			-		

Kelington's revenue declined by 12% year-on-year to RM282.0 million in 2Q2025. Despite lower revenue, PBT rose by 19% to RM41.3 million, driven by better project mix with higher profit margins. Given the strong pipeline of opportunities, the Group was able to be more selective in pursuing higher-margin projects.

The lower revenue was primarily due to weaker contributions from Malaysia (-12%) and China (-43%), stemming from timing differences in revenue recognition for engineering-related projects and reduced contribution from the industrial gas segment. This was partially offset by stronger revenue performance in Singapore (+21%) driven by stronger contributions from Advanced Engineering projects.

By business segment, Advanced Engineering division continued to be the Group's main revenue contributor, representing 66% of total revenue in 2Q2025. This division remains as the key strategic focus, with several projects successfully completed in Singapore during the quarter.

The Process Engineering division reported a slight 5% decline in revenue compared to the same period in 2024 due to the near completion of a process engineering project in Malaysia.

Revenue from the General Contracting division rose by 7% to RM53.3 million in 2Q2025, driven by contributions from newly awarded projects in Malaysia that commenced during the quarter.

Revenue from the Industrial Gases division decreased by 21%. While sales of liquid carbon dioxide (LCO₂) remained stable, the overall decrease was mainly due to lower demand for certain specialty gases and a decrease in project-related activities within the division.

**EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE 2ND QUARTER ENDED 30 JUNE 2025**

B1 Review Of Performance (Cont'd)

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

	Revenue 6M2025 RM'000	% of total		Revenue 6M2024 RM'000	% of total	Changes
Advanced Engineering (Ultra High Purity)	384,535	70%		425,959	64%	-10%
Engineering segment - Process Engineering	25,759	5%		38,778	6%	-34%
- General Contracting	78,871	14%		119,986	18%	-34%
- Equipments and materials	12,996	2%		31,117	5%	-58%
Industrial gases segment	62,620	11%		81,153	12%	-23%
Consolidated Adjustments	(12,477)	-2%		(36,508)	-6%	
Total	552,304			660,485		-16%
	-			-		

In 6M2025, Group revenue declined by 16% to RM552.3 million as compared to the corresponding period in the previous year. However, PBT notably rose by 12% to RM75.6 million, supported by a more favourable project mix with higher profit margins. With a solid pipeline of opportunities, the Group was able to be more selective in pursuing higher-margin projects.

The decrease in revenue was mainly attributed to reduced revenue contributions from Malaysia (-31%) and China (-23%), due to a timing gap between the completion of existing projects and the commencement of new ones. This was further impacted by reduced revenue from the Industrial Gases segment. The overall decline was partially offset by stronger revenue contributions from Singapore (+15%) due to several completed Advanced Engineering projects.

Revenue from the Advanced Engineering division decreased by 10%, mainly due to the completion of several projects in Malaysia and China. Progress billing from newly secured projects in these markets is expected to pick up in the coming quarters. The decline was partially mitigated by increased project activity in Singapore, where newly secured projects have begun contributing positively.

The Process Engineering division experienced a revenue decline of 34% to RM25.8 million due to the near completion of a process engineering project in Malaysia.

Similarly, revenue from the General Contracting division fell by 34% to RM78.9 million due to lower contributions from operations in Malaysia, Singapore and China.

Revenue from the Industrial Gases division declined by 23% mainly due to lower demand for certain specialty gases and a decrease in project-related activities within the division. Nevertheless, demand for LCO₂ remained steady and even showed an improvement compared to 6M2024.

In terms of geographical breakdown in 6M2025, revenue contribution was led by Malaysia (34%), followed by Singapore (32%), China (29%) and Taiwan (2%).

(c) Variation of Results Against Preceding Quarter

	Current Quarter 2Q2025	Immediate Preceding Quarter 1Q2025	Changes	
	Unaudited 30.06.2025 RM'000	Audited 31.03.2025 RM'000	Amount RM'000	%
Revenue	282,021	270,283	11,738	4%
Profit before tax ("PBT")	41,340	34,210	7,130	21%
Profit after tax ("PAT")	32,885	26,642	6,243	23%
Profit attributable to shareholders of the company	32,886	26,646	6,240	23%

Revenue for 2Q2025 rose by 4% quarter-on-quarter to RM282.0 million, primarily supported by contributions from Malaysia and Singapore, as several new projects began to gain momentum. Aligned with the stronger topline, both PBT and PAT increased by 21% and 23% respectively, driven mainly by higher revenue and improved gross profit margins.

**EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE 2ND QUARTER ENDED 30 JUNE 2025**

B1 Review Of Performance (Cont'd)

(d) Statement of Financial Position

Financial Indicators	As at 30.06.2025 Unaudited RM'000	As at 31.12.2024 Audited RM'000
Total assets	1,223,891	1,150,185
Total equity	539,089	473,349
Debt	180,898	185,279
Fixed deposits, cash & bank balances	522,402	413,114
Net cash	341,504	227,835
Debt-to-Equity (Gearing)	0.34	0.39

As of 30 June 2025, the Group's shareholders' equity (excluding non-controlling interests) rose to RM539.0 million from RM473.3 million as of 31 December 2024. This growth was driven by the exercise of warrants and quarterly profits. During the quarter, the Company declared total dividends of RM32.8 million to its shareholders.

As of 30 June 2025, the Group's total debt declined to RM180.9 million from RM185.3 million as at 31 December 2024. The decrease was mainly attributed to the repayment of project financing in China, partially offset by additional borrowings to support working capital needs in the Industrial Gases division. Meanwhile, the Group's net cash position saw a significant improvement, rising to RM341.5 million from RM227.8 million at the end of 2024. This increase was largely driven by project-related cash inflows and proceeds from the exercise of warrants.

As a result, the Group's financial position remains robust, with an improved gearing ratio of 0.34 times.

B2 Commentary Of Prospects

The long-term outlook remains positive, underpinned by strong global semiconductor investment and the Group's ongoing expansion.

According to the SEMI World Fab Forecast, global fab equipment spending is expected to reach USD110 billion in 2025 and grow further to USD130 billion in 2026, driven by demand from foundry, memory, and AI-related applications.

In Malaysia, the National Semiconductor Strategy (NSS) has attracted over RM63 billion in semiconductor investments as of March 2025, creating opportunities for players across the value chain, including Kelington.

In the Industrial Gases division, demand remains stable, particularly for liquid carbon dioxide (LCO₂), although growth is moderated by subdued expansion in end-user industries such as food and beverage. However, overseas sales of LCO₂ are increasing.

The recent commissioning of an on-site gas generator for an optoelectronics customer has expanded the Group's product offerings to include nitrogen, hydrogen, and oxygen. In addition, the Group is exploring the production of green hydrogen in collaboration with various state authorities.

Kelington is also positioning itself to participate in the emerging carbon capture, utilisation, and storage (CCUS) sector. The Group has signed several Memoranda of Understanding (MOUs) with industry players and educational institutions to develop its technical capabilities and accelerate entry into this segment.

For the six months ended 30 June 2025, Kelington secured RM549 million in new contract wins, excluding a Letter of Intent for a project in Europe valued between EUR30 million and EUR50 million (approximately RM146 million to RM244 million). This marks a key step in expanding the Group's presence into Europe, supported by momentum from the European Chips Act.

Including carried-forward projects, the Group's total order book stood at RM1.82 billion, with RM1.33 billion outstanding.

Looking ahead, the Group remains cautiously optimistic. Despite ongoing global trade uncertainties and evolving tariffs, Kelington's strong order book, expanding presence in high-growth markets, and exposure to high-growth sectors such as semiconductors, industrial gases, and CCUS provide a solid foundation to support its long-term growth strategy.

**EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE 2ND QUARTER ENDED 30 JUNE 2025**

B3 Profit Forecast and Profit Guarantee

The Company did not announce any profit forecast or profit estimate for the FYE 31 December 2025 in any public document and hence this information is not applicable.

B4 Profit for the Period

	Quarter ended		Year-to-date ended	
	30.06.2025	30.06.2024	30.06.2025	30.06.2024
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/ (charging):				
Interest income	2,127	1,147	4,096	1,957
Interest expense	(2,166)	(2,375)	(4,320)	(4,772)
Net (provision)/ reversal of impairment loss on financial assets:				
- specified	(222)	1,922	1,857	1,922
Depreciation and amortisation	(3,212)	(2,499)	(6,088)	(4,865)
Depreciation of right-of-use assets	(796)	(1,181)	(1,850)	(2,366)
Property, plant and equipment written off	-	-	-	(6)
Unrealised Foreign exchange loss	917	(395)	616	(488)
Realised Foreign exchange loss	46	181	(60)	56
Provision of warranty costs	-	-	(13)	-
Net fair value adjustments of financial derivatives	(29)	-	(22)	434

Save as disclosed above, the other items as required under Appendix 9B, Part A(16) of the Bursa Listing Requirements are not applicable.

B5 Taxation

	Current quarter ended 30.06.2025 RM'000	Cumulative Year to date ended 30.06.2025 RM'000
Company taxation	7,705	13,453
Deferred taxation	750	2,570
	<u>8,455</u>	<u>16,023</u>

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

B6 Corporate Proposal

There were no outstanding corporate proposals announced but not completed as at the date of this quarterly report.

B7 Derivatives Financial Instruments

The outstanding foreign currency forward contracts as at 30 June 2025 were as follows:

	30.06.2025 RM'000
Type of Derivatives	
Forward Contract (US Dollar)	
Contract (Notional Value)	2,547
Less: Fair value	(2,525)
Total derivatives liabilities	<u>22</u>

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

**EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE 2ND QUARTER ENDED 30 JUNE 2025**

B8 Lease Liability and Group Borrowings

(a) Lease liability

The lease liability as at 30 June 2025 versus 30 June 2024 were as follows:

	30.06.2025 RM'000	30.06.2024 RM'000
Non-current	1,778	1,627
Current	2,025	3,635
Total	3,803	5,262

The lease liability comprises tenancy agreements of more than one year. The reduction in lease liability as of 30 June 2025, compared to the same period last year, was primarily due to rental repayments made during the 12 months.

(b) Group Borrowings

The borrowings as at 30 June 2025 versus 30 June 2024 were as follows.

	As At 30 June 2025					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
Secured						
Term Loan	RM11,445	11,445	RM73,166	73,166	RM84,611	84,611
Revolving loan	RMB7,000; NTD16,000; RM26,000	32,423	RM2,055	2,055	RMB7,000; NTD16,000; RM28,055	34,478
Post buyer Loan/ Invoice financing	RMB75,653, RM7,493	51,970	-	-	RMB75,653, RM7,493	51,970
Hire Purchase Payable	SGD43, RM1,784	1,925	SGD249, RM3,281	4,100	SGD292, RM5,065	6,025
Bank overdraft	RM11	11	-	-	RM11	11
Unsecured						
Nil	-	-	-	-	-	-
		97,774		79,321		177,095
Weighted average interest rate of borrowings						4.43%
Proportion of borrowings between fixed interest rate and floating interest rate						3%:97%

	As At 30 June 2024					
	Current Liabilities		Non-current Liabilities		Total Borrowings	
	Currency ('000)	RM'000	Currency ('000)	RM'000	Currency ('000)	RM'000
Secured						
Term Loan	RM14,987	14,987	RM72,470	72,470	RM87,457	87,457
Revolving loan	RM23,000	26,598	RM2,500	2,500	RM25,500	29,098
Post buyer loan/Invoice financing	RMB98,026, RM5,016	68,694	-	-	RMB98,026, RM5,016	68,694
Hire Purchase Payable	SGD43, RM1,866	2,014	SGD299, RM3,968	5,009	SGD342, RM5,834	7,023
Bank overdraft	RM186	186	-	-	RM186	186
Unsecured						
Nil	-	-	-	-	-	-
		112,479		79,979		192,458
Weighted average interest rate of borrowings						5.02%
Proportion of borrowings between fixed interest rate and floating interest rate						4%:96%

As of 30 June 2025, the term loan for the industrial gas segment has decreased due to scheduled repayments, but additional drawdowns have commenced to support its working capital requirements. In comparison to the same period last year, both project financing and working capital needs for KESH have declined overall. Conversely, working capital utilisation for KETW has increased in line with project-related demands.

**EXPLANATORY NOTES TO THE QUARTERLY REPORT
FOR THE 2ND QUARTER ENDED 30 JUNE 2025**

B9 Material Litigation

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

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

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

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

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

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

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

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

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

B10 Dividends Payable

On 28 May 2025, the Board of Directors of KGB declared the payment of first interim tax-exempt dividend of 2.5 sen per ordinary share in respect of the FYE 31 December 2025 amounting to RM18,386,571. This had been paid on 10 July 2025.

On 21 Aug 2025, the Board of Directors of KGB declared the payment of second interim tax-exempt dividend of 2.5 sen per ordinary share in respect of the FYE 31 December 2025 amounting to RM18,893,775. This will be paid on 10 October 2025.

B11 Earnings Per Share

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

	Current Quarter Ended		Cumulative Year To Date Ended	
	30.06.2025	30.06.2024	30.06.2025	30.06.2024
Profit After Taxation attributable to owners of the company (RM'000)	32,886	26,668	59,532	51,490
Weighted average number of ordinary shares in issue ('000)	729,298	667,861	723,877	659,695
Basic Earnings Per Share (Sen)	4.51	3.99	8.22	7.81
Diluted Earnings Per Share (Sen) # ^	4.07	3.50	7.37	6.78

Note :

- Assuming the full exercise of the remaining 122,860,856 (30.06.2024 - 185,020,142) convertible warrants

^ - Assuming the exercise of 20,990,650 (30.06.2024 - 21,281,900) shares, which is the remaining unexercised options of Employee Shares Scheme.

B12 Comparative Figures

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

Business segment

	As previously reported			As restated		
	Manufacturing and Trading Segment:		Construction segment	Engineering segment		Industrial Gases segment
	Industrial Gases	Equipments & materials		Construction activities	Equipments & materials	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'001
30.06.2024						
Revenue						
External revenue	71,127	402	588,956	579,501	24	80,960
Inter-segment revenue	193	30,652	5,600	5,222	31,093	193
	71,320	31,054	594,556	584,723	31,117	81,153